



PUBLIC DISCLOSURE

February 4, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number 6813

31 Central Street East
Bagley, MN 56621

Office of the Comptroller of the Currency

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222 South Ninth Street, Suite 800
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, and should not 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.

Table of Contents

OVERALL CRA RATING	3
DEFINITIONS AND COMMON ABBREVIATIONS	4
DESCRIPTION OF INSTITUTION	8
SCOPE OF THE EVALUATION.....	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	10
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....	10
LENDING TEST	10
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS	B-1

Overall CRA Rating

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The Lending Test is rated: Satisfactory.

Primary factors supporting the rating of First National Bank include:

- *The bank's loan-to-deposit (LTD) ratio is reasonable.*
- *A substantial majority of the bank's loans are inside its assessment areas (AAs).*
- *The distribution of loans to households of different income levels reflects excellent penetration within the AAs.*
- *The distribution of loans amongst geographies of different income levels reflects reasonable dispersion within the AAs.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. CTs generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA(s) or outside the AA(s) provided the bank has adequately addressed the community development needs of its AA(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A CT tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

First National Bank (FNB) is a federally chartered national bank headquartered in Bagley, Minnesota. There are two branch locations with the main office located in Bagley, Minnesota and a branch in Fosston, Minnesota. FNB is a single-state, small community bank that offers traditional products and services. As of December 31, 2018, the loan portfolio totaled \$61 million, or 70 percent of average assets, with total deposits of \$78 million, and tier one capital of \$7 million. The loan portfolio, by outstanding dollar volume, is comprised of 61 percent real estate loans, 14 percent commercial loans, 13 percent consumer loans, and 12 percent agricultural loans. The bank is a wholly owned subsidiary of the holding company, First National Agency of Bagley, Inc.

FNB has two AAs, the Grand Forks MSA, consisting of two CTs, and the Clearwater/Mahnomen Non-MSA AA, consisting of five CTs. A former branch in Wilton, MN serving CT 4501 of Beltrami County, closed early in the evaluation period. We removed this county and CT from the bank's two AAs, and did not give any consideration in our lending test.

FNB received a satisfactory rating at the previous CRA performance evaluation dated November 12, 2013. FNB did not open any new branches during the evaluation period and the only branch closure was the Wilton, Minnesota location referenced above. There are no legal, financial, or other factors impeding the bank's ability to meet its CRA obligations.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated FNB's CRA performance using small bank examination procedures, which consists of the lending test. The lending test evaluates the bank's record of meeting the credit needs of its AAs. Specifically, we analyzed primary loan products to determine the amount of lending in the AAs; the geographic distribution of lending throughout the two AAs; the distribution of lending among farms and businesses of different sizes; and distribution of borrowers of different income levels.

The evaluation period for the LTD ratio and the complaint portions of the lending test covered November 12, 2013 to January 8, 2019. The evaluation period for the remaining portions of the lending test covered January 1, 2015 to December 31, 2017.

We assessed performance by selecting primary products based on the number and dollar volume of loans originated between January 1, 2015 and December 31, 2017. Given changes in census data, we evaluated performance in two separate timeframes, one from January 1, 2015 through December 31, 2016, and the other from January 1, 2017 through December 31, 2017. Accordingly, we used the 2010 U.S. Census Data for the demographic comparators for the 2015-2016 lending tests, and the 2015 ACS

U.S. Census Data for the demographic comparators for the 2017 lending test. Primary products in the Clearwater/Mahnomen Non-MSA AA are commercial and consumer loans during the 2015-2016 period, and agricultural and consumer in 2017. Primary products in the Grand Forks MSA AA are agricultural and consumer loans for both time periods. The tables below show the number and dollar volume of loans originated from January 1, 2015 through December 31, 2016, and from January 1, 2017 through December 31, 2017 for each AA.

