

Annual Report



Meeting yesterday's challenges;

Planning tomorrow's opportunities

I, for one, am glad that 2023 is behind us. We knew, back in late 2022, that this was going to be a challenging year and it certainly did not disappoint us.

The interest rate environment was a primary culprit. Customers demanded increased interest rates on deposits, yet the borrower still expected the low loan rates of recent past. This had a significant impact on net interest margins and net income.

The frustrating thing about it all is that we had little ability to control these factors. With the Federal Reserve committed to raising interest rates to slow inflation, we had to deal with the hand we were given. The situation was not isolated to Falcon National Bank. Most banks were in the very same predicament.

Despite the challenges, we were still able to make a profit, grow a bit, add to capital, and maintain stellar credit quality. It's in times like these, when things soften and the environment becomes more challenging, that strong leadership matters most. Successful teams pull together and make the best out of what they are faced with. Our team at Falcon National Bank did just that in 2023.

As we get into 2024, we will continue to be challenged. At Falcon National Bank, we have been accustomed to double-digit growth. That will not be the case in 2024. There are some basic banking strategies we will focus on to help us get through the year.

Focus on deposits

Growing deposits at affordable rates will be a top priority in 2024 and beyond. We are working on and implementing products that will give us the ability to better compete in the marketplace. Growing business and consumer checking accounts and digital product offerings are just a couple of examples.

Efficiency

We will continue to look at all our processes and procedures to ensure we are operating as efficiently as possible and taking advantage of technology whenever possible.

Expense control

A simple concept that's so often overlooked is spend within your means.

Stay close to our customers

Not only are these challenging times for us, but they are also challenging times for our customers. We need to help them. The best way to do that is to stay close to them so we are able to help at critical junctures.

Reinstate basic sales discipline

Over the last few years, business has been so robust we have not had to look far for new opportunities. We must get back to being intentional in finding new business to grow market share, both in loans and deposits.

By staying focused on these strategies, I firmly believe that Falcon National Bank will not only survive, but we will thrive in the environment we find ourselves in today. We have a great team at Falcon National Bank and I am very optimistic about the future. We also have a great Shareholder group, Board of Directors, Advisory Board members, and loyal customers. And, when you put it all together, why wouldn't one be optimistic?

The economy goes in cycles and right now we just happen to be in a down cycle, but I can tell you that will change. So, the plan is to work through the down cycle and be ready to hit the gas when things turn for the positive again. I can assure you that at Falcon National Bank we will be ready. You can bank on that!

John Herzog

CEO





What's the most rewarding thing about creating long-term relationships?

“There's nothing more rewarding than when a customer calls and wants our advice on something they're looking to do. When we can help them make an informed decision and provide them with reassurance that we are their trusted partner, that's what it's all about! The most rewarding part for me is seeing our customers succeed because we were able to provide solutions that are tailored for that business.”

Troy Cameron
Market President



What Customers Say

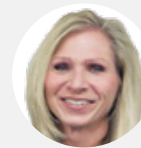
“We thought we needed a larger bank to handle our volume and growth needs, but it was a frustrating experience. With Falcon, we have a local relationship with a community bank that has the passion and authority to make decisions based on our merits and not some mathematical equation put together by the corporate office. Our survival depends on having a true partner like Falcon who's willing to ride the ups and downs of the industry. With Falcon, we get big bank products with community bank, relationship-based service.”

David Tomsche & Brendon van der Hagen
Leedstone

Advisory Board



Tanner Neubauer
Williams
Integracare Clinic



Tammy Biery
Career
Solutions



Steve Baker
Steven V. Baker Ltd;
Certified
Public Acct.



Dave Jacobs
Jacobs
Financial



Laurie Kissner
All State
Traffic Control



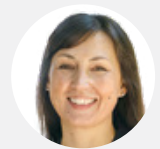
Bernie Perryman
Batteries
Plus Bulbs



Rob Manion
Manion's
Wholesale
Building Supplies



Mark Osendorf
Xcel Energy



Dr. Katherina Pattit
Herberger
Business School
SCSU

How does Falcon provide service that soars above the rest?

“ We make a point to get to know you both personally and professionally to best serve your needs. You have a direct line to your banker who has direct lines to their peers for quick responses and actions. And, we’re empowered to think of reasons why it can be done. Great service builds lasting relationships and more successful customers.”

