



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 1, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank in Tremont
Charter Number: 13579

134 South Sampson Street
Tremont, IL 61568

Office of the Comptroller of the Currency

Peoria Field Office
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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:

The First National Bank in Tremont (FNBT) is rated **Satisfactory**.

The major factors that support FNBT's rating include:

- FNBT's distribution of loans to borrowers of different income levels and to businesses of different sizes is reasonable.
- The majority of the loans originated by FNBT are to customers within its assessment areas ("AA").
- FNBT's quarterly average loan-to-deposit ratio of 64 percent over the evaluation period is reasonable, given the bank's size, financial condition, and AA credit needs.

SCOPE OF EXAMINATION

This Performance Evaluation assesses FNBT's record of meeting the credit needs of the communities in which it operates. We evaluated FNBT under the Small Bank performance criterion, which includes a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its AAs through its lending activities.

- The evaluation period covers loans originated or purchased from June 19, 2008 through October 1, 2012.
- FNBT has two AAs, generating a majority of the bank's loans and deposits. The Logan County AA consists of two smaller population census tracts ("CTs"), thus it only received a limited-scope review, while the Tazewell County AA received a full-scope review. The lending test is based on FNBT's primary loan products.
- We based conclusions regarding the bank's lending performance on commercial, residential real estate, and agriculture loans originated or purchased from January 1, 2010 through June 30, 2012.
- The 2010 Census data became available as of the beginning of this examination, therefore we utilized 2010 Census data for analyzing the FNBT's lending performance for loans originated or purchased from January 1, 2012 through June 30, 2012. We utilized 2000 Census data for reviewing loans originated or purchased from January 1, 2010 through December 31, 2011.
- We reviewed residential real estate loans reported under the Home Mortgage Disclosure Act ("HMDA") for the years 2010, 2011 and year-to-date (YTD) 2012. We conducted a Data Integrity review of the HMDA data by comparing information from the bank's loan application registers to actual loan files. We found the HMDA data to be accurate and reliable for use in this examination.

- Due to the availability of the 2010 Census data, we evaluated the lending test period in two segments. We compared commercial and agriculture loans originated in 2010 and 2011 to the 2000 Census data, and we compared loans originated YTD 2012 to the 2010 Census data.
- FNBT is not required to maintain revenue or income information on commercial and agriculture loans outside of the individual credit files. Thus, we reviewed a sample of commercial and agriculture loans from the Tazewell County and Logan County AAs originated during the lending test period to assess FNBT's lending to businesses and farms of different sizes.
- We reviewed a sample of 20 commercial and agriculture accounts from the Tazewell County AA that FNBT originated from January 1, 2010 through December 31, 2011, and from January 1, 2012 through June 30, 2012. We also sampled all seven commercial accounts and all 11 agriculture accounts from the Logan County AA originated during 2010 and 2011, and the two commercial accounts and seven agriculture accounts originated from January 1, 2012 to June 30, 2012.

DESCRIPTION OF INSTITUTION

FNBT is a \$126 million community bank located along Illinois State Highway 9 and Interstate 155 in Tazewell County in Central Illinois, approximately 15 miles southeast of Peoria, Illinois and 35 miles west of Bloomington, Illinois. FNBT is an intrastate financial institution with three offices serving portions of Logan and Tazewell Counties. The Tremont and Hopedale offices are equipped with drive-up facilities. FNBT has three cash-dispensing Automated Teller Machines ("ATMs"); one at each branch location in Hopedale, New Holland, and Tremont.

Customers may also access their accounts through the Internet. Internet banking services include transfers between FNBT accounts, review of account balances or transactions, accessing loan account information, and on-line bill-paying capabilities. Customers can also make loan payments to their loans with FNBT online. FNBT also offers debit cards providing customers with additional access to their accounts at point-of-sale and ATM locations.

FNBT is a wholly-owned subsidiary of Tremont Bancorp, Inc., a one-bank holding company located in Tremont, Illinois. As of June 30, 2012 the holding company had total assets of \$126 million. The holding company does not own any additional subsidiaries and it does not negatively impact the bank's ability to meet the credit needs of the community.

