



PUBLIC DISCLOSURE

February 29, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Tempo Bank, A FSB
Charter Number 705636

28 W Broadway
Trenton, IL 62293-1304

Office of the Comptroller of the Currency

500 North Broadway, Suite 1700
St. Louis, MO 63102

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.

Tempo Bank, A FSB's (Tempo) lending performance reflects a satisfactory response to community credit needs. The conclusion is based on the following:

- The bank originated a substantial majority of loans inside its assessment area (AA).
- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs.
- The level of residential real estate (RRE) lending meets the standard of satisfactory performance among borrowers of different income levels.
- The geographic distribution of mortgage loans originated by Tempo during the evaluation period reflects reasonable dispersion within the AA.

SCOPE OF EXAMINATION

This Performance Evaluation is an assessment of Tempo's record in meeting the credit needs of the communities in which it operates. Tempo was evaluated under the Small Bank performance criteria, which includes a lending test. The lending test evaluates the institution's record of helping to meet the credit needs of its AA through its lending activities. The CRA evaluation period covers February 23, 2011 through February 29, 2016.

Conclusions regarding the bank's lending performance are based on Tempo's primary loan product that consists of RRE loans. For our analysis of Tempo's lending activity, we incorporated all RRE loans reported under the Home Mortgage Disclosure Act (HMDA) for the years 2014 and 2015. To ascertain the data integrity of the reported HMDA loans, we reviewed a sample and concluded that the data was accurate and reliable.

We used demographic information from the 2010 U.S. Census and 2014 peer data from HMDA reporters with lending activity in the AA. Tempo's AA received a full-scope review. Please see the "Description of Assessment Area" for more information.

DESCRIPTION OF INSTITUTION

Tempo is a federally chartered, stock association and is a wholly owned subsidiary of Sugar Creek Financial Corporation. As of December 31, 2015, Tempo had total assets of \$97 million, net loans of \$77 million, and total risk-based capital of \$11 million. The loan portfolio consists of 97.5% real estate loans and 2.5% individual loans.

Tempo's business strategy focuses on the origination of RRE loans. During 2014 and 2015, RRE originations totaled 146 by number and \$25 million by dollar amount.

Tempo is an intrastate bank headquartered in Trenton, Illinois with a branch office located in Breese, Illinois. Both offices are located in middle-income geographies in Clinton County and have full-service automated teller machines (ATM) on the premises. There are no legal, financial, or other factors impeding Tempo’s ability to help meet the credit needs of the AA it serves.

Tempo was rated “Satisfactory” at its last CRA evaluation dated February 22, 2011.

DESCRIPTION OF ASSESSMENT AREA

Tempo’s AA consists of all of Clinton County and adjacent portions of St. Clair and Madison Counties; these are three of the eight Illinois counties within the St. Louis, MO-IL MSA #41180. The AA has 67 census tracts (CTs or geographies); it holds no low-income, eight moderate-income, 38 middle-income, and 21 upper-income geographies. The bank’s AA conforms to regulatory requirements and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Here is a summary of key information for the AA:

Demographic Information for Full-Scope Area: Tempo Bank IL AA 2015					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	67	0.00	11.94	56.72	31.34
Population by Geography	350,502	0.00	10.49	56.64	32.87
Owner-Occupied Housing by Geography	97,492	0.00	9.12	56.37	34.51
Business by Geography	18,729	0.00	11.23	56.28	32.49
Farms by Geography	1,386	0.00	8.01	56.20	35.79
Family Distribution by Income Level	90,832	16.85	15.99	22.47	44.69
Distribution of Low- and Moderate-Income Families throughout AA Geographies	29,833	0.00	15.46	62.12	22.42
Median Family Income (2010) FFIEC Adjusted Median Family Income (2015)		66,798 72,200	Median Housing Value Families Below Poverty Level		151,563 6%

Source: 2010 US Census and 2015 FFIEC updated Median Family Income

The local economy and that of the surrounding area is stable. As of November 2015, the AA’s unemployment rates for Clinton, Madison, and St. Clair Counties were 5%, 6.7% and 7.2%, respectively. The state of Illinois unemployment rate was 5.8%. Major industries consist of the military, followed by services and retail trade. Major employers include Scott Air Force Base, Memorial Hospital, St. Elizabeth Hospital, and Southwestern Illinois College. Numerous residents in the AA and the surrounding communities commute to St. Louis, Missouri for work.

