



PUBLIC DISCLOSURE

September 4, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Bemidji
Charter Number 5582

1600 Paul Bunyan Drive, NW
Bemidji, MN 56601

Office of the Comptroller of the Currency

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	9
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	11
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS	12
LENDING TEST.....	12
COMMUNITY DEVELOPMENT TEST.....	16
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS	B-1

Overall CRA Rating: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The primary factors supporting First National Bank Bemidji's (FNBB) rating include:

- FNBB's loan-to-deposit ratio (LTD) is reasonable based on the institution's size, financial condition, and the assessment area's (AA) credit needs;
- FNBB originated a majority of its loans within its AA;
- FNBB's distribution of loans reflects excellent penetration among businesses of different sizes and borrowers of different income levels;
- FNBB's distribution of loans reflects reasonable dispersion throughout census tracts of different income levels; and
- FNBB demonstrates adequate responsiveness to the community development needs in its AA.

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 (Aggregate): 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/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts 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. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development (CD): 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 assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(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 census 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/assessment area.

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 (MD): 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 (MSA): 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

FNBB is an intrastate community bank headquartered in Bemidji, MN. As of June 30, 2018, FNBB had \$665 million in total assets. FNBB is wholly-owned by First National Bank of Bemidji ESOP and Trust, a single-bank holding company located in Bemidji, MN. FNBB operates in the state of Minnesota and has one AA which includes three counties in northern Minnesota. FNBB serves Beltrami county and surrounding counties, including Hubbard and Cass counties.

FNBB has six branch locations throughout Bemidji, MN. Of these branches, three branches offer full-service banking services. The other three branches are limited-service branches and are located in assisted living and nursing home facilities throughout the City of Bemidji. These limited-service branches are designed to meet the needs of the individuals unable to travel to one of the full-service locations. All branches are located in moderate-income CTs, with the exception of one limited-service branch which is located in a middle-income CT. There have been no branch openings or closing during the evaluation period. FNBB operates eight automated teller machines (ATMs), four of which are deposit-taking. All ATMs are located in the City of Bemidji. FNBB's business strategy is to continue to grow its commercial and retail loan portfolios.

FNBB is a full-service financial institution offering traditional loan and deposit products, and services to commercial and consumer customers. Retail loan products include single-family mortgage loans for purchase and refinance, open-end and closed-end home equity loans, construction loans, and a variety of consumer loans. Retail deposit products include checking accounts, savings accounts, money market accounts, and certificates of deposit. Non-retail loan products include a variety of commercial loans including operating capital loans and lines of credit, business purchase and expansion loans, inventory loans, equipment loans, farm loans, logging loans, commercial real estate loans, construction loans, and letters of credit. Non-retail deposit accounts include business checking, business savings accounts, business money market accounts, cash management, and health savings accounts. FNBB also provides non-insured retail and business investing and financial planning services and products through a non-affiliated broker-dealer.

As of June 30, 2018, FNBB's net loans and leases were \$417 million representing 63 percent of total assets. Tier 1 Capital was \$97 million and the tier one leverage ratio was 14.6 percent. The loan portfolio consists of 54 percent commercial, 24 percent consumer, 20 percent residential real estate and two percent agricultural.

FNBB received an "Outstanding" rating on its last CRA evaluation dated November 23, 2015. There are no legal, financial, or other factors preventing FNBB from meeting credit needs of the community.

Scope of the Evaluation

Evaluation Period/Products Evaluated

FNBB's was evaluated under the intermediate small bank examination procedures, which included a lending test and a community development test to assess compliance with CRA. The lending test evaluates FNBB's record of meeting the credit needs of its AA through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments and CD services.

The lending test for FNBB covered the period from July 1, 2015, through December 31, 2017 (the evaluation period). The lending test was completed using two separate analysis periods due to changes in census data. Small business and consumer loans originated in 2015-2016 were compared to demographic data based on 2010 census information. The U.S. Census Bureau released updated demographic data from the 2015 American Community Survey (ACS) effective January 1, 2017. Due to the ACS change, we analyzed 2017 loans separately given changes in AA demographic data. For analysis purposes, we placed more weight on the lending activity from 2015 through 2016 as this time period represented more loan originations and purchases overall.

In our analysis of geographic distribution, we reviewed the distribution of loans within the low- and moderate-income (LMI) areas in the bank's AA. We then assessed whether there were any unexplained gaps in lending in any geographic areas within the AA.