FNBT has not opened or closed any facilities since the previous CRA examination dated June 18, 2008. FNBT's business strategy of offering a traditional style of banking, local decision-making, incorporating new technologies, community

involvement, and providing responsive, personal service to all customers has not changed.

FNBT has three primary lending products; commercial, residential real estate, and agriculture loans. These three lending products account for 62 percent of the number of all loans originated during the evaluation period and make up 92 percent of the bank's outstanding loan balance as of June 30, 2012. While consumer loans accounted for 38 percent of the number of loans originated during the evaluation period, they only accounted for 7 percent of the dollar volume of loans made during that time.

Table 1 – Loan Originations by Loan Type from January 1, 2010 through June 30, 2012				
Loan Category	\$ (000)	%	#	%
Commercial Loans	\$ 13,868	21%	223	23%
Residential Loans	\$ 21,212	32%	209	22%
Agricultural Loans	\$ 26,297	40%	164	17%
Consumer Loans	\$ 4,370	7%	361	38%
Total Originations	\$ 65,747	100%	957	100%

Source: Bank Records from January 1, 2010 – June 30, 2012

As of June 30, 2012, the bank reported \$50 million in outstanding loans and had a net loans and leases to total assets ratio of 39 percent. The loan portfolio consists of the following:

Table 2 – Loan Portfolio Summary by Loan Type June 30, 2012		
Loan Category	\$(000)	%
Commercial Loans	\$14,138	28%
Residential Loans	\$20,936	42%
Agriculture Loans	\$10,801	22%
Consumer Loans	\$4,212	8%
Total Loans	\$50,087	100%

Source: Call Report June 30, 2012

There are no financial conditions, legal constraints, or other factors that would hinder the bank's ability in helping to meet the credit needs of the communities within its AA. The bank reported Tier 1 capital as of June 30, 2012 of \$11 million. The bank's previous CRA rating as of June 18, 2008, was Satisfactory.

DESCRIPTION OF ASSESSMENT AREA(S)

FNBT’s AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. FNBT has two AAs; Tazewell County AA and the Logan County AA. There have been no changes in the AAs since the previous examination.

Per the Federal Deposit Insurance Corporation (FDIC) market share report dated June 30, 2012, in Tazewell County FNBT ranks fifth and serves three percent of the market. While there are 19 institutions included in the market share report, we compared FNBT to the three similarly situated financial institutions located in the Tazewell County AA. Eighty-two percent of FNBT’s total deposits are in Tazewell County.

Per the market share report for Logan County, FNBT ranks ninth and serves 3.6 percent of the market. While there are 12 institutions included in the market share report, we compared FNBT to the three similarly situated financial institutions located in the Logan County AA. Eighteen percent of the bank’s total deposits are in Logan County.

Tazewell County

The Tazewell County AA consists of seven CTs in the southern and central portions of Tazewell County, which is a part of the Peoria MSA. The 2000 Census data showed that this AA contained no low- or moderate-income CTs. There were six CTs in the AA designated as middle-income and one CT designated as upper-income.

The 2010 Census data shows this AA again contains no low- or moderate-income CTs. The 2010 Census data indicated that there was a shift in the income distributions of these CTs. According to the 2010 Census data, there are now four CTs in the AA designated as middle-income and three CTs designated as upper-income.

The following is demographic information for the Tazewell County AA:

Table 3a - Demographic Information for the Tazewell County AA for 2010-2011					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	7	0%	0%	86%	14%
Population by Geography	33,522	0%	0%	85%	15%
Owner-Occupied Housing by Geography	10,305	0%	0%	86%	14%
Businesses by Geography	2,707	0%	0%	89%	11%

