



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 07, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank and Trust
Charter Number 3982

101 NW 2nd Street
Pipestone, MN 56164

Office of the Comptroller of the Currency

SIOUX FALLS
4900 S 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 91 percent over the last 20 quarters and is reflective of the bank's willingness to lend.
- Geographic distribution of agricultural, commercial, and consumer loans reflects excellent dispersion throughout the bank's defined assessment area.
- Borrower distribution reflects excellent penetration for consumers of different income levels and reasonable penetration for agricultural and commercial businesses of different sizes.

SCOPE OF EXAMINATION

First National Bank and Trust (FNB&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 FNB&T covers performance from January 1, 2005 through December 30, 2007.

Based on the number and dollar volume of loan originations, it was determined that the bank's primary products are agricultural, commercial, and consumer lending. Examiners reviewed samples of each primary loan type: 22 agricultural loans, 60 commercial loans, and 23 consumer loans. The table below shows loan types by volume originated and dollars originated since the last CRA exam dated March 20, 2003.

Loan Originations Since Prior CRA Exam		
Loan Category	Number Originated	Dollars Originated
Agricultural Loans	27.64%	26.87%
Consumer Loans	37.74%	3.21%
Commercial Loans	27.84%	64.42%
Residential Real Estate Loans	6.78%	5.50%
Total	100.0%	100.0%

Source: Bank Records (examiner verified)

DESCRIPTION OF INSTITUTION

The FNB&T is an intrastate bank headquartered in Pipestone, MN. As of December 31, 2007, FNB&T had total assets of \$154 million and tier one capital of \$12.8 million. The bank is wholly owned by Fishback Financial Corporation, a \$1.2 billion, five-bank holding company. Affiliate banks are located in Sioux Falls, Brookings, White, and Milbank, South Dakota.

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 accept deposits.

As of December 31, 2007, FNB&T reported net loans of \$107 million and had a net loans and leases to total assets ratio of 75 percent. The loan portfolio composition is as follows:

Loan Portfolio Summary by Loan Product	
December 31, 2006	
Loan Category	% of Outstanding Dollars
Agricultural Loans	29%
Commercial Loans	48%
Consumer Loans	3%
Residential Real Estate	10%
Other Loans	10%

Source: 12/31/07 Report of Condition

FNB&T was rated "Satisfactory" at its March 20, 2003 CRA examination. There are no legal or financial impediments limiting the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB&T's assessment area consists of census tracts 9601, 9602, 9603, 9604, and 9605 in Pipestone County, 9502 in Lincoln County, and 9701 in Rock County. The assessment area includes contiguous portions of these three counties. The assessment area contains two moderate-income census tracts, both in Pipestone County. This assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income tracts.

According to the 2000 U.S. Census, the population of the assessment area totals 15,254 persons. The 2006 Department of Housing and Urban Development's (HUD) updated estimated median family incomes (MFI) for the assessment area is \$55,100. Family incomes in the moderate income tracts are 27 percent low income, 23 percent moderate income, 23 percent middle income, and 27 percent upper income. Family incomes in the middle income tracts are 19 percent low income, 23 percent moderate income, 29 percent middle income, and 29 percent upper income.

Current economic conditions in the assessment area are characterized as good. Primary employers in Pipestone County include Suzlon Wind Energy and Bayliner Boat Manufacturing. Other employment sources in the assessment area include general agriculture and trade retail. As of January 2008, the unemployment rate for Pipestone County was 5 percent which is higher than the state of Minnesota (4.5 percent) and the nation (4.9 percent). Other counties in the assessment area have unemployment rates ranging from 2.4 percent to 7.3 percent.

Competition from other financial institutions is average. The bank's competitors include three state banks and one national bank that is comparable in asset size to FNB&T. FNB&T ranks first among these banks with a deposit market share just over 50 percent.

In conducting this examination of the bank's performance, examiners contacted a local community organization. The community contact indicated that more affordable housing is the primary credit need in this assessment area. Other identified credit needs are typical of small, rural communities and include agricultural and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated Satisfactory. FNB&T's lending performance reflects a satisfactory response to community credit needs. The Lending Test is composed of four tests: Loan-to-Deposit Ratio, Lending in Assessment Area, Borrower Distribution, and Geographic Distribution. The results of these individual tests are detailed below.

LOAN-TO-DEPOSIT RATIO

FNB&T's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly net loan-to-deposit ratio averaged 90.76 percent for the 20 quarters beginning April 2003 and ending December 2007. This ratio ranged from a quarterly low of 81 percent to a quarterly high of 99 percent during the time period. FNB&T's net loan-to-deposit ratio ranks second when compared to four similarly situated institutions whose quarterly net loan-to-deposit ratios ranged from 70 percent to 100 percent.

