



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**June 18, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank in Tremont  
Charter Number 13579

134 South Sampson Street  
Tremont, Illinois 61568

Office of the Comptroller of the Currency

North Central Illinois & Eastern Iowa Field Office  
111 West Washington Street, Suite 300  
East Peoria, Illinois 61611

**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 ("FNB") is rated satisfactory.

The major factors that support FNB's rating include:

- FNB's distribution of loans to borrowers of different income levels and to businesses of different sizes is excellent.
- A majority of the loans originated by FNB are to customers from within its assessment area ("AA").
- FNB's quarterly average loan-to-deposit ratio of seventy-three percent over the evaluation period is reasonable, given the bank's size, financial condition, and AA credit needs. Summarize the major factors supporting the institution's rating.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses FNB's record of meeting the credit needs of the communities in which it operates. We evaluated FNB 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 AA through its lending activities.

- The evaluation period covers loans originated or purchased from September 16, 2002 through May 31, 2008.
- FNB 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 will only receive a limited-scope review, while the Tazewell County AA will receive a full-scope review. The lending test is based on FNB's primary loan products.
- Conclusions regarding the bank's lending performance are based on commercial, residential, and consumer loans originated or purchased from January 1, 2006 through May 31, 2008, utilizing 2000 census data.
- We reviewed residential real estate loans reported under the Home Mortgage Disclosure Act ("HMDA") for the years 2006, 2007 and year-to-date 2008. 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.
- FNB is not required to maintain revenue or income information on commercial and consumer loans outside of the individual credit files. Thus, we reviewed a sample of 20 commercial accounts from the Tazewell County AA and all 12 commercial accounts from the Logan County AA originated during the lending test period to

assess the lending to businesses of different sizes. For the consumer loans, we used a sample of 20 accounts from each AA originated during the evaluation period to assess the range of distribution by household of different incomes.

## **DESCRIPTION OF INSTITUTION**

FNB is a \$115MM community bank located along Illinois State Highway 9 and Interstate 155 in Tazewell County in Central Illinois. FNB is headquartered at 134 South Sampson Street in Tremont, Illinois, approximately 15 miles southeast of Peoria, Illinois and 35 miles west of Bloomington, Illinois. FNB 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. FNB has five cash-dispensing Automated Teller Machines (“ATMs”); one each at the Hopedale and New Holland branches, one at the Hopedale Medical Complex, and one each at the Casey’s Convenience stores in Tremont and Groveland.

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

FNB is a wholly-owned subsidiary of Tremont Bancorp, Inc., a one-bank holding company located in Tremont, Illinois. As of March 31, 2008, the holding company had total assets of \$115 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.

In March 2004, FNB acquired the Hopedale Community Banking Center from the Better Bank Group. Hopedale was already in FNB’s AA as it is located between Tremont and New Holland. While this acquisition did not expand the AA, it does provide FNB the ability and opportunity to increase the number of customers served within the AA. FNB’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.

FNB has three primary lending products; commercial, residential, and consumer loans. Commercial and residential lending account for 67 percent of the amount of all loan originations during the evaluation period and make up 73 percent of the outstanding loan balances as March 31, 2008. Although consumer loans do not have a large dollar amount of originations, they did account for 62 percent of the number of all loans originated over the evaluation period. Therefore, consumer loans were included in the sampling and used in the analysis of this evaluation. Agricultural lending is not a primary loan product, accounting for 19 percent of the amount and 8 percent of the number of loan originations during the evaluation period, and 16 percent of the outstanding loan balances as of March 31, 2008.

**Table 1 – Loan Originations by Loan Type from  
January 1, 2006 through May 31, 2008**

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Commercial Loans	\$ 28,207	35%	392	18%
Residential Loans	\$ 26,316	32%	250	12%
Agricultural Loans	\$ 15,654	19%	162	8%
Consumer Loans	\$ 11,613	14%	1,305	62%
<b>Total Originations</b>	<b>\$ 81,790</b>	<b>100%</b>	<b>2,109</b>	<b>100%</b>

*Source: Bank Records from January 1, 2006 – May 31, 2008*

As of March 31, 2008, the bank reported \$72 million in outstanding loans and had a net loans and leases to total assets ratio of 62 percent. The loan portfolio consists of the following:

**Table 2 – Loan Portfolio Summary by Loan Type  
March 31, 2008**

<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Commercial Loans	\$ 21,959	31%
Residential Loans	\$ 30,047	42%
Agriculture Loans	\$ 11,556	16%
Consumer Loans	\$ 8,177	11%
<b>Total Loans</b>	<b>\$ 71,739</b>	<b>100%</b>

*Source: Call Report March 31, 2008*

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. Tier 1 capital was reported at \$9.6 million as March 31, 2008. The bank's previous CRA rating as of September 16, 2002, was Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREAS**

FNB's AAs meet the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. FNB has two AAs; Tazewell County AA, and the Logan County AA. There has been no change in the AAs since the last examination.

### **Tazewell County AA**

The Tazewell County AA consists of seven census tracts ("CTs") in the southern and central portions of Tazewell County, which is a part of the Peoria MSA. The 2000 U.S. Census data shows this AA does not contain any low- or moderate-income CTs. There are six CTs in the AA designated as middle-income and one CT designated as upper-income.