Brandon Voit
Market President



Advisory Board



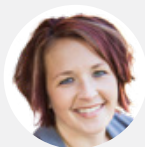
Trish Perry
Foley School District



Scott Johnson
Johnson Farms



Jodi Erkens
Audio Video Extremes



Sarah Brunn
Foley City Administrator



Ed Popp
Benton County Commissioner



Sam Lieser
Purpose Driven Realty Group



Amanda Othout
Benton Economic Partnership



Tony Jarousek
Jarousek Insurance Services



What Customers Say

“ Falcon National Bank has been integral to the growth of our company. When it came time to explore our equipment financing and SBA options, Falcon was extremely supportive in helping us navigate the SBA process and providing education on how to handle our business finances and record keeping. They believed in us as people first and then believed in our business model. We would recommend Falcon National Bank because they simply listen and work with us to find solutions. They’re definitely a ‘people bank.’”

Teresa and Doug Gorsegner
Douglas Manufacturing



How does the Falcon culture affect the service we provide to our customers?

“The culture at Falcon is very collaborative, which is refreshing. We truly recognize the value added by our people and our customers. The “You Win, We Win” mantra is evident from the top down, and I believe it’s our key to success. Our mission is to create a banking experience focused on customer growth and life-long relationships. Our culture makes that happen.”

Erik Sandell
Market President



What Customers Say

“Falcon has been our banking partner for the past 20+ years. As you would expect, our needs have changed over that time and Falcon has been key in helping us evaluate the financial tools available for different needs and different times. Most recently, they helped us navigate the SBA options for our home office. What I appreciate most is that they take the time to understand the business and ask the right questions. It makes me feel confident that I’m getting the best solutions for my banking needs.”

Andy Leach and Heather Hoffmann
Commercial Drywall

Advisory Board



Jacqueline Sundsrud
Real Estate Professional



Jason Borowitz
North Title and Fish MLS Realty



Brenda Nolby
Jam Hops



Jim Cormier
Building Sites



Kari Lund
Ham Lake Area Chamber of Commerce



Gary Alberts
Midwest Medical Examiners



Ben Perkins
Financial Advisor, Country Financial Insurance Agent



Julie Gotham
Non-Profit

How does local decision-making impact the experience customers have with Falcon?

“Knowing the people behind the numbers and the impact that their business has on the local community is what separates Falcon National Bank from our competitors. When a business owner calls for a service request or lending need, we can meet with them the same day. Our responsiveness and experience make us a truly trusted advisor.”

Carl Gebhardt
Market President



Advisory Board



Rick Dehn
Dehn Oil



Jeff Streeter
Streeter Companies



Duane Poppe
Lee & Associates
Mayor of Osseo



Katie Roberts
Prime Advertising



Debra Nelson
Henningson & Snoxell



Greg Anzelc
Experience Maple Grove



What Customers Say

“Falcon provides a full suite of banking services for my company, from SBA startup loans and commercial equipment loans to everyday checking, savings, and credit card accounts. When I call the main number, they know who I am. When I email a team member, they assist me with whatever my need is. They have helped my company go from a startup to a multi-million-revenue company. Throughout each step, they’ve assisted our growth and explained options and opportunities.”

Shelly Binsfeld
Rock Leaf Environmental



How does building lasting relationships create a ripple effect?

“Of course, it all begins with enabling our customers to succeed. When that happens, our business grows, which creates a better environment for our employees and allows us to make a bigger impact on the communities by giving back. We couldn’t have one thing without the others. By always looking for new and better ways to add value internally and externally, we make things better for everyone.”

Jessica Bitz
Market President



What Customers Say

“Falcon National Bank has exceeded my expectations and continues to impress when it comes to what I was looking for in a business banking relationship. Their attention to my business banking needs and eagerness to learn about—and participate in—a niche industry has been a pivotal part of our growth. Falcon’s continued support, services, and knowledge will undoubtedly prove to be a valuable asset for our small business growth moving forward!”

Adam Klinkner
Special Tools, Inc.

Advisory Board



Matt Anderson
RIC Properties



Nate Rudolph
Cambridge
Isanti School



Bruce Novak
Retired Former
Superintendent



Larry Anderson
Re/Max Results



Steve Hage
Friday Bay, Inc.



Gary Alberts
Midwest Medical
Examiners

How does Falcon differ from big-name banks?

“We’re vested partners in the communities we serve and in our banking relationships. Our customers get more access, more communication, more compassion, and as much time as it takes to set them up for success. As a result, they’re more informed to make the best business decision for their needs. Falcon is a true banking partner.”