LENDING IN ASSESSMENT AREA

FNB&T originates a majority of its loans by number volume to borrowers located within its defined assessment area. In total, examiners reviewed 105 loans. Approximately 70 percent by number volume of loans sampled were made to borrowers within the bank's assessment area. The following table shows primary product loans originated inside the assessment area by number and dollar volume:

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Agricultural	18	82	4	18	22	2,220	83	458	17	2,678
Commercial	38	63	22	37	60	2,735	20	10,750	80	13,485
Consumer	18	78	5	22	23	111	82	24	18	135
Totals	74	70	31	30	105	5,066	31	11,232	69	16,298

Source: Bank records (examiner verified)

The bank’s dollar volume of loans in the assessment area is less than 50 percent; however, FNB&T has several affiliate banks and large commercial loans that are participated throughout the affiliated network. FNB&T also is the lead bank on several large syndicated loans. Within the commercial loan sample, the bank had three purchased participations totaling \$2.6 million and three syndicated loans totaling \$3.6 million. Without these participations and syndicated loans, the bank’s total dollar volume of originations inside the assessment area would be 50 percent.

BORROWER DISTRIBUTION

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among farms and businesses of different sizes and individuals of different income levels.

Agricultural Loans

Borrower distribution to farms of different sizes reflects reasonable penetration. Examiners sampled 22 agricultural credits, of which 18 were in the assessment area. Ninety-four percent of loans were made to farms with revenues less than \$1 million. This reflects the assessment area demographics which show 99 percent of farms have revenues of \$1 million or less. The chart below details sampling results:

Borrower Distribution of Agricultural Loans by Revenue				
Revenue \$(000)	Number	Percent of Number	2007 Ag Census	
<\$100	8	94%	Rev < \$1 Million	99%
\$100 - \$249	4			
\$250 - \$499	4			
\$499 - \$999	1			
>\$1,000	1	6%	Rev > \$1 Million	1%
Total	18	100%		100%

Source: Bank records (examiner verified) and 2007 Agricultural Census Data

Commercial Loans

The distribution of borrowers reflects reasonable penetration to businesses of different sizes. Examiners sampled 60 commercial loans, of which 38 were located in the assessment area. The bank makes 71 percent of commercial loans within its assessment area by number volume. This exceeds known demographic data. The bank originates 42 percent of commercial loans by dollar volume in the assessment area which is less than known demographic data. This ratio is slightly skewed due to the nature of participations and syndicated loans between from affiliated institutions. The chart below details sampling results:

Borrower Distribution of Commercial Loans by Revenue						
Revenue \$(000)	Number	Percent of Number	\$(000)	Percent of Dollars	2007 Business Demographic Data	
<\$1 Million	27	71	1,138	42	Rev < \$1 Million	53%
>\$1 Million	9	24	1,585	58	Rev > \$1 Million	3%
Unknown Revenues	2	0	11	0	Unreported	44%
Total	38	100	2,734	100		100%

Source: Bank records (examiner verified) and 2007 Business Geodemographic Data

Consumer Loans

The distribution of borrowers reflects excellent penetration among individuals of different income levels. Examiners sampled 23 consumer loans, of which 18 were located in the assessment area. The bank made 56 percent of loans to low- and moderate-income individuals, exceeding the known demographic of 46 percent. The following table shows the distribution of consumer loans among borrowers of different income levels for the period of January 2005 through December 2007.

Borrower Distribution of Consumer Loans by Income Level			
Borrower Income Level	Number	Percent of Number	Percent of Households
Low	5	28%	26%
Moderate	5	28%	20%
Middle	4	22%	23%
Upper	4	22%	31%
Total	18	100%	100.0%

Source: Bank records (examiner verified) and 2000 US Census Data

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the geographic distribution of agricultural, commercial, and consumer loans reflects an excellent dispersion within the bank’s defined assessment area. The bank’s

assessment area contains only moderate- and middle-income census tracts. Our review noted no conspicuous gaps in the bank’s lending patterns. FNB&T originates loans in all assessment area geographies. The following three tables detail the bank’s performance as compared to known demographic information:

Geographic Distribution of Agricultural Loans					
Tract Income Level	Number	Percent of Number	Amount (000s)	Percent of Amount	Percent of Farms by Tract Category
Moderate-Income	11	61%	1,341	60%	20%
Middle-Income	7	39%	879	40%	80%
Totals	18	100%	2,220	100.0%	100%

Source: Bank records (examiner verified) and 2000 US Census Data

Geographic Distribution of Commercial Loans					
Tract Income Level	Number	Percent of Number	Amount (000s)	Percent of Amount	Percent of Businesses by Tract Category
Moderate-Income	17	85%	2,130	94%	21%
Middle-Income	3	15%	138	6%	79%
Totals	20	100%	2,268	100%	100%

Source: Bank records (examiner verified) and 2000 US Census Data

Geographic Distribution of Consumer Loans					
Tract Income Level	Number	Percent of Number	Amount (000s)	Percent of Amount	Percent of Households by Tract Category
Moderate-Income	16	89%	109	92%	29%
Middle-Income	2	11%	9	8%	79%
Totals	18	100%	118	100%	100%

Source: Bank records (examiner verified) and 2000 US Census Data

RESPONSES TO COMPLAINTS

The bank has not received any complaints regarding its CRA performance since the last CRA examination dated March 20, 2003.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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