The following is demographic information for the assessment area:

<b>Table 3 - Demographic Information for the Tazewell County Assessment Area</b>					
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	9,726	0%	0%	86%	14%
Businesses by Geography	2,128	0%	0%	92%	8%
Farms by Geography	351	0%	0%	93%	7%
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	
2007 HUD Adjusted Median Family Income for the MSA	\$63,400	Average Monthly Gross Rent		\$ 516	
Families Below the Poverty Level	3%	Households Below the Poverty Level		5%	

Source: 2000 U.S. Census Data

### **Logan County AA**

The Logan County AA, which is not part of a MSA, consists of two census tracts ("CTs") covering the western portion of Logan County. The 2000 U.S. Census data shows this AA does not contain any low- or moderate-income CTs. One CTs is designated as middle-income and the other CT is designated as upper-income.

The following is demographic information for the assessment area:

<b>Table 4 - Demographic Information for the Logan County Assessment Area</b>					
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	356	0%	0%	50%	50%
Farms by Geography	172	0%	0%	47%	53%
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
2007 HUD Adjusted Median Family Income for Illinois Non-MSA	\$51,900	Average Monthly Gross Rent			\$ 469
Families Below the Poverty Level	4%	Households Below the Poverty Level			5%

Source: 2000 U.S. Census Data

### **Economic Data**

The local economy is considered stable. The May 2008 unemployment rate of 4.4% for Tazewell County is well below the national average of 5.5% and the State of Illinois averages of 6.4%. The unemployment rate of 5.6% for Logan County is in line with the national average and below the state average. The economy of the AA is concentrated in manufacturing/construction and service related industries. Major employers include: Pekin Insurance Company, Hopedale Medical Complex, Caterpillar, Inc., R.A. Cullinan & Son, Inc., the local school districts, and the city and county governments.

We contacted a local public official of Tremont during the examination. The contact believes the local economy is stable and above the national average. The contact indicated the primary credit needs in the AA are residential, small business and general consumer loans. He felt FNB and the other financial institution in Tremont are actively meeting the credit needs of the area. The contact indicated both financial institutions are very active in the community and provide good financial guidance to the community. The contact did not know of any credit needs or banking services not met or provided for by the local financial institutions.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB meets the standards for satisfactory performance.

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

## LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of borrowers reflects, given the demographics of the AA, excellent penetration among individuals of different income levels (including low-, and moderate-income) and businesses of different sizes.

### Commercial Loans

The distribution of loans to businesses reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes. From the number of commercial loans originated by FNB, seventy-nine 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 sixty-three percent of the businesses in the Tazewell County AA reporting revenue data, have annual gross revenues equal to or less than one million dollars. FNB's performance in the Logan County AA is consistent with that of the Tazewell County AA.

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

<b>Table 5 – Borrower Distribution of Loans to Businesses of Different Sizes in the Tazewell County AA</b>					
Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	44	79%	63%	\$ 2,625	77%
>\$1,000,000	12	21%	6%	\$ 768	23%
Total	56	100%	69%	\$ 3,393	100%

Source: Bank records on new loans originated from January 1, 2006 to May 31, 2008; 2000 Census Data.

\*\* 31 percent of AA businesses did not report revenue data.

**Residential Real Estate Loans**

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

FNB’s lending to moderate-income borrowers is excellent and exceeds the percentage of moderate-income families. The lending to low-income borrowers is reasonable and above the percentage of low-income families. The overall lending to low- and moderate-income borrowers is excellent, given that three percent of the families in the AA are below the poverty level. FNB’s performance in the Logan County AA reflects a reasonable penetration among individuals of different income levels.

<b>Table 6 – Borrower Distribution of Residential Real Estate Loans in the Tazewell County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential Real Estate	11%	13%	17%	31%	26%	34%	46%	22%

Source: HMDA records from January 1, 2006 to May 31, 2008; 2000 Census Data.

**Consumer Loans**

FNB’s lending to borrowers of different income levels regarding consumer loans is excellent. Based on our sample, lending to low- and moderate-income borrowers is significantly above the percentage of low- and moderate-income households in the AA. FNB’s performance in the Logan County AA is similar with that of the Tazewell County AA.

<b>Table 7 – Borrower Distribution of Consumer Loans in the Tazewell County AA</b>								
Household Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number
Consumer	15%	35%	16%	41%	18%	13%	51%	11%

Source: Bank records on loans originated or purchased from January 1, 2006 to May 31, 2008; 2000 Census Data.



## LENDING IN THE ASSESSMENT AREA

A majority of the loans originated by FNB are to customers within its AA. FNB'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 8 – Loans Originated within the Assessment Area**

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Commercial	268	68%	124	32%	392	\$15,103	54%	\$13,104	46%	\$28,207
Residential	117	59%	80	41%	197	\$10,151	57%	\$ 7,636	43%	\$17,787
Consumer	852	65%	453	35%	1,305	\$ 7,137	61%	\$ 4,476	39%	\$11,613
Totals	1,237	65%	657	35%	1,894	\$32,391	56%	\$25,216	44%	\$57,607

Source: Bank and HMDA records on new loans originated in 2006, 2007, and through May 31, 2008.

## LOAN-TO-DEPOSIT RATIO

FNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. FNB's quarterly average loan-to-deposit ratio for the period October 1, 2002, to March 31, 2008, was seventy-three percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from forty-nine percent to eighty-three percent. FNB's average loan-to-deposit ratio is comparable with the other five similarly situated banks, which range in asset size from \$49 million to \$181 million. The similarly situated banks utilized for comparison purposes are community banks located in Logan and Tazewell County.

## GEOGRAPHIC DISTRIBUTION OF LOANS

A geographic distribution of loans was not performed at this examination. Since all the geographies are middle- and upper-income, the analysis would not be meaningful.

## RESPONSES TO COMPLAINTS

FNB 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.