Kyle Knudson
Market President



Advisory Board



Gary Brinkman
Brinky’s, Inc.



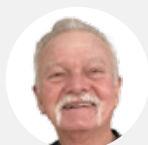
Deb Huschle
Gabriel Media



Logan Louis
Louis Industries, Inc.



Joe Bertram Sr.
Bertram Farm, LLC



Rick Backes
Backes Wood Products, LLC



Kevin Mooney
City of Richmond



Paul Abrahamson
Abrahamson Properties, LLC



Chelsey Mueller, CPA
Christianson PLLP



Wendy Gilk
Gilk Plumbing Heating and AC, LLC



What Customers Say

“Business expansions require having the right people in your corner. The Falcon team was with us EVERY step of the way, from early discussions, planning, and design through closing and implementation. We got white-glove service that simplified the process. Their communication, commitment, and consistency make all the difference. We are proud clients and look forward to continued growth with this exceptional financial institution as our partner. With Falcon, small town banking is better than ever!”

Kate and Corey Lemke
Renegade Truck Equipment, Inc.

Focusing on building

life-long relationships

Over the past year, we remained laser-focused on building a simplified suite of products and services to deliver on our mission of creating lasting relationships focused on customer growth. We recognized that what helped us grow to \$900MM in assets in 20 years will not get us to our next milestone of \$1.5B.

We needed to realign our structure and products to be able to deliver what our customers and communities demand. These changes give us the ability to be nimble and react quickly to the ever-changing economic landscape and rapidly advancing technology.

As we look to the future in 2024, we are keeping things simple and focusing on enriching customer relationships and our local communities. Focused and aligned, we are committed to deploying capital and liquidity where it has the greatest positive impact for our customers and communities.



A realigned team, stronger products, delivering on customer and community needs

Equipment Finance and SBA will be fostering local relationships and gaining a larger market share in the Minnesota market. We still can and will generate nationwide loans and leases, but with our outstanding reputation in the Minnesota market and greater propensity to gain full relationships within the state, that will be our focus.

Mortgage will continue to deliver upon on our niche of “Falcon Fast” residential construction lending. A cornerstone in any community is housing, and Falcon is committed to supporting the development and growth of residential housing in and around the communities we serve. With low residential inventory continuing in 2024 and an even greater demand for quick and competitively priced residential construction loans, we see this team continuing to be busy as rates stabilize this upcoming year.

Treasury Management will continue to drive convenience and profitable money movement for our business customers. With our new products and services launched in 2023, this team will be empowering our business customers to bank how, when, and where they choose. The ability to bank from anywhere — your phone, computer, or local branch — is a crucial part of our customers’ success. This team will also proactively drive deposit growth through non-borrowing customers that we have not been able to attract in the past.

Business Banking is the core of what we are as an organization. We are here to support local entrepreneurs achieve their dreams. Our businesses are the keystone of our communities and are what drive our local economies. This team will be even more visible in and around our communities. We will be proactively communicating with our customers and prospects even before they know they have a need. Being a trusted advisor is about having open and honest conversations with our customers on a regular basis to ensure that we are here to support them as they grow their businesses. We want to be your banker and a part of your trusted team who will advise you on what's best for you and your business.

Retail Banking will continue to deliver service that soars above the rest. This team is edified with our new Kasasa products and gives Falcon the ability to diversify its customer base and attract consumers that we have historically not been able to serve effectively. With a renewed focus on Retail, we can now reward our consumer and business customers for having a full relationship with Falcon. Our drive is to be your bank and that means for all your banking needs, business and personal.

Falcon National Bank is grateful for the 20 years that we have been able to serve our customers and communities. We are humbled to be your trusted advisor and we look forward to the future with optimism and excitement as we continue to deliver on our guarantee of service that soars above the rest!

Mark Nettesheim

CSO



Equipment Finance

Our equipment financing and leasing options preserve working capital and make it easier and more affordable to get the business equipment you need. Our next-level products and services made us a top 100 funding source in the Equipment Financing industry.



SBA Lending

As a Preferred SBA lender, we have the proven track record and the authority to underwrite SBA loans internally, issuing funds more efficiently. Our streamlined processes and SBA expertise will help you secure flexible and competitive financing.



Mortgage Banking

We partner with regional mortgage brokers and other banks to offer competitive residential construction financing, bridge loans, land loans and more. Our proven process, industry-leading products, and premium customer service ensure a smooth experience every time.



