



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 29, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Allendale
Charter Number 8293**

**301 East Main Street
Allendale, IL 62410**

**Comptroller of the Currency
Evansville Field Office
101 NW 1st Street Suite 207
Evansville, IN 47708**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

First National Bank's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit ratio meets the standard for satisfactory performance as compared to similarly situated banks in the area.
- The ratio of loans made within the bank's assessment area is reasonable.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels.
- There are no complaints with respect to the bank's CRA performance.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) is a full-service bank located in Allendale and Mt. Carmel, Illinois. Allendale Bancorp, Inc. is a one-bank holding company whose wholly owned subsidiary is The First National Bank of Allendale. The mailing address of the holding company and the bank is the Allendale full-service facility. However, the main office is the full-service banking facility located in Mt. Carmel. On December 31, 2002, FNB had total assets of \$81 million. The following table depicts several key balance sheet figures:

Balance Sheet as of December 31, 2002			
Net Loans	\$49,868,000	Total Deposits	\$66,617,000
Investments	26,319,000	Other Liabilities	5,320,000
Other Assets	5,159,000	Total Liabilities	71,937,000
		Total Equity Capital	9,409,000
Total Assets	\$81,346,000	Total Liabilities & Capital	\$81,346,000

Source: Report of Condition

As of December 31, 2002, net loans of \$50 million represent 61% of FNB's total assets. The bank is primarily an agricultural lender. Agricultural loans total \$14 million and represent 29% of net loans. Residential 1-4 family real estate loans total \$14 million and represent 28% of net loans. We chose agricultural and 1-4 family residential real estate loans as the primary product focus because they contain the largest percentage of loans. The remainder of the loan portfolio consists of \$14 million (28%) in commercial loans, \$7 million (14%) in consumer loans and less than \$1 million in other loans.

The main office hours of operation are Monday through Friday from 9:00 am to 3:00 pm and Saturday from 9:00 am to 12:00 pm. The Mt. Carmel branch hours of operation are Monday through Thursday from 9:00 am to 3:00 pm and Friday from 9:00 am to 6:00 pm. Saturday

hours are from 9:00 am to 12:00 pm. A night depository for deposits after hours is provided at both locations. An Automated Teller Machine (ATM) is only available at the Mt. Carmel location. No branch offices were closed since the last examination.

There are no legal, financial, or other factors to impede the bank's ability to help meet the credit needs in its assessment area. The last Community Reinvestment Act (CRA) evaluation dated November 6, 1997 rated the bank "Satisfactory Record of Meeting Community Credit Needs." The evaluation for this PE is from November 7, 1997 through January 29, 2003.

DESCRIPTION OF ASSESSMENT AREA

Management defines its assessment area as all of Wabash County (9572, 9573, 9574, 9575) plus one geography in Lawrence County (9808). The assessment area consists of five geographies. One is designated as an upper-income area and the remaining four are designated as a middle-income area. There are no low-income geographies in the assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Both the main office and branch office are located in a middle-income geography.

Income levels of geographies are based on the statewide Metropolitan Statistical Area (MSA) median family income. The income categories are defined as low, moderate, middle, and upper, which is less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectfully, of the MSA median family income. The 2002 updated Department of Housing and Urban Development (HUD) weighted-average median family income (MFI) for the assessment area is \$46,700.

Allendale has a population of approximately 550 and Mt. Carmel has a population of approximately 8,600. Both are located in Wabash County, Illinois, approximately 45-55 miles north of Evansville, Indiana. The total population of the assessment area is 17,062.

The area surrounding Mt. Carmel and Allendale is rural. The bank's local economy remains stable. Wabash County reported an unemployment rate of 7.6% and Lawrence County reported an unemployment rate of 5.1% at September 30, 2002. Wabash's rate was higher when compared to the State of Illinois average of 6.3% and the national average of 5.7%.