Farms by Geography	415	0%	0%	92%	8%
Family Distribution by Census Tract	9,460	0%	0%	86%	14%
Family Distribution by Income Level	9,460	11%	17%	26%	46%
Household Distribution by Income Level	12,605	15%	16%	18%	51%
Median Family Income	\$59,366	Median Housing Value		\$109,184	
Median Household Income	\$52,185	Median Year Built		1968	
2011 HUD Adjusted Median Family Income for the MSA	\$68,200	Average Monthly Gross Rent		\$ 516	
Families Below the Poverty Level	3%	Households Below the Poverty Level		5%	

Source: 2000 U.S. Census Data

Table 3b - Demographic Information for the Tazewell County AA for 2012					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	7	0%	0%	57%	43%
Population by Geography	35,447	0%	0%	48%	52%
Owner-Occupied Housing by Geography	11,096	0%	0%	46%	54%
Businesses by Geography	2,577	0%	0%	53%	47%
Farms by Geography	412	0%	0%	64%	36%
Family Distribution by Census Tract	10,011	0%	0%	48%	52%
Family Distribution by Income Level	10,011	14%	21%	28%	37%
Household Distribution by Income Level	13,632	20%	18%	22%	39%
Median Family Income	\$76,554	Median Housing Value		\$153,542	
Median Household Income	\$65,222	Median Year Built		1970	
2012 HUD Adjusted Median Family Income for the MSA	\$69,100	Average Monthly Gross Rent		\$ 715	
Families Below the Poverty Level	3%	Households Below the Poverty Level		5%	

Source: 2012 U.S. Census Data

Logan County

The Logan County AA, which is not part of an MSA, consists of two CTs covering the western portion of Logan County. The 2000 Census data showed this AA contained no low- or moderate-income CTs. The data showed that one CT was designated as middle-income and the other CT was designated as upper-income.

The 2010 Census data continues to show that the Logan County AA contains no low- or moderate-income CTs. The 2010 Census data for the AA also reported a shift in income distributions for this AA. The data showed both CTs are now designated as upper-income.

The following is demographic information for the Logan County AA:

Table 4a - Demographic Information for the Logan County AA for 2010-2011					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	2	0%	0%	50%	50%
Population by Geography	7,871	0%	0%	34%	66%
Owner-Occupied Housing by Geography	2,234	0%	0%	48%	52%
Businesses by Geography	466	0%	0%	49%	51%
Farms by Geography	180	0%	0%	49%	51%
Family Distribution by Census Tract	1,574	0%	0%	48%	52%
Family Distribution by Income Level	1,574	10%	17%	24%	49%
Household Distribution by Income Level	2,066	12%	15%	19%	54%
Median Family Income	\$50,651	Median Housing Value		\$74,314	
Median Household Income	\$44,261	Median Year Built		1948	
2011 HUD Adjusted Median Family Income for Illinois Non-MSA	\$56,600	Average Monthly Gross Rent		\$ 469	
Families Below the Poverty Level	3%	Households Below the Poverty Level		5%	

Source: 2000 U.S. Census Data

Table 4b - Demographic Information for the Logan County AA for 2012					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	2	0%	0%	0%	100%
Population by Geography	8,168	0%	0%	0%	100%
Owner-Occupied Housing by Geography	2,175	0%	0%	0%	100%
Businesses by Geography	403	0%	0%	0%	100%
Farms by Geography	174	0%	0%	0%	100%
Family Distribution by Census Tract	1,465	0%	0%	0%	100%
Family Distribution by Income Level	1,574	20%	20%	25%	35%
Household Distribution by Income Level	1,996	18%	18%	20%	43%
Median Family Income	\$71,545	Median Housing Value		\$98,122	
Median Household Income	\$55,716	Median Year Built		1952	
2012 HUD Adjusted Median Family Income for Illinois Non-MSA	\$57,400	Average Monthly Gross Rent		\$ 657	
Families Below the Poverty Level	3%	Households Below the Poverty Level		4%	

Source: 2012 U.S. Census Data

Economic Data

The local economy is considered to be improving. Though the local economy was not affected as significantly as many across the state, it was impacted by the financial crisis of 2008 and the recession that affected the country during the past few years. The August 2012 unemployment rate of 7.6 percent for Tazewell County is below the national average of 8.1 percent and the State of Illinois average of 9.1 percent. The unemployment rate of 8.4 percent for Logan County is in line with the national average but below the state average. The economy of the Tazewell AA is primarily concentrated in manufacturing/construction and some service related industries. Major employers include: Caterpillar, Inc, Hopedale Medical Complex, Inc., R.A. Cullinan & Son, Inc., local school districts, and city and county governments.