We determined the bank's primary loan products by reviewing a loan origination report provided by the bank during the evaluation period. The following table depicts the volume of loans originated or purchased during the evaluation period:

FNBB Loan Originations from July 2015 - December 2017		
<i>Loan Type</i>	<i>% of Volume by #</i>	<i>% of Volume by \$</i>
Consumer	64.7%	21.5%
Commercial	27.0%	59.5%
Home Mortgages	6.7%	18.0%
Agricultural	1.6%	1.0%

Source: Bank loan origination report for July 2015 - December 2017

The bank's primary loan products are consumer and commercial loans. Combined, these two products represented 91.7 percent by number of loans originated during the evaluation period and 81.0 percent of loans by dollar amount.

We conducted sampling of the primary loan products to assess the bank's performance in the AA. Our sample consisted of 60 randomly selected loans of consumer and commercial loan files. These loans were used to analyze FNBB's performance

regarding lending in and out of their AA, the geographic distribution, and borrower distribution of lending to borrowers of different income levels.

The evaluation period for the CD Test was October 24, 2015 through December 31, 2017, (the CD evaluation period). We reviewed CD loans, investments, and services conducted by the bank, as well as donations provided by the First National Bank of Bemidji Foundation (Foundation), which is an affiliate. The Foundation is a nonprofit organization funded by FNBB, with a mission to meet community needs. Those activities meeting the definition of CD are included in this evaluation.

Selection of Areas for Full-Scope Review

FNBB operates in the state of Minnesota and has one AA which includes three counties in northern Minnesota. This AA was selected for a full-scope review.

Ratings

FNBB's overall rating is a blend of the lending and the CD test ratings since the last CRA evaluation.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area 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 or any affiliate whose loans have been considered as part of the institution's lending performance has 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

FNBB's performance under the lending test is rated satisfactory. FNBB's LTD ratio is reasonable. FNBB lends mostly inside its AA, had excellent penetration for business of different income levels and borrowers of different income levels, and had reasonable dispersion of loans throughout CTs of different income levels.

Loan-to-Deposit Ratio

FNBB's average LTD ratio is reasonable given the bank's size, financial condition and AA credit needs. The LTD is calculated on a bank-wide basis. FNBB's quarterly net LTD ratio averaged 78.3 percent over the ten quarters from September 30, 2015 to December 31, 2017. The ratio ranged from a quarterly low of 69.9 percent to a quarterly high of 83.5 during the evaluation period. FNBB's LTD ratio ranks first among one other similarly situated bank. There are five other banks operating in the AA; however, their asset sizes are well below the asset size of FNBB. Specifically, FNBB's asset size is approximately \$668 million, and the five banks mentioned ranged from \$31 million to \$250 million as of December 31, 2017. Similarly situated banks include those operating in the banks AAs with similar asset sizes.

Loan- to-deposit Ratio Institution (Headquarters)	Assets as of 12/31/2017 (\$000s) 3Q15 – 4Q17	Average LTD Ratio (%)
The First National Bank of Bemidji (Bemidji, MN)	\$668,327	78.3
First National Bank North (Walker, MN)	\$516,098	71.8

Source: Call Report data as of December 31, 2017

Lending in Assessment Area

FNBB originates the majority of loans inside its AA. A random sample of 40 business loans and 40 consumer loans were analyzed to determine the bank's lending in its AA. Of the 80 loans sampled, FNBB originated 76 percent of its loans by number and 88 percent of its loans by dollar volume within its AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Total	61	76.3	19	23.8	80	2,624	88.0	359	12.0	2,983

Source: Evaluation Period: 1/1/2015 - 12/31/2017 Bank Data
Due to rounding, totals may not equal 100.0

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

FNBB's borrower distribution to business of different sizes and borrowers of different income-levels reflects excellent penetration.

Business Loans

In 2015-2016 and 2017, the borrower distribution of business loans among businesses of different sizes, reflects excellent penetration. The bank's performance exceeded the demographic and significantly exceeded the aggregate for businesses with revenues equal to or less than one million dollars, which are classified as small businesses. Although there are approximately 13 percent of unreported businesses that could potentially be additional small businesses, we have no reason to believe that the non-reporters are a disproportionate amount of small businesses.

Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											
Year	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$ (000)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
2015-2016	20	1,398	100.0	580	81.1	90.0	49.7	5.5	10.0	13.4	0.0
2017	20	1,691	100.0	580	81.8	90.0	49.7	6.0	10.0	12.2	0.0

*Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
2017 D&B Data, 01/01/2017-12/31/17 Bank Data; 2017 CRA Aggregate Data
Due to rounding, totals may not equal 100.0*

Consumer Loans

The borrower distribution of consumer loans reflects excellent penetration in 2015-2016. The distribution of consumer loans to low-income borrowers exceeds the percentage of low-income borrowers living in the AA. The lending to moderate-income borrowers significantly exceeded the demographic comparator for moderate-income households living in the AA. The borrower distribution of consumer loans reflects excellent penetration in 2017. The distribution of consumer loans to low-income borrowers and moderate-income borrowers exceeded the percentage of LMI households living in the AA.