2015/2016 Clearwater/Mahnomen Non-MSA	Number	%	Dollar Amount	%
Commercial	294	19.00%	\$ 14,939,534.92	36.15%
Ag	289	18.68%	\$ 11,156,162.19	26.99%
RRE	69	4.46%	\$ 7,080,960.70	17.13%
<u>Consumer</u>	<u>895</u>	<u>57.85%</u>	<u>\$ 8,153,705.99</u>	<u>19.73%</u>
Total	1547	100.00%	\$ 41,330,363.80	100.00%

2015/2016 Grand Forks MSA	Number	%	Dollar Amount	%
Commercial	128	17.46%	\$ 4,066,731.24	33.71%
Ag	183	24.97%	\$ 3,942,484.51	32.68%
RRE	13	1.77%	\$ 862,375.40	7.15%
<u>Consumer</u>	<u>409</u>	<u>55.80%</u>	<u>\$ 3,193,240.57</u>	<u>26.47%</u>
Total	733	100.00%	\$ 12,064,831.72	100.00%

2017 Clearwater/Mahnomen Non-MSA	Number	%	Dollar Amount	%
Commercial	158	18.24%	\$ 6,324,153.09	27.40%
Ag	171	19.75%	\$ 9,157,184.96	39.67%
RRE	32	3.70%	\$ 2,804,581.49	12.15%
<u>Consumer</u>	<u>505</u>	<u>58.31%</u>	<u>\$ 4,796,557.48</u>	<u>20.78%</u>
Total	866	100.00%	\$ 23,082,477.02	100.00%

2017 Grand Forks MSA	Number	%	Dollar Amount	%
Commercial	81	19.10%	\$ 2,185,079.21	32.58%
Ag	104	24.53%	\$ 2,324,311.00	34.65%
RRE	7	1.65%	\$ 539,069.21	8.04%
<u>Consumer</u>	<u>232</u>	<u>54.72%</u>	<u>\$ 1,659,156.52</u>	<u>24.74%</u>
Total	424	100.00%	\$ 6,707,615.94	100.00%

Data Integrity

We did not experience any data integrity concerns during our review. The bank is required to submit Home Mortgage Disclosure Act data but we did not review this data because residential real estate is not a primary lending product in either AA.

Selection of Areas for Full-Scope Review

Both the Grand Forks MSA AA and Clearwater/Mahnomen Non-MSA AA received full scope-reviews. Please refer to Appendix A for an outline of the examination scope and Appendix B for demographic information regarding both AAs for the two time periods evaluated during this activity.

Ratings

The bank's overall rating is based on the lending performance within the two designated AAs. Certain areas exceeded the requirements for a satisfactory rating, while lending to consumers in the Clearwater/Mahnomen Non-MSA AA reflected poor dispersion concerning geographic distribution of lending to the moderate income CTs in the AA. We weighted each of these items similarly and arrived at an overall satisfactory CRA performance rating.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution engaged in discriminatory or other illegal credit practices that require consideration in this evaluation

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

FNB's performance under the lending test is Satisfactory. The bank's lending activity reflects satisfactory responsiveness to credit needs within the AAs.

We evaluated FNB's lending performance on five performance criteria: the LTD ratio; lending in the AAs; lending to borrowers of difference incomes; geographic distribution of loans; and responses to CRA related complaints.

Loan-to-Deposit Ratio

FNB's average LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. FNB's quarterly net LTD ratio averaged 68.26 percent over the 20 quarters during our evaluation period and ranks second among four similarly situated banks with similar asset sizes and deposit market share within the AAs. The ratio ranged from a quarterly low of 59.39 percent to a quarterly high of 75.72 percent. The average LTD ratio of the four peer banks is 57.92 percent. The following table shows LTD ratios and rankings:

Loan-to-deposit Ratio Institution (Headquarters)	Assets as of 09/30/2018 (\$000s)	Average LTD Ratio (%)
Ultima Bank Minnesota (Winger, MN)	\$180,958	110.31%
First National Bank (Bagley, MN)	\$87,311	68.26%
Northern Sky Bank (Crookston, MN)	\$70,637	60.18%
The First National Bank of McIntosh (McIntosh)	\$26,805	41.98%
Northern State Bank of Gonvick (Clearwater, MN)	\$37,086	19.22%

Source: Call Report data

Lending in Assessment Area

FNB originates a substantial majority of its loans within its AAs. We analyzed a random sample of 80 consumer loans, 60 agricultural loans, and 20 small business loans originated during the evaluation period to determine the bank's lending in its AAs. FNB originated 91 percent of loans by dollar and number within its AAs. The following table shows the lending by product type inside and outside the AAs.

