

Falcon NATIONAL BANK

ANNUAL REPORT '18



A NEW ERA IN COMMUNITY BANKING

To say 2018 was a year of change is an understatement. It marked a pivotal point in our business. Though the changes had their challenges, the results have positioned us for an extraordinary new era in community banking. None of it would have been possible without our loyal customers, dedicated employees, committed advisory board and the steadfast guidance of our Board of Directors.

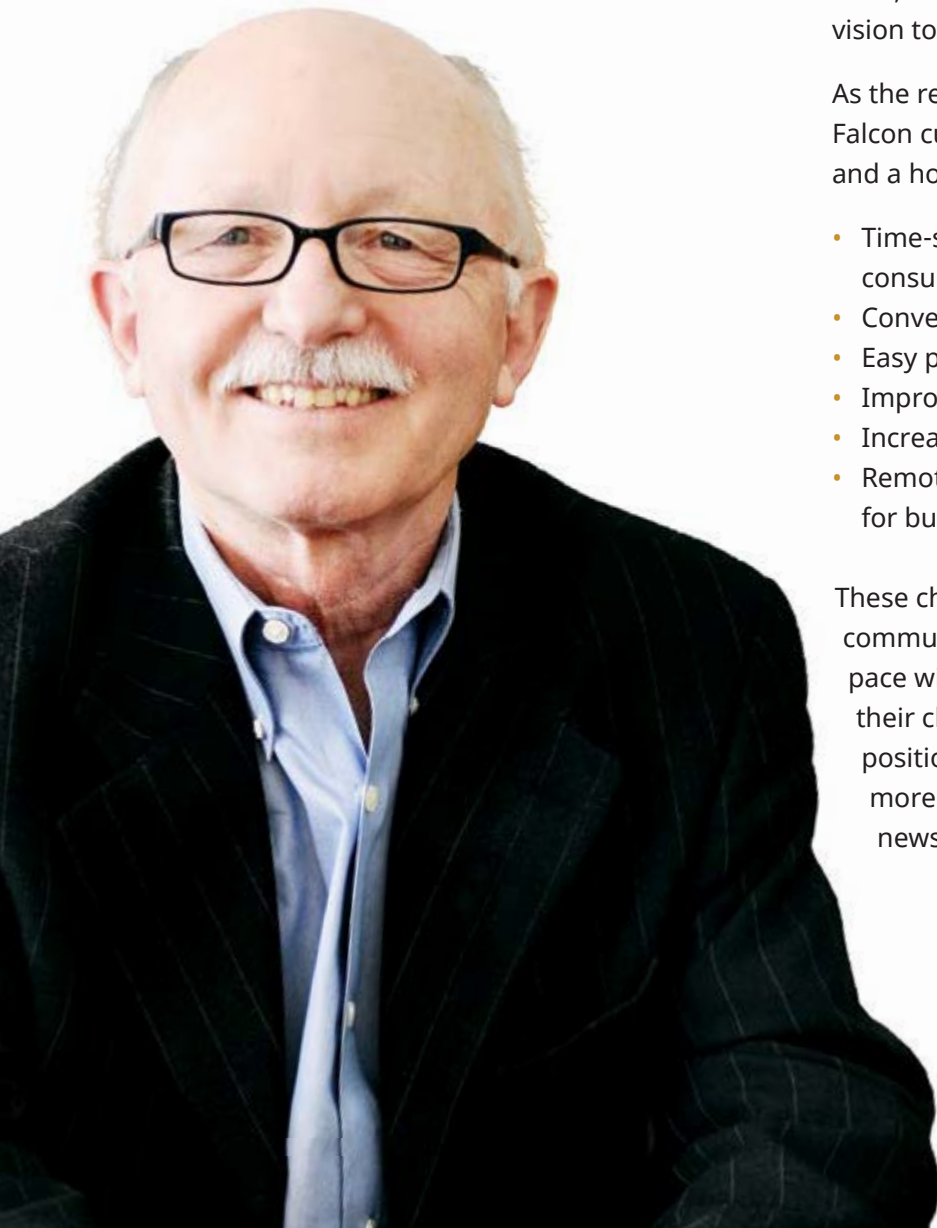
In 2018, after years in the making, Falcon National Bank geared up to complete a major strategic initiative. Three banks—Falcon National Bank, State Bank of Richmond, and Community Pride Bank, owned by the same holding company but operated independently, would become one.

