



PUBLIC DISCLOSURE

December 2, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Bank & Trust, National Association
Charter Number 3982

101 2nd Street NW
Pipestone, MN 56164-0190

Office of the Comptroller of the Currency

4900 South Minnesota Avenue
Suite 300
Sioux Falls, SD 57108

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

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

- The bank’s quarterly net loan-to-deposit ratio averaged 81 percent over the last 23 quarters and is reflective of the bank’s willingness to lend.
- The geographic distribution of agricultural loans reflects excellent dispersion. The geographic distribution of commercial loans reflects reasonable dispersion.
- Borrower distribution reflects excellent penetration among commercial businesses of different sizes and reasonable penetration among farms of different sizes in 2011 and 2012-2013.

SCOPE OF EXAMINATION

First Bank & Trust, NA (FB&T) was evaluated under the Small Bank examination procedures, which includes a lending test. The lending test evaluates the bank’s record of meeting the credit needs of its assessment area through its lending activities. The lending test for FB&T covers performance from January 1, 2011 through September 30, 2013.

Based on the number and dollar volume of loan originations, we determined the bank’s primary loan products are agricultural and commercial lending, which is consistent with management’s business strategy. Consumer loans were not considered a primary product as only 2 percent of the total loans originated by dollar were consumer loans. The following table shows loan types by volume and dollars originated since January 1, 2011.

Loan Origination Summary by Loan Product		
Loan Category	Number Originated	Dollars Origination
Agriculture Loans	24%	42%
Commercial Loans	30%	46%
Consumer Loans	34%	2%
Residential RE Loans	12%	10%
Total	100%	100%

Source: bank records (examiner verified)

DESCRIPTION OF INSTITUTION

FB&T is headquartered in Pipestone, Minnesota. As of September 30, 2013 FB&T had total assets of \$192 million and tier one capital of \$16.4 million. The bank is wholly owned by Fishback Financial Corporation, a \$1.8 billion, four-bank holding company. Affiliate banks are located in Sioux Falls, Brookings, and Milbank, South Dakota. There have been no significant changes to FB&T’s corporate structure since the last CRA examination.

The bank’s only office is a full-service facility located in downtown Pipestone, Minnesota. The bank also operates a mobile branch that services assisted living facilities two times per month. The bank operates two automated teller machines in Pipestone, neither of which accepts deposits.

As of September 30, 2013, FB&T reported net loans of \$120 million. The following table illustrates the loan portfolio composition.

Loan Portfolio Summary by Loan Product	
September 30, 2013	
Loan Category	% of Outstanding Dollars
Agricultural Loans	39%
Commercial Loans	44%
Consumer Loans	4%
Residential Real Estate	8%
Other Loans	5%

Source: 9/30/13 Report of Condition

FB&T was rated “Satisfactory” at its April 7, 2008 CRA examination. There are no legal or financial impediments limiting the bank’s ability to meet the credit needs of its assessment area. Management’s business strategy is to serve the needs of the community, primarily through agricultural and small business lending.

DESCRIPTION OF ASSESSMENT AREA(S)

FB&T’s 2011 assessment area consists of census tracts 9601, 9602, 9603, 9604, and 9605 in Pipestone County, 9502 in Lincoln County, and 9701 in Rock County. FB&T’s 2012 and 2013 assessment area consists of census tracts 4601, 4602, 4603, 4604, and 4605 in Pipestone County, 2010.02 in Lincoln County, and 5701 in Rock County. The 2011 assessment area contains one moderate-income census tract in Pipestone County. The 2012 and 2013 assessment area does not contain any low- or moderate-income census tracts. The assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income tracts.

According to the 2010 U.S. Census, the population of the 2012 and 2013 assessment area totals 14,887 persons. The 2012 Department of Housing and Urban Development’s updated estimated median family incomes for the assessment area is \$60,000. Family incomes in the middle-income tracts are 21 percent low income, 18 percent moderate income, 25 percent middle income, and 36 percent upper income.

Current economic conditions in the assessment area are characterized as good. Primary employers in Pipestone County include agriculture-related businesses, the school district, and the hospital. As of August 2013, the unemployment rate for Pipestone County was 3.2 percent, which is lower than the State of Minnesota (4.8

percent) and the nation (7.3 percent.) Other counties in the assessment area have unemployment rates ranging from 3.2 percent to 3.3 percent.

Competition from other financial institutions is moderate. The bank's competitors include three state banks and one national bank that are comparable in asset size to FB&T. FB&T ranks first among these banks with a deposit market share of 24 percent.