Lending Inside and Outside of the AAs 2015-2017										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	18	90%	2	10%	20	\$ 733	97%	\$ 26	3%	\$ 759
Agriculture	53	88%	7	12%	60	\$ 1,578	90%	\$ 170	10%	\$ 1,748
Consumer	75	94%	5	6%	80	\$ 394	85%	\$ 68	15%	\$ 462
Total	146	91%	14	9%	160	\$ 2,705	91%	\$ 264	9%	\$ 2,969

Source: Loan sample.

Due to rounding, totals may not equal 100 %

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans to borrowers of different income levels reflects excellent distribution.

Borrower Distribution of Business Loans

FNB's lending to businesses exceeded the demographic comparator in the evaluation period. In the Clearwater/Mahnomen Non-MSA AA, business loans are a primary product only in the 2015-2016 time period. Business loans are not a primary product in the Grand Forks MSA AA during either time period. The following table displays the level of business lending by revenue level of the borrowers.

Borrower Distribution of Loans to Businesses in Clearwater/Mahnomen County Non-MSA AA									
Year	Total Loans to Businesses			Businesses with Revenues ≤ 1MM		Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	% of Businesses	% of Bank Loans by #	% of Businesses	% of Bank Loans by #	% of Businesses	% of Bank Loans by #
2015- 2016	20	\$786M	100	80.4	95.0	5.0	5.0	14.6	0.0

*Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
Due to rounding, totals may not equal 100.0 %*

Borrower Distribution of Agricultural Loans

FNB's lending to small farms (less than \$1 million in annual revenues) exceeded the demographic comparator in both sample periods. All loans in the samples were originated to small farmers and the AAs consist of nearly all small farms. Agricultural loans are not a primary product for the 2015/2016 time period in the Clearwater/Mahnomen Non-MSA AA. The following tables display the level of agricultural lending by revenue level of the borrowers.

Borrower Distribution of Loans to Farms in 2015-2016 within the Grand Forks MSA AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.0%	2.0%	0.0%	100%
% of Bank Loans in AA by #	100.0%	0.0%	0.0%	100%
% of Bank Loans in AA by \$	100.0%	0.0%	0.0%	100%

Source: Loan sample; Dun and Bradstreet data.

Borrower Distribution of Loans to Farms in 2017 within the Grand Forks MSA AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97.1%	2.9%	0.0%	100%
% of Bank Loans in AA by #	100.0%	0.0%	0.0%	100%
% of Bank Loans in AA by \$	100.0%	0.0%	0.0%	100%

Source: Loan sample; Dun and Bradstreet data.

Borrower Distribution of Loans to Farms in 2017 within the Clearwater/Mahnomen Non-MSA AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.4%	0.0%	0.6%	100%
% of Bank Loans in AA by #	100.0%	0.0%	0.0%	100%
% of Bank Loans in AA by \$	100.0%	0.0%	0.0%	100%

Source: Loan sample; Dun and Bradstreet data.

Borrower Distribution of Consumer Loans

FNB's distribution of consumer loans to borrowers of different income levels reflects excellent distribution. Lending to low and moderate income borrowers significantly exceeds the percent of low and moderate income households in both AAs and sample periods. The following tables shows the distribution of consumer loans among borrowers of different income levels in the AAs.

Borrower Distribution of Consumer Loans in the Grand Forks MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Year	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
2015-2016	28.5	35.0	17.1	40.0	17.1	20.0	37.3	5.0
2017	28.4	45.0	18.5	35.0	18.1	15.0	35.0	5.0

Source: 01/01/2015 – 12/31/2017 Bank Data; 2010 U.S. Census; 2015 ACS US Census

Due to rounding, totals may not equal 100.0 %

Borrower Distribution of Consumer Loans in the Clearwater/Mahnomen Non-MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Year	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
2015-2016	28.2	40.0	19.2	16.7	19.8	33.3	32.9	10.0
2017	29.6	30.0	17.5	40.0	19.7	15.0	33.1	15.0

Source: 01/01/2015 – 12/31/2017 Bank Data; 2010 U.S. Census; 2015 ACS US Census

Due to rounding, totals may not equal 100.0 %

Geographic Distribution of Loans

FNB's geographic distribution of loans reflects reasonable dispersion. Business and agricultural loans in the Clearwater/Mahnomen Non-MSA AA reflect reasonable geographical dispersion. However, consumer loan dispersion in the Clearwater/Mahnomen Non-MSA AA is significantly lower than the comparative ratio.