Assessment Area Distribution of Consumer Loans by Income Category of the Borrower

Year	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers	
	#	\$ (000)	% of Total	% of Households	% Bank Loans by #	% of Households	% Bank Loans by #	% of Households	% Bank Loans by #	% of Households	% Bank Loans by #	% of Households	% Bank Loans by #
2015-2016	20	273	100	27.2	35	16.4	30	18	20	38.4	15	0.0	0.0
2017	20	262	100	27.4	40	16.8	25	19	20	36.8	15	0.0	0.0

Source: 2010 U.S. Census; 01/01/2015 - 12/31/2016 Bank Data.
 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data
 Due to rounding, totals may not equal 100.0

Geographic Distribution of Loans

FNBB's distribution of loans reflects reasonable dispersion throughout the CTs of different income levels. Our geographic distribution analysis included a review of lending gaps, particularly in the LMI areas. We did not identify any unexplained conspicuous lending gaps in the AA.

Business Loans

The geographic distribution of business loans reflects poor dispersion throughout the AA in 2015-2016. The bank's performance is well below the AA demographic comparator in the AA and is below the aggregate of small business data, in the moderate-income CT, even though all three branches are located in moderate-income CTs. The geographic distribution of business loans reflects excellent dispersion throughout the AA in 2017. The bank's performance exceeds the AA demographic compactor and greatly exceeds the aggregate of small business data in the moderate-income CT.

Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography

Year	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts		
	#	\$ (\$000)	% of Total	Overall Market	% Businesses	% Bank Loans by #	Aggregate	% Businesses	% Bank Loans by #	Aggregate	% Businesses	% Bank Loans by #	Aggregate	% Businesses	% Bank Loans by #	Aggregate
2015-2016	60	\$9,556	100	580	0.0	0.0	0.0	20.8	10.0	14.0	79.2	90.0	86.0	0.0	0.0	0.0
2017	20	1,691	100		0.0	0.0	0.0	37.3	40.0	27.6	62.7	60.0	72.4	0.0	0.0	0.0

Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data,
 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data
 Due to rounding, totals may not equal 100.0

Consumer Loans

The geographic distribution of consumer loans reflects excellent dispersion throughout the AA in 2015-2016. The bank's performance exceeds the AA demographic compactor in the moderate-income CT. The geographic distribution of consumer loans reflects reasonable dispersion throughout the AA in 2017. The bank's performance is near the demographic compactor in the moderate-income CT.

Assessment Area Distribution of Consumer Loans by Income Category of the Geography													
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts	
	#	\$ (000)	% of Total	% of Households	% Bank Loans by #	% of Households	% Bank Loans by #	% of Households	% Bank Loans by #	% of Households	% Bank Loans by #	% of Households	% Bank Loans by #
2015-2016	20	273	100.0	0.0	0.0	23.2	35.0	76.8	65.0	0.0	0.0	0.0	0.0
2017	60	727	100.0	0.0	0.0	34.5	33.3	65.5	66.7	0.0	0.0	0.0	0.0

*Source: 2010 U.S. Census; 01/01/2015 - 12/31/2016 Bank Data.
2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data.
Due to rounding, totals may not equal 100.0*

Responses to Complaints

During this evaluation period, there were no complaints related to FNBB's performance in meeting AA credit needs.

COMMUNITY DEVELOPMENT TEST

The bank's CD performance demonstrates adequate responsiveness to the CD needs of its AA through CD loans, qualified investments, and CD services considering the bank's capacity and the need and availability of such opportunities for CD in the bank's AA.

Number and Amount of Community Development Loans

FNBB originated a high level of CD loans during the evaluation period. FNBB originated 54 CD loans totaling over \$14.4 million, which is approximately 15 percent of Tier One Capital. The loans made during the CD evaluation period were predominately for affordable housing needs in the AA.

Number and Amount of Qualified Investments

The volume of qualified investments originated by FNBB demonstrates poor responsiveness. FNBB and the Foundation made 31 cash donations totaling \$150 thousand during the CD evaluation period and the bank held one prior-period investment with \$500 thousand outstanding. The majority of the cash donations were for purposes of community services for LMI persons. As an example, the bank donated \$31 thousand dollars to benefit LMI youth. The one prior-period investment focused on affordable housing in the AA. All investments during the CD evaluation period equated to 0.69 percent of Tier 1 Capital.

Extent to Which the Bank Provides Community Development Services

The bank's level of CD services is adequate. This assessment is based on the opportunities in the AA and the type of organizations that benefit from the services provided. Fourteen employees worked with seven CD organizations during the CD evaluation period. Eight of the 14 employees served in as a leadership capacity as a board member. The organizations served provided affordable housing, economic development and services for LMI individuals.

