



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**July 01, 2009**

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

The First National Bank of Allendale  
Charter Number 8293

301 East Main Street  
Allendale, IL 62410

Office of the Comptroller of the Currency

St. Louis Field Office  
2350 Market Street, Suite 100  
St. Louis, MO 63103

**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.**

The major factors that support the rating of Satisfactory are as follows:

- The distribution of loans to individuals of different income levels and to farms of different sizes is reasonable.
- The geographic distribution of loans within the assessment area (AA) is reasonable.
- A majority of the bank's loans were made within the AA.
- The level of lending is more than reasonable based on the average quarterly loan-to-deposit (LTD) ratio since the last CRA evaluation.

**SCOPE OF EXAMINATION**

This Performance Evaluation of the First National Bank of Allendale (FNB) assesses FNB's record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criteria. FNB's AA received a full-scope review.

The evaluation period covers loans originated or purchased from January 1, 2007 through May 31, 2009. Conclusions regarding the bank's lending performance are based on FNB's primary loan products, i.e., residential real estate loans and agricultural loans. The loan data we analyzed consisted of thirty residential real estate loans and twenty farm loans that were originated or purchased during the evaluation period.

**DESCRIPTION OF INSTITUTION**

FNB is wholly owned by Allendale Bancorp, Inc., a one-bank holding company located in Allendale, Illinois. As of March 31, 2009, FNB reported total assets of \$122 million and Net Tier One Capital of \$14 million.

FNB's business strategy focuses on agricultural and residential real estate loans. Loan products offered include one-to-four family residential real estate loans, agricultural loans, commercial loans, and consumer loans. As of March 31, 2009, net loans represented 67% of total assets and consisted of residential real estate loans (34%), agricultural and agricultural real estate loans (27%), commercial and commercial real estate loans (23%), consumer loans (15%), and other loans (1%).

FNB is an intrastate bank located in southeastern Illinois. FNB has two banking offices (Allendale and Mt. Carmel), one full-service ATM at the Mt. Carmel office, and three cash-dispensing ATMs. Since the last CRA evaluation, FNB opened these three cash-dispensing only ATM locations in Wabash County: one at the Allendale branch office in

2005, one at Wabash General Hospital in 2007, and one at an Allendale convenience store in 2008. There are no legal, financial, or other factors impeding FNB's ability to help meet the credit needs of the AA it serves.

FNB was rated Satisfactory at its last CRA evaluation dated January 29, 2003.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB's AA, consisting of all four census tracts (CTs) in Wabash County and the southernmost CT of Lawrence County, is located in southeastern Illinois. This AA has no low-income, one moderate-income, three middle-income, and one upper-income geography within the AA. The moderate-income geography is CT 9575, within the city of Mt. Carmel (Wabash County). FNB's main office is located in this CT. FNB's Allendale office is located in an adjacent CT.

FNB's deposits total \$99 million as of March 31, 2009. Based on FDIC deposit market share data as of June 30, 2008, FNB is the largest deposit-taking institution in the AA with a 41% market share. Competition for financial services is moderate, as four other financial institutions have a presence in the AA.

The area surrounding Mt. Carmel and Allendale is rural. The AA's economy is distressed. Major industries consist of retail trade, followed by services and public administration. The unemployment rate as of March 2009 was 10.2% for Wabash County and 9.6% for Lawrence County, both higher than the state of Illinois' unemployment rate, 9.4%, and the national unemployment rate, 9%. Based on 2000 Census data, 14% of households in the AA live below the poverty level. The 2008 Department of Housing and Urban Development adjusted statewide non-metropolitan area median family income for the AA is \$51,900. Based on 2000 Census data, 18% and 22% of families are low- and moderate-income, respectively.

To help meet the community's credit needs, FNB is an approved lender for the Rural Development Guaranteed Housing Program. This program enables qualified low- or moderate-income families to become home-owners.

Two community contacts were made to a social services agency and a housing agency. The contacts indicated affordable rental units, affordable mortgages, emergency shelters, and home buyer counseling programs are primary needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's LTD ratio is more than reasonable given the institution's size, its financial condition, and AA credit needs.

As of March 31, 2009, FNB's LTD ratio was 82%. The bank's quarterly average LTD ratio since the last CRA evaluation was 79%. This ratio is higher than five comparable banks and is near another comparable bank. The average LTD ratios of these banks, comparable in size and location, range from 48% to 80% for the same time period.

### Lending in Assessment Area

A majority of loans by number (80%) and by dollar volume (87%) were made within FNB's AA based on our sample.

<b>Lending in Lawrence and Wabash Counties</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	16	80%	4	20%	20	\$781	81%	\$185	19%	\$966
Agricultural Loans	16	80%	4	20%	20	\$3,169	88%	\$424	12%	\$3,594
Totals	32	80%	8	20%	40	\$3,950	87%	\$609	13%	\$4,560

Source: Sample of 20 residential real estate and 20 farm loans.

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

FNB's lending distribution to borrowers of different income levels and farms of different sizes is reasonable.

#### Residential Real Estate (RRE)

The borrower distribution of RRE loans originated or purchased during the evaluation period is reasonable.

The percentage of RRE loans to low-income borrowers was lower than the percentage of AA families who are low-income. The percentage of RRE loans to moderate-income borrowers was significantly lower than the percentage of AA families who are moderate-income. In evaluating the borrower distribution, however, we considered the percentage of families (14%) who live below the poverty level and the barriers this may have on home ownership. We also considered the local economy which is currently stressed as reflected in the high unemployment rates in Wabash (10.2%) and Lawrence Counties (9.6%). During the evaluation period, the bank also participated in the Rural Economic and Community Development Guaranteed Loan Program.

<b>Borrower Distribution of Residential Real Estate Loans in Lawrence and Wabash Counties</b>								
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 Real Estate Loans	18%	10%	22%	10%	26%	33%	33%	47%

Source: Sample of 30 residential real estate loans, and 2000 U.S. Census data.

### Agricultural Loans

The distribution of loans to farms of different sizes is reasonable. The percentage of loans extended to farms with revenues of \$1 million or less is lower than the percentage of area farms that had revenues of \$1 million or less.

<b>Borrower Distribution of Loans to Farms in Lawrence and Wabash Counties</b>				
Farms Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	80%	20%	0%	100%
% of Bank Loans in AA by \$	52%	48%	0%	100%

Source: Sample of 20 farm loans; 2008 Business Geodemographic Data.

### **Geographic Distribution of Loans**

The geographic distribution of residential real estate and farm loans originated or purchased during the evaluation period is reasonable. There are no low-income geographies in this AA.

### Residential Real Estate Loans

The geographic distribution of RRE loans is more than reasonable. The percentage of RRE loans originated or purchased in moderate-income geographies exceeds the percentage of owner-occupied housing within those geographies.

<b>Geographic Distribution of Residential Real Estate Loans in Lawrence and Wabash Counties</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans
RRE Loans	N/A	N/A	17%	20%	64%	63%	18%	17%

Source: Sample of 30 RRE loans; 2000 U.S. Census data.

### Agricultural Loans

The geographic distribution of farm loans is reasonable. The percentage of farm loans originated or purchased in moderate-income geographies is lower than the percentage of farms within those geographies. However, the only moderate-income CT in this AA is located within the city of Mt. Carmel.

<b>Geographic Distribution of Loans to Farms in Lawrence and Wabash Counties</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	N/A	N/A	6%	0%	80%	100.0%	13%	0%

Source: Sample of 20 farm loans; 2008 Business Geodemographic 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**

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