We contacted a local public official of Tremont and a local insurance agent during the examination. Both contacts believe that the local economy did not suffer as much as many other communities during the recession and that the economy has begun to recover. The consensus was that the local economy was above the national average. The contacts indicated the primary credit needs in the AA are small business, residential, and general consumer loans. They felt FNBT and the other financial institution in Tremont are actively meeting the credit needs of the area. The contacts

indicated both financial institutions are very active in the community and provide good financial guidance to the community. Both contacts also felt that there is a low volume of low- and moderate-income families in the local area. Neither contact identified any credit needs or banking services not met or provided for by local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNBT meets the standards for satisfactory performance.

- The distribution of loans to individuals of different income levels and to businesses and farms of different sizes is reasonable.
- A majority of the loans originated by FNBT are to customers from within its AA.
- FNBT's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

Loan-to-Deposit Ratio

FNBT's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. FNBT's quarterly average loan-to-deposit ratio for the evaluation period June 30, 2008 to June 30, 2012, was 64 percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from 37 percent to 88 percent. FNBT's average loan-to-deposit ratio is comparable with the other six similarly situated banks, which range in asset size from \$61 million to \$343 million. The similarly situated banks utilized for comparison purposes are community banks located in Logan and Tazewell Counties.

Lending in Assessment Area

A majority of the loans originated by FNBT are to customers within its AA. FNBT's lending to customers within the AA for all loan types is reasonable. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Table 5 – Loans Originated within the AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Commercial	173	78%	50	22%	223	\$8,190	59%	\$5,678	41%	\$13,868
Residential	134	69%	59	31%	193	\$12,939	67%	\$6,509	33%	\$19,448
Agriculture	129	80%	33	20%	162	\$22,371	85%	\$3,926	15%	\$26,297
Totals	436	75%	142	25%	578	\$43,500	73%	\$16,113	27%	\$59,613

Source: Bank and HMDA records on new loans originated in 2010, 2011, and through June 30, 2012.

Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes

The distribution of loans reflects reasonable dispersion among businesses and farms of different sizes and individuals of different income levels.

Full Scope Review – Tazewell County AA

The distribution of loans reflects reasonable dispersion among businesses and farms of different sizes and individuals of different income levels in the Tazewell County AA.

Commercial Loans

The distribution of loans to businesses made in 2010 and 2011 reflects reasonable penetration among businesses of different sizes given the demographics of the AA. From the number of commercial loans originated by FNBT in 2010 and 2011, 71 percent from the Tazewell County AA were to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. The demographic data shows 69 percent of the businesses in the Tazewell County AA reporting revenue data have annual gross revenues equal to, or less than, one million dollars.

The following table shows the distribution of commercial loans among businesses of different sizes within the AA from 2010 and 2011:

Table 6a – Borrower Distribution of Loans to Businesses of Different Sizes in the Tazewell County AA in 2010 & 2011					
Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	39	71%	69%	\$ 804	37%
>\$1,000,000	16	29%	3%	\$ 1,394	63%
Total	55	100%	72%	\$ 2,198	100%

Source: Bank records on new loans originated from January 1, 2010 to December 2011; 2000 Census Data.

** 28 percent of AA businesses did not report revenue data.

The distribution of loans to businesses made from January 1, 2012 through June 30, 2012 reflects reasonable penetration among businesses of different sizes, given the demographics of the AA. From the number of commercial loans originated by FNBT during the first two quarters of 2012, 90 percent from the Tazewell County AA were to small businesses. The demographic data shows 73 percent of the businesses in the

Tazewell County AA reporting revenue data have annual gross revenues equal to, or less than, one million dollars.