Lending in the Grand Forks MSA AA reflects reasonable geographic dispersion. Refer to the sections below for additional details.

Geographic Distribution of Business Loans

FNB's geographic distribution of business loans in the Clearwater/Mahnomen Non-MSA AA reflects reasonable dispersion. Originations in 2015-2016 are within a reasonable range of performance compared to the demographic comparator, and lending to moderate income census tracks significantly exceeds aggregate peer levels. Business loans are not a primary product for the Clearwater/Mahnomen Non-MSA AA in 2017 and the Grand Forks MSA AA in either time period. The following table shows the level of business lending by CT income level.

Geographic Distribution of Loans to Businesses within Clearwater/Mahnomen Non-MSA AA												
CT Income Level	Low			Moderate			Middle			Upper		
Year	% of AA Businesses	% of Bank Loans By #	Aggregate	% of AA Businesses	% of Bank Loans By #	Aggregate	% of AA Businesses	% of Bank Loans By #	Aggregate	% of AA Businesses	% of Bank Loans By #	Aggregate
2015 - 2016	0.0	0.0	0.0	74.9	60.0	3.4	25.1	40.0	96.6	0.0	0.0	0.0

Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
Due to rounding, totals may not equal 100.0 %

Geographic Distribution of Agricultural Loans

FNB's geographic distribution of agricultural loans reflects reasonable dispersion. Agricultural lending in the Grand Forks MSA AA reflects more than reasonable dispersion compared to the demographic comparator in both time periods. The Clearwater/Mahnomen Non-MSA AA 2017 agricultural lending reflects reasonable dispersion as moderate income lending is only slightly lower than the comparator. The following three tables show the level of agricultural lending by CT income level. Agricultural loans are not a primary product for the Clearwater/Mahnomen Non-MSA AA in 2015-2016.

Geographic Distribution of Loans to Farms in 2015-2016 within the Grand Forks MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural	0.0%	0.0%	53.3%	95.0%	46.7%	5.0%	0.0%	0.0%

Source: Loan sample; Dun and Bradstreet data.

Geographic Distribution of Loans to Farms in 2017 within the Grand Forks MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural	0.0%	0.0%	49.6%	100.0%	50.4%	0.0%	0.0%	0.0%

Source: Loan sample; Dun and Bradstreet data.

Geographic Distribution of Loans to Farms in 2017 within the Clearwater/Mahnomen Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural	0.0%	0.0%	22.4%	20.0%	77.6%	80.0%	0.0%	0.0%

Source: Loan sample; Dun and Bradstreet data.

Geographic Distribution of Consumer Loans

FNB's geographic distribution of consumer loans reflects varied levels of dispersion depending on the AA. Consumer lending in the Grand Forks MSA AA reflects more than reasonable dispersion. Ratios of consumer loans made to moderate income CTs significantly exceeds the demographic comparator. We are putting more weight on the Grand Forks MSA AA when assessing overall consumer loan geographic distribution due to the consistency of CT income categories from the 2015-2016 evaluation period to the 2017 evaluation period.

Geographic Distribution of Consumer Loans in the Grand Forks MSA AA								
CT Income Level	Low		Moderate		Middle		Upper	
Year	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
2015-2016	0.0	0.0	48.8	95.0	51.2	5.0	0.0	0.0
2017	0.0	0.0	50.4	80.0	49.6	20.0	0.0	10.0

Source: 01/01/2015 – 12/31/2017 Bank Data; 2010 U.S. Census; 2015 ACS US Census

The Clearwater/Mahnomen Non-MSA AA reflects poor dispersion of lending to moderate income CTs compared to demographic comparator. FNB's ability to lend to consumers in the moderate income CTs is limited because the bank's main office physical location is in a middle income CT. Further, two of the five Clearwater/Mahnomen Non-MSA CTs changed from moderate income to middle income in 2017. The impact of the CT change is clear when analyzing differences in 2015-2016 and 2017 data within the Clearwater/Mahnomen Non-MSA AA.