Business Banking

From competitive financing options and flexible financing structures to nimble and decisive loan approvals, we have a reputation for exceptional commercial lending solutions. Our knowledgeable and trusted advisors create an experience that's second to none.



Treasury Management

Treasury Management offers secure, scalable solutions designed to optimize working capital and better manage cash flow. Our collection and disbursement solutions, information reporting, and capital and risk management services are the perfect fit for small business.



Retail Banking

Our consumer products include a rewards checking account focused on helping you earn a higher interest rate than you'll find in most traditional checking and savings accounts. This allows you to earn more on your balance while maintaining easy access to your money.



Learn more
about our products.

Giving back



Every year, employees from all six Falcon National Bank locations participate in Minnesota Bankers Association Community Impact Month. The campaign helps showcase the vital role banks play in their communities throughout the year.



Community

In September, we found meaningful ways to support important organizations in each of our communities, fulfilling a variety of needs and collectively accomplishing great things!



Thank you Board of Directors

Our Board plays an integral role in our success. Our board members' 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
Hanson Law Office



Steve Torborg
Torborg Builders



Mark Warnert
Warnert Promotions



Gary Brinkman
Brinky's Liquor



Chad Murphy
Murphy Chevrolet



Diane Wojtanowicz
Prairie Farm Company



John Herges
Falcon National Bank



Gary Alberts
Midwest Medical Examiners



Brent Anderson
Anderson Trucking Service



Terrie Cloud
Catalyst Consulting Group

Mission

To create a banking experience that develops into life-long relationships focused on customer growth.

Vision

We know the key to success is simple:

- You win. We win.
- You thrive. We thrive. This is our community.
- This is our future. This is our bank.

Values

Relationships. Integrity. Solutions. Service. Execution.

At Falcon National Bank, we build long-lasting relationships with our customers, our communities, and our colleagues. With the highest level of integrity, we provide trusted solutions and exceptional service to deliver the very best banking experience. We pride ourselves on our fast and reliable execution. At our core we know that we can, and will, RISE to every occasion.

Rise Award Winners

Every quarter, Falcon National Bank recognizes an employee who puts our mission, vision, and values into action. We call it our RISE award. These individuals were exceptional stewards in 2023.

