



PUBLIC DISCLOSURE

February 26, 2018

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

211 Fulton Street
Suite 604
Peoria, Illinois 61602

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, and should not 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.

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Overall CRA Rating: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory

- The borrower distribution of loans reflects excellent penetration.
- The majority of loans originated or purchased by the bank are to customers within its assessment areas (AAs).
- The quarterly average loan-to-deposit (LTD) ratio is reasonable.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

The First National Bank in Tremont (FNB or bank) is a \$121 million intrastate financial institution headquartered in Tremont, Illinois, near Interstate 155, southeast of Peoria, Illinois.

The bank is a wholly owned subsidiary of Tremont Bancorp, Inc. a \$121 million, one-bank holding company headquartered in Tremont, Illinois. Tremont Bancorp, Inc. does not negatively impact the bank's ability to meet the credit needs of the community.

The bank has three branch locations: two in Tazewell County serving the Tazewell AA and one in Logan County serving the Logan AA. Each branch has a cash dispensing Automated Teller Machine, and the Tremont and Hopedale branches include drive-up facilities. Internet banking is also available to the bank's customers. There have been no branch openings or closures since the previous CRA PE (PE).

FNB maintains its strategy of providing a range of banking services and products while focusing on customer service, community support, and local decisions.

FNB held 67 percent of net loans and leases to total assets and had a Tier One Leverage Capital ratio of 11 percent, at December 31, 2017.

Residential lending represented the largest loan portfolio at \$30 million, followed by agriculture lending at \$19 million, commercial lending at \$18 million, and consumer lending at \$5 million, at December 31, 2017.

FNB competes with national banks, state banks, and credit unions in Tazewell and Logan counties as well as financial institutions in the larger market areas of Peoria and Springfield, Illinois, and online lenders. The bank sourced 81 percent of its \$98 million in deposits from Tazewell County, as of June 30, 2017. FNB held less than a three percent deposit market share in Tazewell County, ranking seventh of 17 FDIC insured financial institutions, at June 30, 2017. The top three financial institutions in Tazewell County held a 74 percent deposit market share. FNB held a three percent deposit market share in Logan County, ranking 10th of 12 FDIC insured financial institutions, at June 30, 2017. The top three financial institutions in Logan County held a 58 percent deposit market share.

The previous CRA rating, which the OCC determined using the Small Bank criterion, was Satisfactory, as detailed in the amended PE dated September 3, 2013, which amended a PE dated October 1, 2012.

There are no legal or financial circumstances that impede the bank's ability to meet the credit needs of its AAs.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period covers the period between the date of the prior CRA PE of October 1, 2012, and February 26, 2018. We assessed the bank under the Small Bank criterion, which includes a Lending Test. The Lending Test assesses the lending performance of the primary products from January 1, 2016, through December 31, 2017. Performance conclusions for lending between January 1, 2017, and December 31, 2017, are based on 2015 American Community Survey data. Performance conclusions for lending between January 1, 2016 and December 31, 2016 are based on 2010 US Census data.

The primary loan products were determined to be business loans followed by residential loans. The primary products accounted for 71 percent of loans, by dollar, originated or purchased between January 1, 2016, and December 31, 2017. Business lending represented 36 percent of originations or purchases, while residential lending represented 35 percent.

Data Integrity

We conducted a data integrity review of the HMDA data for reportable loans originated or purchased between January 1, 2016, and December 31, 2017, on February 12, 2018. We sampled 100 percent of reported data, verified reported data against source documents, and geocoded data for each application. We found the HMDA data for the 2016 and 2017 years to be reliable.

FNB is not required to maintain CRA data on business lending outside of individual credit files. Therefore, we utilized sampling to obtain data for business loans. We obtained the gross revenues of businesses, as well as geocoding data for each loan sampled.

Selection of Areas for Full-Scope Review

The Tazewell AA received a full-scope review, as a majority of deposits were obtained from this AA. The Logan AA received a limited scope review. Refer to Appendix A for more information.