We also used this period of transition as an opportunity to upgrade our core operating system so every customer, no matter the location, would enjoy the very best banking experience. Completing a bank merger and a core conversion at the same time was a tremendous undertaking. It took hard work, dedication and an incredible passion for the vision to make it possible.

As the result of merging our resources, all of our Falcon customers have access to new technology and a host of expanded benefits, including:

- Time-saving mobile deposits for consumers and businesses
- Convenient online banking tools
- Easy person-to-person transfers
- Improved digital security
- Increased lending limits
- Remote deposit capture for businesses

These changes offer our customers a better community banking experience—one that keeps pace with their busy lives and helps them achieve their changing financial goals. The merger also positions our staff and our products to grow in a more sound and strategic manner. That's great news for everyone!



ADDITIONAL HIGHLIGHTS THAT MADE 2018 A SUCCESSFUL YEAR:

SBA preferred lending status. We continue to be one of the largest national SBA lenders in the state. Being a Preferred SBA Lender allows us to process loans more quickly and assures our customers that they're partnering with an experienced lender who'll find the right financing for their business.

Locally grown commercial lending. We remain one of the largest providers of business credit in Central Minnesota. As community lenders, we put our money where our roots are. That means loan decisions and loan servicing happen locally and funds are reinvested in local growth.

Enhanced business banking. Our digital business banking products make depositing checks and cash flow management more convenient than ever. And our business checking is the best around.

Equipment financing and leasing. In 2018, we saw an incredible increase in equipment financing and leasing on a national scale. With competitive rates and low down payments, this financing option offers businesses a fast, flexible and affordable way to acquire the resources they need to grow without tying up capital.

As we celebrate the milestones of 2018, it's important to recognize the people who made it possible, beginning with our dedicated employees. Their willingness to go above and beyond on a daily basis speaks volumes about the caliber of their character and their commitment to our customers. They're also the reason we've been awarded a Star Tribune Top 100 Workplace for the third straight year.

Along with our employees, it's important to acknowledge our hard-working Advisory Board members and Board of Directors. Their support, trust and active engagement throughout this journey make our business better.

And, finally, I'm thankful for our loyal customers. Their trust and patience allowed us to usher in a new era of community banking. We're so grateful for their support. Our promise and dedication to deliver the very best in community banking is as strong as ever. The future has never looked brighter!

Sincerely,

John Hergees
CEO



DEHN OIL COMPANY

Dehn Oil Company is a fourth-generation family business, founded in 1938. As a wholesale marketer of refined products and renewable fuels, the company supplies and delivers services for unbranded and branded gasoline, diesel fuel, bio-diesel and a complete line of lubricants.

Dehn Oil strives to offer exceptional customer service and competitive pricing. To achieve these goals, the company places a high value on relationships with its suppliers and its financial partner. That's why Dehn Oil Company partnered with a bank that upholds the same values.



“The fuel/oil business faces extreme challenges with new competition, industry consolidation and other new regulatory risks. Falcon took the time to learn about our industry and understand how we’ve structured our operations to run a safe, secure, successful operation. Falcon is big enough to support our growth, while still treating us like family. Their financial advice led to operational changes and best practice exercises that have helped us run more smoothly.”

RICK DEHN
General Manager



MIES OUTLAND

Mies Outland is a powersports and agriculture dealership with two locations in Watkins and St. Cloud. They carry the latest models from award-winning brands such as Polaris, John Deere, Indian, Victory and Slingshot. The company was looking for a larger bank in the St. Cloud area that could support their growth well into the future. As they were compiling a list of recommendations from their peers, Falcon's name came up again and again. They met with the Falcon team and were impressed right from the beginning. They continue to receive outstanding service.



"Falcon had a great reputation and, after we met them, we knew why. Their staff is extremely knowledgeable and always on top of things. They have a way of keeping things easy, which is a huge plus in an industry where things can get very complex if you let them. Falcon is large enough to handle all of our banking needs, yet they hold fast to the importance of a personalized experience. It's always a great atmosphere and, on top of everything, we get competitive rates." - Jeff Mies

**STEVE MIES
AND JEFF MIES**
Co-Owners

ALL STATE TRAFFIC CONTROL

All State Traffic Control provides permanent signing and traffic control for road construction, and related devices. When the company was just getting started, it needed more than just financing. As a first-time business owner, Laurie Kissner also needed guidance and support through the SBA lending process. She heard Falcon had a great reputation for helping small businesses get their start, so she reached out to set up a meeting.