Geographic Distribution of Consumer Loans in Clearwater/Mahnomen Non-MSA AA								
CT Income Level	Low		Moderate		Middle		Upper	
Year	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
2015-2016	0.0	0.0	79.5	50.0	20.5	50.0	0.0	0.0
2017	0.0	0.0	16.1	3.3	83.9	96.7	0.0	10.0

Source: 01/01/2015 – 12/31/2017 Bank Data; 2010 U.S. Census; 2015 ACS US Census

Due to rounding, totals may not equal 100.0 %

Responses to Complaints

During the evaluation period, FNB did not receive any complaints related to performance in meeting AA credit needs.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): (1/1/2015-12/31/2017)	
Financial Institution	Products Reviewed	
First National Bank (FNB) Bagley, MN	Agricultural Loans Consumer Loans Business Loans	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Grand Forks MSA AA	Full-Scope	The MSA AA includes two CTs in Polk County, which is part of the Grand Forks, ND-MN MSA.
Clearwater/Mahnomen Non-MSA AA	Full-Scope	The Non-MSA AA includes three CTs in Clearwater County and two CTs in Mahnomen County.

Appendix B: Community Profiles for Full-Scope Areas

Table A – Demographic Information of the Assessment Area						
Assessment Area: FNB Clearwater/Mahnomen Non-MSA AA 2015 - 2016						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	80.0	20.0	0.0	0.0
Population by Geography	14,108	0.0	80.9	19.1	0.0	0.0
Housing Units by Geography	7,487	0.0	82.6	17.4	0.0	0.0
Owner-Occupied Units by Geography	4,360	0.0	82.3	17.7	0.0	0.0
Occupied Rental Units by Geography	1,332	0.0	70.2	29.8	0.0	0.0
Vacant Units by Geography	1,795	0.0	92.4	7.6	0.0	0.0
Businesses by Geography	913	0.0	74.4	25.6	0.0	0.0
Farms by Geography	182	0.0	90.7	9.3	0.0	0.0
Family Distribution by Income Level	3,875	26.4	23.3	21.7	28.5	0.0
Household Distribution by Income Level	5,692	28.2	19.2	19.8	32.9	0.0
Median Family Income Non-MSAs - MN		\$57,683	Median Housing Value			\$103,329
			Median Gross Rent			\$487
			Families Below Poverty Level			13.3%
<i>Source: 2010 U.S. Census and 2016 D&B Data</i> <i>Due to rounding, totals may not equal 100.0 %</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Table A – Demographic Information of the Assessment Area						
Assessment Area: FNB Clearwater/Mahnomen Non-MSA AA 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	20.0	80.0	0.0	0.0
Population by Geography	14,248	0.0	17.5	82.5	0.0	0.0
Housing Units by Geography	7,538	0.0	20.0	80.0	0.0	0.0
Owner-Occupied Units by Geography	4,203	0.0	16.9	83.1	0.0	0.0
Occupied Rental Units by Geography	1,284	0.0	13.6	86.4	0.0	0.0
Vacant Units by Geography	2,051	0.0	30.5	69.5	0.0	0.0
Businesses by Geography	867	0.0	10.6	89.4	0.0	0.0
Farms by Geography	165	0.0	22.4	77.6	0.0	0.0
Family Distribution by Income Level	3,720	28.8	19.0	21.7	30.6	0.0
Household Distribution by Income Level	5,487	29.6	17.5	19.7	33.1	0.0
Median Family Income Non-MSAs - MN		\$63,182	Median Housing Value			\$110,359
			Median Gross Rent			\$537
			Families Below Poverty Level			14.9%
<i>Source: 2015 ACS Census and 2017 D&B Data</i> <i>Due to rounding, totals may not equal 100.0 %</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA is reasonable, complies with regulatory requirements, and does not arbitrarily exclude any low or moderate income geographies nor reflect illegal discrimination. The Clearwater/Mahnomen Non-MSA AA consists of five CTs all falling outside of an MSA. In 2015, the AA consisted of no low or upper CTs, four moderate income CTs, and one middle income CT. In 2017, two of the CTs were changed from moderate to middle income.

Based on 2015 ACS census data, the population of the AA is 14,248. Approximately 17.5 percent of the population lives in a moderate income CT and 82.5 percent live in a middle income CT. The 2017 FFIEC Updated Non-MSA Median Family Income is \$63,182. Approximately 14.9 percent of families are living below the poverty level.