Ratings

The overall rating is based primarily on the area that received a full-scope review. Additionally, we weighed the performance of business lending more than residential lending. Lending performance in 2016 and 2017 were weighed equally.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) 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. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

FNB meets the standard for Satisfactory performance.

Loan-to-Deposit Ratio

FNB's average LTD ratio is reasonable given the size, financial condition, level of competition, and lending opportunities available in the AAs. The LTD ratio is calculated on a bank-wide quarterly average since the prior CRA PE. The quarterly LTD ratio averaged 56 percent over 21 quarters from December 31, 2012, through December 31, 2017, with a low of 42 percent and a high of 69 percent. Similarly situated institutions had an overall average LTD ratio of 61 percent, with an average low of 21 percent and an average high of 95 percent. The similarly situated institutions, which range in asset size from \$19 million to \$171 million, are FDIC insured community financial institutions that compete with FNB for deposits in the AAs.

Lending in Assessment Area

FNB originated or purchased a majority of loans to customers inside its AAs during the evaluation period, both by number and dollar volume. The proportion of lending inside versus outside the AAs is calculated on a bank-wide basis.

Loan Type	Number of Loans				Total	Dollars of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
						(000)		(000)		(000)
Business	41	75	14	25	55	1,785	80	444	20	2,229
Residential	71	65	38	35	109	6,914	62	4,307	38	11,221
Total	112	68	52	32	164	8,699	65	4,751	35	13,450

Source: In/Out sample of business loans and data reported under HMDA between January 1, 2016, and December 31, 2017.

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

The borrower distribution reflects excellent penetration in the AAs, given the performance context.

Tazewell AA:

The borrower distribution reflects excellent penetration.

Business Loans

The borrower distribution reflects excellent penetration among businesses of different sizes, given the performance context. The performance significantly exceeds the standard.

Table 2 - Borrower Distribution of Loans to Businesses in Tazewell AA (2017)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	79%	7%	14%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Sample of business loans originated or purchased from January 1, 2017, through December 31, 2017; Dun and Bradstreet data, as of June 30, 2017.

Table 2b - Borrower Distribution of Loans to Businesses in Tazewell AA (2016)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	80%	7%	13%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Sample of business loans originated or purchased from January 1, 2016, through December 31, 2016; Dun and Bradstreet data, as of June 30, 2016.

Residential Loans

There were a limited number of loans originated by type of residential loan in the AAs, thus an analysis by type would not be meaningful. As a result, we combined the lending for purchase, refinance, and home improvement for both full-scope and limited-scope AAs.

The distribution of borrowers reflects excellent penetration among families of different income levels, given the performance context. Lending to low- and moderate-income families reflects excellent penetration as the performance significantly exceeds the standard.

Table 3 - Borrower Distribution of Residential Real Estate Loans in Tazewell AA (2017)								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential	11	17	15	22	23	33	51	28

Source: Data reported under HMDA between January 1, 2017, and December 31, 2017: 2015 American Community Survey data.

Table 3b - Borrower Distribution of Residential Real Estate Loans in Tazewell AA (2016)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential	10	17	18	22	23	33	49	28

Source: Data reported under HMDA between January 1, 2016, and December 31, 2016: 2010 US Census data.

Logan AA:

The borrower distribution reflects poor penetration.

Business Loans

The performance in the Logan AA is inconsistent with the full-scope review of the Tazewell AA as the lending performance reflects poor penetration, given the performance context.

Residential Loans

The performance in the Logan AA is inconsistent with the full-scope review of the Tazewell AA as the lending performance reflects reasonable penetration, given the performance context. Lending to low-income families reflects poor penetration while lending to moderate-income families reflects reasonable penetration.

Geographic Distribution of Loans

We did not perform a geographic analysis of the distribution of loans at this evaluation. An analysis is not meaningful as there are no low- or moderate-income CTs in the AAs.