"Starting a new business is scary and finding financing can add a whole other layer to that fear. Falcon not only believed in us, but worked to understand the nuances of our business and provided valued guidance through the start-up process and every step of the way. Their support took the fear out of banking. Their sense of community is the real thing!" - Laurie Kissner

MANNY KISSNER

Operations/Estimator

LAURIE KISSNER

Co-owner/Pres/CEO

RICK BORGEN

Co-owner/VP



KITSAP TRACTOR & EQUIPMENT

Kitsap Tractor & Equipment offers the largest selection of pre-owned excavators in the United States, with over 250 units in stock. It's also the largest volume dealer in the northwest of new Kubota tractors, excavators and track loaders.

The company's specialty is quick, easy and instant competitive financing. To make that happen, Kitsap needs a financing partner who offers the same kind of competitive and responsive service. The company gets that in Falcon.



"Falcon Leasing has been a great partner in helping us get financing for our customers. They're extremely responsive and their customer service is second to none. Treating our customers right is extremely important to us. Falcon is flexible in how they structure their financing, and they work within the parameters of what makes sense for our end customers buying the equipment. Their flexibility and outstanding service make this the perfect partnership for us and our customers."

BILL MOORE
Owner

REAL PEOPLE CREATING STRONGER COMMUNITIES.



At Falcon National Bank, we make it our mission to donate our time, talent and treasure to the local communities we call home. Because when our communities are strong, it gives everyone a more vibrant environment to work, play, dream and thrive.



“Bikes4Kids collects used and discarded bikes, refurbishes them to like-new condition and gives them away through the requests of non-profit organizations. These bikes make a tremendous difference in lives of both kids and adults by helping them get to school, jobs and appointments; engage with their friends in recreation; and get physical activity. It’s generous donations, like those from Falcon National Bank, that make Bikes4Kids possible. Thank you, Falcon National Bank, for being such an important partner in our success.”

AL SANNERUD

Executive Director



“Cars for Neighbors is a small non-profit organization that takes donated vehicles, fixes those that are road-worthy and donates them to individuals and families in need of a reliable vehicle. Partnerships with local businesses like Falcon National Bank are essential for us to provide the services we do. We are thankful for Falcon National Bank’s monetary donations and for sponsoring our annual event. They have helped neighbors in our community become more self-sufficient, restoring hope one car at a time.”

JIM HUFF

Executive Director



“The City of Richmond can’t thank Falcon National Bank enough for its generous contributions to our Parks and Recreation facilities. In the past year, Falcon National Bank has completely sponsored two wonderful projects—the construction of our new Centennial Park Band Shelter and the installation of a new digital message board at our Civic Arena. Neither of these projects would be possible without Falcon National Bank’s commitment to the Richmond community. Falcon is a great partner in our city.”

KEVIN MOONEY

City of Richmond, Parks and Recreation



“United Way of Central Minnesota relies on community partners to be successful in creating community impact. Falcon National Bank recognizes that when we effectively work together, positive change can happen. We applaud the employees at Falcon National Bank who dedicated their time, talent and treasures to soar to new heights in their workplace giving campaign this year. Across the board their exemplary campaign earned them several “Best of Awards” nominations at our spring celebration. The contributions from Falcon National Bank will make an impact on all of Central Minnesota. YOUined we fight; together we soar!”

TAMMY BUTTWEILER

Resource Development Associate



BENTON ECONOMIC PARTNERSHIP



The Benton Economic Partnership, Inc. is a 501(c)3 non-profit economic development organization committed to encouraging and leading economic development efforts throughout Benton County. Located in Foley and founded in 2016, the partnership works toward business retention and expansion, downtown redevelopment, workforce development, marketing the county and quality of life initiatives. As a founding member and investor, Falcon National Bank is proud to support the organization’s efforts, with CEO John Herges serving as President of the Board. We look forward to the positive impact this organization will have on our county.

