



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 25, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank and Trust Co. of Bottineau
Charter Number 8029

424 Main Street
Bottineau, ND 58318

Office of the Comptroller of the Currency

Minneapolis Field Office
Campbell Mithun Tower
222 South Ninth Street
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, 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 Outstanding.

The major factors that support this rating include:

- A substantial majority of First National Bank & Trust Company of Bottineau's (FNB Bottineau) loan originations are within the bank's assessment area.
- FNB Bottineau's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- FNB Bottineau's distribution of loans represents an excellent penetration among farms of different sizes.

SCOPE OF EXAMINATION

We evaluated First National Bank & Trust Company of Bottineau's (FNB Bottineau) Community Reinvestment Act (CRA) performance for the period beginning January 3, 2005 through October 25, 2010. The bank has one assessment area (AA), Bottineau AA. To determine the bank's lending performance, we selected primary products based on dollar and number volume of loan originations for the period beginning January 1, 2008 and ending September 30, 2010. The primary product was agriculture loans. We selected a random sample of 20 agriculture loans in order to evaluate lending within the AA and borrower income distribution. We did not complete the geographic distribution test as there are no low- or moderate- income census tracts in FNB Bottineau's AA. We used 2000 census information for demographic comparison purposes.

DESCRIPTION OF INSTITUTION

FNB Bottineau is a \$115 million commercial bank located in Bottineau, ND. The bank operates a paying and receiving branch in Willow City, ND and one ATM at the main office in Bottineau.

FNB Bottineau is 100% owned by a one-bank holding company, First Bottineau, Inc. FNB Bottineau provides traditional banking services, including loans for commercial, agricultural, consumer, and residential real estate purposes. According to its September 30, 2010 Report of Condition, outstanding loans by dollar volume totaled: agricultural (76%), residential real estate (9%), commercial (8%), and consumer (7%). On that date, the bank's net loan-to-deposit ratio was 58.68%.

FNB Bottineau received a "Satisfactory" rating at their January 3, 2005 CRA examination. There are no legal or financial circumstances impeding the bank's ability to meet the needs of its AA.

DESCRIPTION OF ASSESSMENT AREA

The Bottineau AA consists of four census tracts (CTs): #9556 in McHenry County, and #9523, #9524, #9525 in Bottineau County. All CTs are middle-income tracts. The AA does not arbitrarily exclude any low- or moderate-income CTs. Banking competition in the Bottineau AA is average. On June 30, 2010, six financial institutions offered

banking services in the Bottineau AA. FNB Bottineau ranked first in deposit market share, with 31.77% of the market share, based on June 30, 2010 deposit information obtained from the Federal Deposit Insurance Corporation.

The population of the Bottineau AA was 9,943 according to the 2000 U.S. Census Data. The U.S. Department of Housing and Urban Development estimated median family income for the non-metropolitan areas of North Dakota in 2010 was \$55,900. Major employers include health and nursing care facilities, Dakota College and the Bottineau School District. Unemployment in Bottineau and McHenry County stood at 3.0% and 3.5% in July 2010, respectively. This is comparable to the state of North Dakota (3.5%) on that date. The 2000 U.S. Census Data indicated that 13.09% of households were below the poverty level in the Bottineau AA. Census tracts in Bottineau County are considered distressed and underserved. These designations are the result of population loss and the remote and rural location.

Our community contact indicated that local banks are active in the community and meeting the area's primary credit needs. Small businesses have access to financing and community members have access to consumer and home loans. Our contact also stated that the local economy is reliant on the agricultural sector and that there is substantial growth expected in the oil industry within the next five years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB Bottineau's performance under the lending test is Outstanding. The borrower distribution portion of the test received the majority of the weight in the overall rating. FNB Bottineau was found to have excellent penetration among farms of different sizes.

All criteria of the lending test are documented below:

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and local credit needs. The bank's quarterly average loan-to-deposit ratio for the 22 quarters since the previous CRA examination is 59.70%. Similarly-situated banks have quarterly average loan-to-deposit ratios ranging from 51.43% to 94.39% over the same time frame. FNB Bottineau is ranked fifth out of the six banks. These banks have a presence in the Bottineau AA with total assets between \$48 million and \$410 million. The lower ratio of this bank is mitigated by several factors. Management attributes their lower LTD ratio to a strong deposit base, lack of loan demand, and competition for agricultural loans.

Institution	Asset Size as of 6/30/2010	Average Loan-to-Deposit Ratio 1Q05 to 2Q10
Peoples State Bank	\$58 million	51.43%
FNB & Trust Co. Bottineau	\$115 million	59.70%
Security State Bank	\$59 million	72.60%
Citizens State Bank at Mohall	\$48 million	79.87%
State Bank of Bottineau	\$50 million	82.94%
Western State Bank	\$410 million	94.39%

*Source: Consolidated Report of Condition for 6/30/2010

Lending in AA

FNB Bottineau originated a substantial majority of loans inside its defined AA. Based on a sample of 20 loans originated from January 2008 to September 2010, 90% by number and 95% by dollar volume were made to farms within the bank’s AA.

Lending to Farms of Different Sizes

FNB Bottineau’s distribution of credit among farms of different sizes in the AA is excellent. Based on a sample of 20 agriculture loans, 100% of the bank’s loans originated to farms with gross annual revenues of less than \$1 million. This is comparable to the AA demographics.

Borrower Distribution of Loans to Businesses in Bottineau AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	100%	0%	-	100%
% of Bank Loans in AA by #	100%	0%	-	100%
% of Bank Loans in AA by \$	100%	0%	-	100%

*Source: 2009 Business Geo-Demographic Data

Responses to Complaints

The bank has not received any complaints regarding its CRA performance since the last evaluation.

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.