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet the credit needs of its AAs during the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: (January 1, 2016 to December 31, 2017)	
Financial Institution	Products Reviewed	
First National Bank in Tremont Tremont, Illinois	Business and Residential Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
NA	NA	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
State of Illinois (Peoria, IL MSA) #37900 Tazewell AA	Full Scope	Tazewell County (#179) – CTs: 215, 216.04, 216.06, 217.01, 217.02, 219, and 220
(Nonmetropolitan Area) Logan AA	Limited Scope	Logan County (#107) – CTs: 9530, 9531, 9532, 9533, 9534, and 9535

Appendix B: Community Profiles for Full-Scope Areas

Demographic Information for Full-Scope Area: Tazewell AA (2017)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	0.00	0.00	42.86	57.14	0.00
Population by Geography	35,407	0.00	0.00	31.08	68.92	0.00
Owner-Occupied Housing by Geography	11,211	0.00	0.00	28.08	71.92	0.00
Businesses by Geography	1,650	0.00	0.00	39.21	60.79	0.00
Farms by Geography	243	0.00	0.00	46.91	53.09	0.00
Family Distribution by Income Level	9,676	11.43	14.65	23.25	50.66	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,524	0.00	0.00	41.56	58.44	0.00
Median Family Income: FFIEC Adjusted Median Family Income for 2017: Families Below the Poverty Level:	= \$69,329 = \$72,500 = 3.90%	Median Housing Value Unemployment Rate – Tazewell County (December 31, 2017)				= \$167,258 = 4.80%

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2015 American Community Survey, and 2017 FFIEC updated MFI. Unemployment data from U.S. Bureau of Labor Statistics.

Demographic Information for Full-Scope Area: Tazewell AA (2016)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	0.00	0.00	57.14	42.86	0.00
Population by Geography	35,447	0.00	0.00	48.28	51.72	0.00
Owner-Occupied Housing by Geography	11,096	0.00	0.00	46.36	53.64	0.00
Businesses by Geography	1673	0.00	0.00	53.32	46.68	0.00
Farms by Geography	254	0.00	0.00	62.60	37.40	0.00
Family Distribution by Income Level	10,011	10.28	18.28	23.08	48.36	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,859	0.00	0.00	56.94	43.06	0.00
Median Family Income: FFIEC Adjusted Median Family Income for 2016: Families Below the Poverty Level:	= \$66,038 = \$69,500 = 3.15%	Median Housing Value Unemployment Rate – Tazewell County (December 31, 2016)				= \$153,542 = 6.4%

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 U.S. Census, and 2016 FFIEC updated MFI. Unemployment data from U.S. Bureau of Labor Statistics.

FNB primarily serves the rural areas of southeast Tazewell County and the eastern portion of Logan County.

Major employment sectors in Tazewell and Logan Counties include manufacturing, health care services, and retail services. Peoria, East Peoria, and Morton, Illinois, are the major centers of employment for individuals in the community.

The unemployment rates have improved since the prior CRA PE for both Tazewell and Logan counties. The State of Illinois unemployment rates were 4.7 and 5.3 percent at December 31, 2017, and December 31, 2016, respectively. Tazewell County had unemployment rates of 4.8 and 6.4, respectively. Logan County had unemployment rates of 4.3 and 5.2 percent, respectively. Improvement in unemployment rates may improve the lending opportunities in the area.

Families living below poverty was 3.15 percent in the Tazewell AA and 7.98 percent the Logan AA. The low poverty level for families in the Tazewell AA may improve the opportunities for lending while the level of poverty for families in the Logan AA may limit opportunities to lend in the AA.

We contacted a local group in Tremont, Illinois, that seeks to promote economic activity. The contact noted that local economic conditions are improving and families are moving into the area. The contact noted that the local banks, including FNB, are active in financing, donating, and volunteering with community events and projects. The contact had no negative perceptions of FNB.