The following table shows the distribution of commercial loans among businesses of different sizes within the AA from January 1, 2012 through June 30, 2012:

Table 6b – Borrower Distribution of Loans to Businesses of Different Sizes in the Tazewell County AA from Jan 1, 2012 – Jun 30, 2012					
Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	18	90%	73%	\$ 640	90%
>\$1,000,000	2	10%	4%	\$ 69	10%
Total	20	100%	77%	\$ 709	100%

Source: Bank records on new loans originated from January 1, 2012 to June 30, 2012; 2010 Census Data.

** 23 percent of AA businesses did not report revenue data.

Residential Real Estate Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels given the demographics of the AAs. In making this determination, we weighed the performance with low- and moderate-income families.

FNBT’s lending to low-income borrowers in the Tazewell County AA during 2010 and 2011 is reasonable and above the percentage of low-income families. Lending to moderate-income borrowers during this time is reasonable but below the percentage of moderate-income families. Overall lending to low- and moderate-income borrowers is reasonable, given that three percent of the families in the AA are below the poverty level. The data from 2012 was not included. There was an insufficient volume of lending in 2012 to perform a meaningful analysis

Table 7 – Borrower Distribution of Residential Real Estate Loans in the Tazewell County AA in 2010 & 2011								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential Real Estate	11%	12%	17%	15%	26%	36%	46%	37%

Source: HMDA records from January 1, 2010 to December 31, 2011; 2000 Census Data.

Agriculture Loans

The distribution of loans to farms reflects reasonable penetration among farms of different sizes given the demographics of the Tazewell County AA. From the number of agriculture loans originated by FNBT in 2010 and 2011, 94 percent from the Tazewell County AA were to small farms. Small farms are farms with gross annual revenues of one million dollars or less. The demographic data shows 99 percent of the farms in the Tazewell County AA reporting revenue data have annual gross revenues equal to, or less than, one million dollars. We note that farm revenues have risen considerably in recent years due to increased commodity prices. The data from 2012 was not included. There was an insufficient volume of lending in 2012 to perform a meaningful analysis

Table 8 – Borrower Distribution of Loans to Farms of Different Sizes in the Tazewell County AA as of 2010 & 2011					
Farm Revenues	Number of Loans		% of Farms in AA**	Dollars of Loans	
	#	%		\$	%
≤\$1,000,000	44	94%	98%	\$488,746	62%
>\$1,000,000	3	6%	1%	\$305,043	38%
Total	47	100%	99%	\$793,789	100%

Source: Bank records on new loans originated from January 1, 2010 to December 2011; 2000 Census Data.

** 1 percent of AA farms did not report revenue data.

Limited Scope Review – Logan County AA

The distribution of loans reflects reasonable dispersion among businesses and farms of different sizes and individuals of different income levels.

FNBT’s performance for borrower income distribution in 2010 and 2011 in the Logan County AA is similar to that of the Tazewell County AA. The distribution of residential real estate loans to low- and moderate-income borrowers was reasonable. Borrower distribution data for 2012 was not included. There was an insufficient volume of lending in 2012 to perform a meaningful analysis.

The distribution of loans to businesses in 2010 and 2011 reflects poor penetration, given the demographics of the Logan County AA. From the number of commercial loans originated by FNBT in 2010 and 2011, only 33 percent from the Logan County AA were to small businesses. The demographic data shows 71 percent of the businesses in the Logan County AA reporting revenue data, have annual gross revenues equal to, or less than, one million dollars. We did not include the data from 2012. There was an insufficient volume of lending in 2012 to perform a meaningful analysis.

Distribution of loans to farms in 2010 and 2011 reflects reasonable penetration among farms of different sizes given the demographics of the AA. Distribution is similar to that of the Tazewell County AA. The data from 2012 was not included. There was an insufficient volume of lending in 2012 to perform a meaningful analysis.

Geographic Distribution of Loans

We did not perform a geographic distribution of loans at this examination. Since all the geographies are middle- and upper-income, the analysis would not be meaningful.

Responses to Complaints

FNBT has not received any complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

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.