COMMERCIAL LENDERS AND YOUR BIGGEST FANS

Falcon National Bank has a reputation for being a top commercial lender in Central Minnesota. That's because we're not just bankers. We're captive listeners, optimistic believers and enthusiastic cheerleaders. Because a win for our local businesses is a win for our communities.

If you're looking for a commercial lender who'll put their money where their roots are and treat your dreams like their own, it's time we talk.



ALEX CAMERON
Business Banker



BRANDI NELSON
VP of SBA Lending



TROY CAMERON
SVP of Business Banking



DENNIS MILLER
Business Banker



JESSICA BITZ
Market President



JOE HAAG
VP of Business Banking



CHASE LARSON
Business Banker



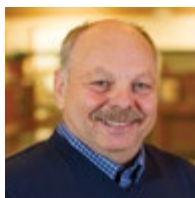
TYLER MESSEROLE
Market President



KYLE KNUDSON
Business Banker

THANK YOU TO OUR BOARD OF DIRECTORS

Our Board plays an integral role in our success. Their business experience and commitment to our mission, vision and values make us a more sound and strong financial institution.



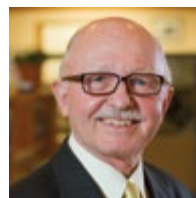
BRIAN BAUERLY
E-Ride Industries



MIKE DOTY
Michael Doty, D.D.S.



LEE HANSON
Gray Plant Mooty



JOHN HERGES
Falcon National Bank



CHAD MURPHY
Murphy Chevrolet



STEVE TORBORG
Torborg Builders



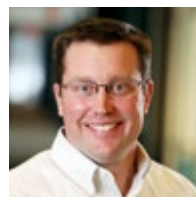
DIANE WOJTANOWICZ
Prairie Farm Company



MARK WARNERT
Warnert Promotions



GARY BRINKMAN
Brinky's Liquor



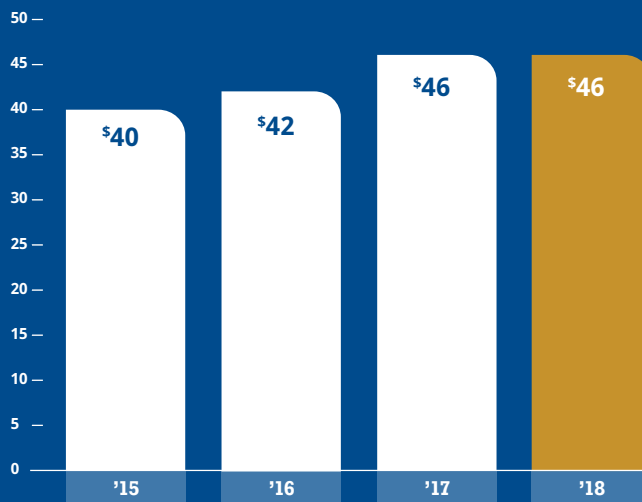
BRENT ANDERSON
Anderson Trucking
Service



GARY ALBERTS
Midwest Medical
Examiners

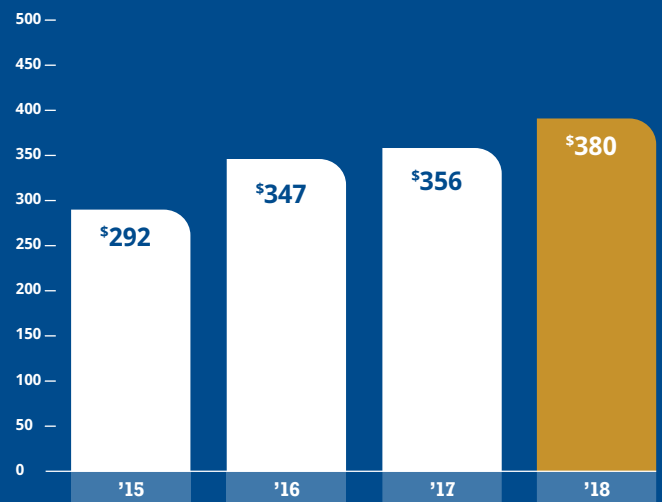
AFTER A YEAR OF IMPORTANT TRANSITIONS, WE'RE POSITIONED FOR EXCEPTIONAL GROWTH.