Responsiveness to Community Development Needs

FNBB's CD activity reflects adequate responsiveness to the CD needs of the AA. Most of the bank's branches are located in moderate-income CTs which generally increases access to financial services to LMI individuals.

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): (07/01/2015 to 12/31/2017) Investment and Service Tests and CD Loans: (10/24/2015 to 12/31/2017)	
Financial Institution	Products Reviewed	
First National Bank of Bemidji Bemidji, MN	Commercial Consumer	
Affiliate(s)	Affiliate Relationship	Products Reviewed
First National Bank of Bemidji Foundation	Affiliate	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Minnesota Non-MSA AA	Full Scope	Beltrami, Cass, Hubbard Counties

Appendix B: Community Profile

Demographic Information of the Assessment Area						
Assessment Area: FNBB MN Non-MSA; 2015-2016						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	12	0.0	25.0	75.0	0.0	0.0
Population by Geography	52,254	0.0	27.1	72.9	0.0	0.0
Housing Units by Geography	24,510	0.0	22.3	77.7	0.0	0.0
Owner-Occupied Units by Geography	14,603	0.0	17.4	82.6	0.0	0.0
Occupied Rental Units by Geography	5,312	0.0	39.1	60.9	0.0	0.0
Vacant Units by Geography	4,595	0.0	18.4	81.6	0.0	0.0
Businesses by Geography	3,097	0.0	21.0	79.0	0.0	0.0
Farms by Geography	193	0.0	7.8	92.2	0.0	0.0
Family Distribution by Income Level	13,110	25.1	17.6	21.3	36.0	0.0
Household Distribution by Income Level	19,915	27.2	16.4	18.0	38.4	0.0
Median Family Income Non-MSAs - MN		\$57,683	Median Housing Value			\$140,395
			Median Gross Rent			\$587
			Families Below Poverty Level			13.1%
<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>						

Demographic Information of the Assessment Area						
Assessment Area: FNBB MN Non-MSA; 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	12	0.0	33.3	66.7	0.0	0.0
Population by Geography	52,938	0.0	36.7	63.3	0.0	0.0
Housing Units by Geography	24,903	0.0	32.5	67.5	0.0	0.0
Owner-Occupied Units by Geography	13,923	0.0	24.2	75.8	0.0	0.0
Occupied Rental Units by Geography	5,773	0.0	59.3	40.7	0.0	0.0
Vacant Units by Geography	5,207	0.0	25.0	75.0	0.0	0.0
Businesses by Geography	3,076	0.0	37.3	62.7	0.0	0.0
Farms by Geography	194	0.0	10.3	89.7	0.0	0.0
Family Distribution by Income Level	13,017	25.1	20.1	21.4	33.4	0.0
Household Distribution by Income Level	19,696	27.4	16.8	19.0	36.8	0.0

Median Family Income M Non-MSA	\$63,182	Median Housing Value	\$141,341
		Median Gross Rent	\$665
		Families Below Poverty Level	13.3%
<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 MN Non-MSA AA consists of all of Beltrami County, CT 9400.02 in Cass County, and CT 701 in Hubbard county. According to the FDIC Deposit Market Share Report, as of June 30, 2017, FNBB had \$483 million of the deposits in the AA. FNBB ranked first out of the 17 lenders reporting in the area, and held 25.6 percent of the market share. The major competitors in the AA are First National Bank North which holds 18.6 percent of the market and The Citizens National Bank of Park Rapids which holds 12.6 percent of the market. All other lenders in the AA hold eight percent or less of the market share.

According to the Bureau of Labor Statistics, the average unemployment rate in 2017 for the AA was 5.5 percent, which is higher than both the statewide and national unemployment rates of 3.5 percent and 4.4 percent, respectively.

There are two Indian Reservations located in the AA. According to the Minnesota Indian Affairs Council, the Leech Lake Band of Ojibwe resides in Beltrami, Cass, Itasca, and Hubbard counties, with the majority located in Cass County. The Red Lake Nation resides almost entirely in Beltrami County with a small portion located in Clearwater County. The employment opportunities on the reservations are limited and has resulted in high unemployment rates. Affordable housing on the reservations has been identified as a need by our community contact and in review of other CRA performance evaluations for banks in the AA.

Services are the major industry in the AA, representing 42.4 percent of the industry total. The largest employers in the area are Sanford Bemidji Medical Center and Clinics, Bemidji Public Schools, Bemidji State University, and Beltrami County.

In order to gather current information on the community and potential lending opportunities in the area, we contacted a community leader. Our contact indicated the community and credit needs in the Bemidji area include affordable housing, business lending due to the growing economy, and micro-loans to assist LMI individuals with unexpected or daily expenses.