Q1



Hellona Heller
Retail Banking Supervisor
Isanti

Q2



Briana Torborg
Business Banker

Q3



Teresa Johnson
BSA Officer, VP

Q4

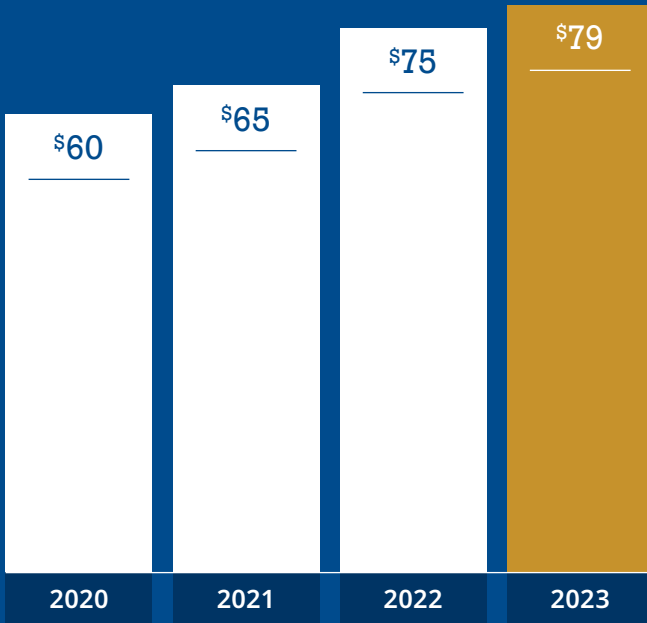


Kirsten Kubian
Retail Banking Supervisor
Ham Lake

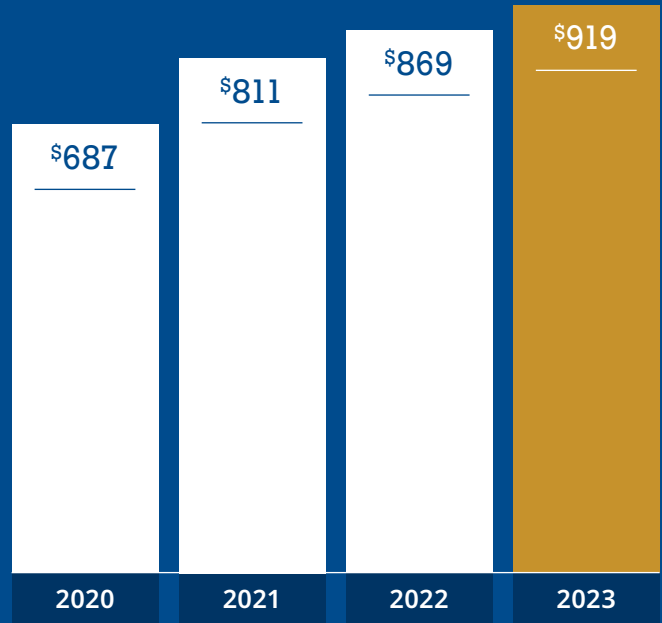
You thrive. We thrive.

At Falcon National Bank, we pride ourselves on creating win-win scenarios with our customers. Amidst a year marked by economic uncertainty, the bank remained laser-focused on sustaining a well-capitalized standing. We prioritized strategic growth and worked diligently to position the bank and our customers for long-term success. Life-long relationships are defined by these moments. Falcon National Bank is dedicated to rising up and shining through these occasions.

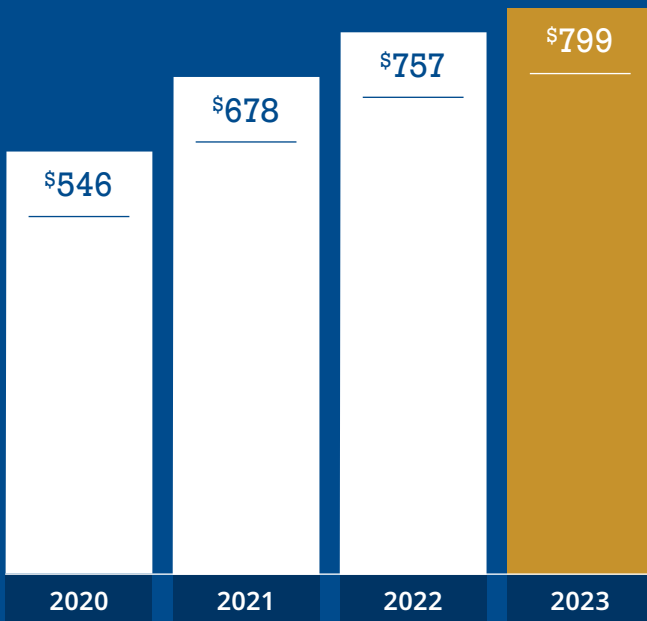
 **Capital**
In Millions



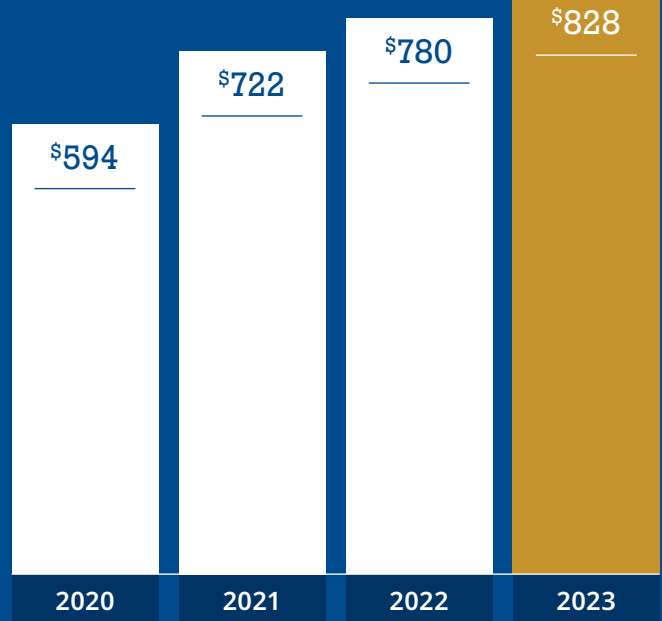
 **Total Assets**
In Millions



 **Total Loans and Leases**
In Millions



 **Total Deposits**
In Millions



We know the key to success is simple:

YOU WIN

WE WIN

YOU THRIVE

WE THRIVE

This is our community

THIS IS

OUR FUTURE

THIS IS

OUR BANK



St. Cloud | Foley | Ham Lake | Isanti | Maple Grove | Richmond | FalconNational.com



Falcon National Bank
NMLS #402625