In conducting this examination of the bank's performance, examiners contacted a local community organization. The community contact indicated that credit needs are typical of small, rural communities and include agricultural and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit Ratio

FB&T's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs. The bank's quarterly net loan-to-deposit ratio averaged 81 percent for the 23 quarters ending September 2013. This ratio ranged from a quarterly low of 69 percent to a quarterly high of 93 percent during the time period. FB&T's net loan-to-deposit ratio ranks third when compared to four similarly-situated institutions quarterly net loan-to-deposit ratios averaged 79 percent, and ranged from 72 percent to 88 percent. The four similar banks are located in Pipestone and Luverne, Minnesota and range in asset size from \$144 million to \$214 million.

Lending in Assessment Area

FNB&T originates a majority of its loans by number and dollar volume to borrowers located within its assessment area. In total, examiners reviewed 80 loans to assess lending within the assessment area. Eighty-three percent of loans by number and 93 percent by dollar volume were made to borrowers within the bank's assessment area. The following table shows primary loan product originated inside the assessment area by number and dollar volume:

Lending in Pipestone AA in 2011-2013										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	38	95%	2	5%	40	\$7,645,482	99%	\$69,219	1%	\$7,714,701
Commercial	28	70%	12	30%	40	\$1,552,308	72%	\$617,926	28%	\$2,170,234
Total	66	83%	14	17%	80	\$9,197,790	93%	\$687,145	7%	\$9,884,935

Source: loan sample

Borrower Distribution

The distribution of borrowers reflects a reasonable penetration among farms and excellent penetration among businesses of different sizes.

Agricultural Loans

In 2011, the borrower distribution of agricultural loans reflects reasonable penetration among farms of different sizes in the assessment area. Examiners sampled 20 agricultural credits in the assessment area. Ninety-one percent of loans were made to farms with revenues less than \$1 million. Table 2A provides details of the sampling results.

Table 2A - Borrower Distribution of Loans to Farms in Pipestone AA in 2011				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	91%	9%	0%	100%
% of Bank Loans in AA by \$	67%	33%	0%	100%

Source: 2000 U.S. Census data

In 2012 and 2013, the borrower distribution of agricultural loans reflects reasonable penetration among farms of different sizes in the assessment area. Examiners sampled 20 agricultural credits in the assessment area. Seventy-five percent of loans were made to farms with revenues less than \$1 million. This is less than, but reasonable, compared to the assessment area demographics which shows 98 percent of farms with revenues of \$1 million or less. Table 2B provides details of the sampling results.

Table 2B - Borrower Distribution of Loans to Farms in Pipestone AA in 2012 and 2013				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%
% of Bank Loans in AA by \$	25%	75%	0%	100%

Source: 2010 U.S. Census data

Commercial Loans

In 2011, the borrower distribution of commercial loans reflects excellent penetration among businesses of different sizes in the assessment area. Examiners sampled 20 commercial loans in the assessment area. Ninety-five percent of loans were made to businesses with revenues less than \$1 million. This exceeds the assessment area

demographics which show 73 percent of businesses have revenues of \$1 million or less. Table 2C provides details of the sampling results.

Table 2C - Borrower Distribution of Loans to Businesses in Pipestone AA in 2011				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Business	73%	2%	25%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	87%	13%	0%	100%

Source: 2000 U.S. Census data

In 2012 and 2013, the borrower distribution of commercial loans reflects excellent penetration among businesses of different sizes in the assessment area. Examiners sampled 20 commercial loans in the assessment area. Ninety percent of loans were made to businesses with revenues less than \$1 million. This exceeds the assessment area demographics which show 77 percent of businesses have revenues of \$1 million or less. Table 2D provides details of the sampling results.

Table 2D - Borrower Distribution of Loans to Businesses in Pipestone AA in 2012 and 2013				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Business	77%	3%	20%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	59%	41%	0%	100%

Source: 2010 U.S. Census data

Geographic Distribution

The geographic distribution of agricultural loans for 2011 reflects an excellent dispersion within the bank’s assessment area. Sixty percent of the bank's agricultural loans were made in the moderate-income census tract compared to 20 percent of the farms located in that tract. Table 3A provides details of the sampling results.

Table 3A - Geographic Distribution of Loans to Farms in Pipestone AA in 2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Farm Loans	0%	0%	20%	60%	80%	40%	0%	0%

Source: 2000 U.S. Census data

The geographic distribution of commercial loans for 2011 reflects a reasonable dispersion within the bank’s defined assessment area. Ten percent of the bank's commercial loans were made in the moderate-income census tract, compared to 12 percent of the businesses located in that tract. Table 3B provides details of the sampling results.

Table 3B - Geographic Distribution of Loans to Businesses in Pipestone AA in 2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0%	0%	12%	10%	88%	90%	0%	0%

Source: 2000 U.S. Census data

In 2012-2013, the bank’s assessment area did not include any low- or moderate-income geographies. As a result, this analysis was not meaningful for this time period.

Responses to Complaints

Neither the bank, nor the OCC, has received any complaints regarding its CRA performance since the last CRA examination dated April 7, 2008.

Fair Lending 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 assessment area by an affiliate whose loans have been considered as part of the bank’s lending performance.

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