Tempo's deposits total \$80 million as of December 31, 2015. Based upon FDIC deposit data as of June 30, 2015, Tempo is the 26th largest deposit-taking institution within the three counties that encompass the AA, with a 0.84% deposit market share. Competition for financial services is high; 46 other financial institutions operate 205 offices within these counties. The three largest financial institutions in the AA consist of The Bank of Edwardsville, Regions Bank and U.S. Bank N.A. In Clinton County, where Tempo's two banking offices are located, the bank ranks 4th of 12 institutions and has an 8.45% deposit market share.

To help meet the community's credit needs, Tempo is an approved lender for the USDA Rural Development Guaranteed Housing Program. This program enables qualified low- or moderate-income families to become homeowners. Tempo also participates in the Illinois League of Savings Institutions "Downpayment Plus" Affordable Housing Program. This program provides LMI households up to \$5,000 in downpayment assistance. Under the program guidelines, the bank made one loan in 2014 for \$31,500.

We contacted a representative from a local housing authority and a community-based organization representative who identified the following credit and non-credit related needs in the AA:

- In low- and moderate-income geographies, replacing aging housing with mixed-use development consisting of commercial development and private and subsidized housing.
- Venture capital loans for small start-up businesses for job opportunities.
- HUD Section 8 subsidized housing and public housing.
- Affordable owner-occupied housing for moderate-income households.
- Increase in public funding for owner-occupied and rental housing.
- Flexible credit underwriting to meet the affordable housing needs of low- and moderate-income individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Tempo's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, its financial condition, and the AA's credit needs. The institution's LTD ratio averaged 98.42% over the 20 quarters since the last CRA evaluation, with a quarterly low of 93.07% and a quarterly high of 103.39%.

The institution's average quarterly LTD ratio is higher than all of the other community institutions of similar size, location, and product offerings. Tempo ranks first among 14 similarly situated institutions between \$39 million and \$347 million in total assets. The other 13 institutions had quarterly LTD ratios ranging from 14.80% to 92.79%.

Lending in Assessment Area

Tempo originated a substantial majority of loans inside its AA. The following table details the bank’s lending within the AA by number and dollar amount of loans originated during the evaluation period.

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
Home Purchase	67	97%	2	3%	69	\$12,664	96%	\$498	4%	\$13,162
Home Improvement	33	89%	4	11%	37	2,362	87%	342	13%	2,704
Home Mortgage Refinance	37	93%	3	7%	40	7,824	90%	897	10%	8,721
Totals	137	94%	9	6%	146	\$22,850	93%	\$1,737	7%	\$24,587

Source: RRE loan data reported under HMDA for the period January 1, 2014 through December 31, 2015.

Lending to Borrowers of Different Incomes

Tempo’s level of RRE lending reflects reasonable penetration among borrowers of different income levels. The institution’s percentage of home mortgage loans originated to moderate-income borrowers is near the percentage of families in the AA but below the HMDA peer average. The institution’s percentage of home mortgage loans originated to low-income borrowers is somewhat lower than the HMDA peer average and also below the percentage of families in the AA. In our assessment, we considered the potential barriers on home ownership, the percentage of families who live below the poverty level, and the unemployment levels in Madison and St. Clair Counties.

Borrower Distribution of Residential Loans				
Borrower Income	Number of Loans	Percentage of Loans	Percent of Families	HMDA Peer Averages (2014)
Low-Income	11	8.15%	16.85%	10.63%
Moderate-Income	20	14.81%	15.99%	21.81%
Middle-Income	37	27.41%	22.47%	26.33%
Upper-Income	67	49.63%	44.69%	41.23%
Total	135	100.00%	100.00%	100.00%

Source: 2010 Census data; Tempo’s 2014-2015 HMDA data; 2014 Peer HMDA data

Geographic Distribution of Loans

The geographic distribution of mortgage loans originated by Tempo during the evaluation period reflects reasonable dispersion within the AA. There were no low-income geographies. Tempo’s percentage of loans originated in the moderate-income tracts exceeds the aggregate HMDA peer average; it is slightly lower than the percentage of owner-occupied housing units in these tracts. The bank lends in most CTs of the AA, and we noted no conspicuous gaps in lending.

Geographic Distribution of Residential Loans				
Census Tract Income Level	Number of Loans	Percentage of Loans	Percent of Owner Occupied Housing	HMDA Peer Averages (2014)
Low-Income	NA	NA	NA	NA
Moderate-Income	11	8.03%	9.12%	7.32%
Middle-Income	65	47.45%	56.37%	53.74%
Upper-Income	61	44.53%	34.51%	38.94%
Total	137	100.00%	100.00%	100.00%

Source: 2010 Census data; Tempo's 2014-2015 HMDA data; 2014 Peer HMDA data

Responses to Complaints

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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