



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 21, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Falcon National Bank
Charter Number 24373

183 Cedar Drive
Foley, MN 56301

Office of the Comptroller of the Currency

Minneapolis Field Office
Campbell Mithun Tower 222 South Ninth Street
Minneapolis, MN. 55402-3393

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

This institution is rated Satisfactory.

- The bank's loan-to-deposit ratio is reasonable.
- A substantial majority of the bank's loans are made inside the bank's assessment area.
- Loan distribution reflects reasonable penetration among businesses of different sizes.
- The geographic distribution of business loans among low- and moderate-income census tracts within the assessment area is excellent.

SCOPE OF EXAMINATION

We assessed Falcon National Bank's (FNB) record of meeting the credit needs of the community, consistent with the provisions set forth in the Community Reinvestment Act (CRA). The assessment period spanned from June 2006 to March 2011.

Our examination focused on the bank's assessment area (AA), the St. Cloud Metropolitan Statistical Area (MSA). In order to determine the bank's lending performance, we selected primary products based on loan originations for the period beginning January 1, 2009 and ending March 31, 2011. We determined that business loans are the bank's only primary product, representing 60% by dollar volume and 41% by number of originations. We selected a random sample of 20 business loans to conduct our analysis.

DESCRIPTION OF INSTITUTION

FNB is a \$118 million commercial financial institution located in the St. Cloud Metropolitan Statistical Area (MSA). The bank has locations in St. Cloud and Foley. Both branches offer full-service banking and deposit-taking Automatic Teller Machines (ATM). FNB is 100% owned by Centra Ventures Inc., a one-bank holding company.

FNB's primary focus is commercial lending. As of March 31, 2011, FNB reported outstanding loans (by dollar amount and percent of loans) in the following categories: commercial (\$64.9 million or 66%), residential real estate (\$25.2 million or 26%), agriculture (\$6,238 or 6%) and consumer (\$2.1 million or 2%). Net loans and leases total \$93 million or 78% of total assets.

FNB received a "Satisfactory" rating at its May 3, 2006 CRA examination. There are no financial, legal, or other factors which impede the bank's ability to meet the credit needs in its assessment area.

DESCRIPTION OF THE ST. CLOUD MSA ASSESSMENT AREA

FNB's assessment area (AA) consists of 21 whole contiguous census tracts (CTs) located in the

St. Cloud MSA. Benton County comprises 6 of the CTs and Stearns County comprises 15 of the CTs. Of these CTs, 1 is designated low-income, 3 are designated moderate-income, 14 are designated middle-income, and 3 are designated upper-income. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts.

Demographic and Economic Characteristics of St. Cloud MSA AA	
<i>Population</i>	
Number of Families	25,301
Number of Households	40,324
Number of Low-Income Families	3,879
% of Low-Income Families	15.33%
Number of Moderate-Income Families	4,781
% of Moderate-Income Families	18.90%
Number of Middle-Income Families	6,895
% of Middle-Income Families	27.25%
Number of Upper-Income Families	9,746
% of Upper-Income Families	38.52%
<i>Geographies</i>	
Number of Census Tracts	21
% Low-Income Census Tracts	4.76%
% Moderate-Income Census Tracts	14.29%
% Middle-Income Census Tracts	66.67%
% Upper-Income Census Tracts	14.29%
% N/A Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2000 MSA MFI for AA	\$51,474
HUD Estimated 2011 MFI	\$66,800
<i>Economic Indicators</i>	
Unemployment Rate Benton County (Updated 2010)	8.0%
Unemployment Rate Stearns County (updated 2010)	7.2%
Median Housing Value	\$101,622
% of Households Below Poverty Level	9.85%

Competition in the AA is strong. There are 35 financial institutions in the area, including FNB, along with several credit unions and branches of four large national banking companies. Of these financial institutions, FNB has the twenty eighth highest deposit volume, with 3.13% of the market share according to the June 30, 2010 Federal Deposit Insurance Corporation Deposit Market Share Report. The large national banking companies comprise 41% of total market

share.

Our community contact listed small business lending as a credit need in the AA. The contact stated that area banks are doing a good job of meeting the credit needs in the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank’s Net Loan-to-Deposit (LTD) ratio is reasonable based on its financial capacity and lending opportunities. The quarterly LTD ratio averaged 86% in the 20 calendar quarters from June 30, 2006 to March 31, 2011. FNB’s LTD compares reasonably to other similarly situated banks in the AA. We compared the bank to other institutions with total assets ranging from \$70 million to \$160 million with a presence within the bank’s AA. The average LTD ratio for the five similarly situated banks is 85%.

Average Loan-to-Deposit Ratio	Assets Size	Average LTD Ratio
Institution	(As of 3/31/2011)	(2Q06 to 1Q11)
Bankvista	\$109.7 million	103.47%
Plaza Park State Bank	\$159.2 million	89.55%
The First National Bank of Cold Spring	\$73.7 million	87.84%
Falcon National Bank	\$118.4 million	85.54%
Sentry Bank	\$150.4 million	73.66%
Avon State Bank	\$101.5 million	71.50%

Lending in Assessment Area

FNB originated a majority of its loans to borrowers inside its defined AA. Based on the sample of 20 commercial loans, 70% by number and 68% by dollar were made to businesses within the banks AA during the evaluation period.

Lending in St. Cloud AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	14	70%	6	30%	20	3,357	68%	1,588	32%	4,945
Totals	14	70%	6	30%	20	3,357	68%	1,588	32%	4,945

Source: OCC Loan Sample

Lending to Businesses of Different Sizes

The distribution of borrowers reflects reasonable penetration among businesses of different sizes in the bank’s AA. Commercial lending activity in the AA is reasonable compared to the community demographics. The following table compares the bank’s commercial lending activity by revenue size to community demographics

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75.77%	5.23%	19.00%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%
% of Bank Loans in AA by \$	59%	41%	0%	100%

Source: OCC Loan Sample and 2010 Geo Demographic Data

Geographic Distribution of Loans

The geographic distribution of loans throughout the AA reflects an excellent dispersion of lending to businesses located in low- and moderate-income CTs. Business loans originated to borrowers in low- and moderate-income census tracts exceeds community demographics. The following chart shows FNB’s lending compared to demographics.

Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Loans						
Commercial	4.75%	6%	10.48%	11 %	61.72%	50%	23.05%	33 %

Source: Loan Sample and 2010 Geo Demographic Data

Responses to Complaints

FNB has not received any CRA related complaints since the last CRA evaluation.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community needs.