CAPITAL In Millions



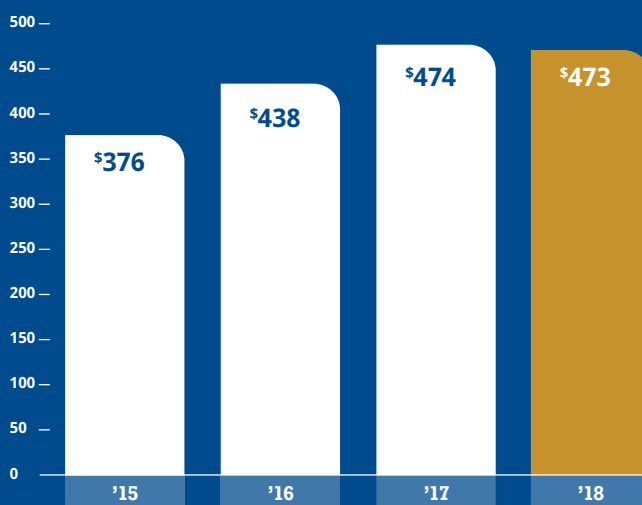
With a strong local ownership group, we remain well capitalized and positioned to grow with our customers.

TOTAL LOANS AND LEASES In Millions



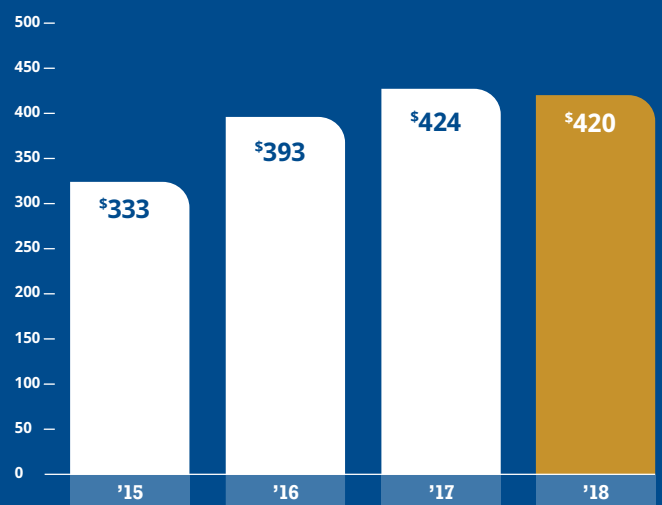
With a diverse loan product portfolio, we continue to invest back into the communities that we serve.

TOTAL ASSETS In Millions



On the heels of a three-bank merger, we are positioned better than ever to serve our communities. Expanded products and services across all five of our branches will provide the banking experience our customers need to keep pace with their busy lives.

TOTAL DEPOSITS In Millions



A new online banking platform, easy person-to-person transfers, merchant source capture services and mobile deposits for both consumers and businesses are just a few of the ways we're making your banking experience work for you.

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REAL SOLUTIONS YOU CAN BANK ON.

BUSINESS BANKING SOLUTIONS

Commercial Loans
Agricultural Loans
SBA Preferred Lending Options
Working Capital Loans
Equipment Financing and Leasing
Checking and Savings
Money Market
Remote Deposit
Cash Management
Positive Pay
Wire Transfers
Merchant Credit Card Services
Employee Relationship Banking
Online Banking
Bill Pay and E-Statements

PERSONAL BANKING SOLUTIONS

Residential Real Estate Loans
Construction Financing
Consumer Loans
Checking and Savings
Money Market
Health Savings Account Solutions
Certificates of Deposit
Mobile Banking
Individual Retirement Accounts
Gold Club (50+)
Safe Deposit Box
Online Banking
Bill Pay and E-Statements
Employer Relationship Banking

LOCATIONS

SAINT CLOUD

1010 W. St. Germain Street
St. Cloud, MN 56301
☎ 320-223-6300

FOLEY

183 Cedar Drive
Foley, MN 56329
☎ 320-968-6300

HAM LAKE

1441 Bunker Lake Blvd. NE
Ham Lake, MN 55304
☎ (763) 862-6500

ISANTI

905 6th Ave Court NE
Isanti, MN 55040
☎ (763) 444-8800

RICHMOND

22 Central Ave S.
Richmond, MN 56368
☎ (320) 597-2145

FALCON LEASING, SAINT CLOUD

28 11th Avenue S.
Suite 103
☎ 320-968-2000