According to our discussion with a community contact, counties with smaller populations such as Mahnomen County are struggling due to a lack of jobs. She noted a large need for affordable housing and loans to finance those projects; a need for gap financing programs providing funding to borrowers attempting to buy homes where appraised values are less than the agreed upon sales price; and programs for down payment assistance. The community contact noted she is new to her position and has not had the opportunity to interact with local financial institutions. She stated she has not seen specific instances where financial institutions are providing special community development programs, but she believes local banks are trying to help the local community in any way they can.

Table A – Demographic Information of the Assessment Area

Assessment Area: FNB Grand Forks MSA AA 2015-2016

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	0.0	50.0	50.0	0.0	0.0
Population by Geography	7,468	0.0	48.1	51.9	0.0	0.0
Housing Units by Geography	4,368	0.0	43.0	57.0	0.0	0.0
Owner-Occupied Units by Geography	2,578	0.0	47.9	52.1	0.0	0.0
Occupied Rental Units by Geography	702	0.0	52.1	47.9	0.0	0.0
Vacant Units by Geography	1,088	0.0	25.5	74.5	0.0	0.0
Businesses by Geography	630	0.0	49.4	50.6	0.0	0.0
Farms by Geography	153	0.0	54.2	45.8	0.0	0.0
Family Distribution by Income Level	2,145	26.9	20.8	25.3	27.0	0.0
Household Distribution by Income Level	3,280	28.5	17.1	17.1	37.3	0.0
Median Family Income MSA - 24220 Grand Forks, ND-MN MSA		\$64,258	Median Housing Value			\$104,650
			Median Gross Rent			\$474
			Families Below Poverty Level			9.3%

Source: 2010 U.S. Census and 2016 D&B Data

Due to rounding, totals may not equal 100.0 %

(*) The NA category consists of geographies that have not been assigned an income classification.

Table A – Demographic Information of the Assessment Area

Assessment Area: FNB Grand Forks MSA AA 2017

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	0.0	50.0	50.0	0.0	0.0
Population by Geography	7,316	0.0	48.8	51.2	0.0	0.0
Housing Units by Geography	4,305	0.0	43.4	56.6	0.0	0.0
Owner-Occupied Units by Geography	2,432	0.0	47.4	52.6	0.0	0.0
Occupied Rental Units by Geography	681	0.0	60.9	39.1	0.0	0.0
Vacant Units by Geography	1,192	0.0	25.1	74.9	0.0	0.0
Businesses by Geography	626	0.0	48.6	51.4	0.0	0.0
Farms by Geography	139	0.0	49.6	50.4	0.0	0.0
Family Distribution by Income Level	1,907	27.4	20.8	23.4	28.4	0.0
Household Distribution by Income Level	3,113	28.4	18.5	18.1	35.0	0.0
Median Family Income MSA - 24220 Grand Forks, ND-MN MSA		\$70,827	Median Housing Value			\$124,795
			Median Gross Rent			\$573
			Families Below Poverty Level			9.7%

Source: 2015 ACS Census and 2017 D&B Data

Due to rounding, totals may not equal 100.0 %

() The NA category consists of geographies that have not been assigned an income classification.*

The AA is reasonable, complies with regulatory requirements, and does not arbitrarily exclude any low or moderate income geographies nor reflect illegal discrimination. The Grand Forks MSA AA consists of two CTs that fall within the Grand Forks MSA. In 2015 and 2017, the AA consisted of one moderate and one middle income CT.

Based on 2015 ACS census data, the population of the AA is 7,316. Approximately 49 percent of the population lives in a moderate income CT and 51 percent live in a middle income CT. The 2017 FFIEC Updated Non-MSA Median Family Income is \$70,827. Approximately 9.7 percent of families are living below the poverty level.

According to our discussion with a community contact, local financial institutions generally provide assistance to their communities. Assistance includes referrals to down payment assistance programs and interest free small business loans. The community contact did not identify specific areas that local financial institutions can improve. He noted the population appears to have more disposable income in recent years, especially in counties where the number of manufacturing jobs are increasing. These counties also have a need for housing; however, apartments are being built in these communities. Other needs include housing repairs, but the local Housing Redevelopment Authority offers loans to community members with favorable terms such as forgivable principal balances after five-years and zero percent interest rates.