FNB is the only financial institution in Allendale. FNB competes directly with three regional banks in Mt. Carmel—Old National Bank, Fifth Third Bank, and Union Planters Bank. Collectively, they create a very competitive rate environment for both loans and deposits in Mt. Carmel. The other financial institution in Mt. Carmel, Wabash Savings Bank, is a mutual savings bank with a limited array of products and services. The bank also faces competition from certain community banks in nearby towns.

The area's employment base is comprised mainly of manufacturing, service, and retail jobs. Farming is also a major occupation in the area. Major employers are Champion Laboratories, Inc., located in nearby Albion, IL. Employees currently total approximately 2,500 with 300 from Allendale. Snap-On Tools employs 400, Pacific Press & Sheer employs 100, the City of Mt. Carmel employs 85 and the Wabash General Hospital employs 45.

In order to gather more current information on the nature of the community and potential lending opportunities in the assessment area, we contacted a local business leader during the examination. This contact stated that FNB is active in the community and responsive to credit needs.

The following table depicts the demographic information for the assessment area. The table reveals 21% of the households have low incomes and 17% have moderate-incomes. This information is used to compare the bank's lending patterns to borrowers of different income levels. The table also depicts the geographic distribution by number and percentage of the owner occupied housing units by income level of the geography throughout the assessment area. This information was used to determine the lending opportunities for residential real estate loans in the assessment area.

Demographic Information of First National Bank's Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies	5	0.00	0.00	80.00	20.00	0.00
Population by Geography	17,062	0.00	0.00	81.44	18.56	0.00
Owner-Occupied Housing by Geography	5,003	0.00	0.00	81.95	18.05	0.00
Business by Geography	841	0.00	0.00	78.83	21.17	0.00
Farms by Geography	134	0.00	0.00	69.40	30.60	0.00
Family Distribution by Income Level	4,666	20.94	17.32	23.55	38.19	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	1,785	0.00	0.00	88.63	11.37	0.00
Median Family Income (MFI)		29,693	Median Housing Value		40,095	
HUD Adjusted Median Family Income for 2002		46,700	Unemployment Rate (1990 US Census)		3.34%	
Households Below Poverty Level		14.74%				

Source: 1990 US Census and HUD update MFI

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Sampling Information

Our review focused on FNB's primary products of 1-4 family residential real estate loans and agricultural loans. We used the *Fair Housing Monthly Home Loan Activity Format* (MHLAF) reports to break out the residential real estate loans by home purchase loans, refinance loans, and home improvement loans originated between January 1, 2000 and December 31, 2002. We selected 1-4 family residential real estate loans because they are one of the primary product types the bank offers as stated in the *Description of Institution*. We confirmed accuracy of the MHLAF data information compiled by the bank by sampling sixty residential real estate loans originated from January 1, 2000 and December 31, 2002.

Agricultural loans were selected as a primary product type because of the bank's focus and the size of the portfolio. We sampled twenty agricultural loans. For the Lending to Borrowers of

Different Incomes analyses, we omitted loans that were made outside of the AA. Agricultural loans sampled were originated between January 1, 2000 and December 31, 2002, and selected at random.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance. The quarterly average loan-to-deposit ratio since the last CRA examination is 75% (low of 65% at 3/31/01 to a high of 86% as of 6/30/98). This is comparable to four independent banks in nearby communities whose quarterly average ratios ranged from 56% to 75%. Management's identification of primary competitors, locality, product offerings, and total asset size determined the definition of similarly situated financial institutions.

Lending in Assessment Area

The bank's record of lending within the assessment area meets the standards for satisfactory performance. This conclusion is based on residential real estate loans (60 loans totaling \$1,954,984) and our agricultural loan sample (20 loans totaling \$2,107,853) from internal bank reports. A majority of residential real estate loans (home purchases, refinance and home improvement) and the agricultural loan sample during the period reviewed (1998/1999/2000/2001/2002) were originated in the assessment area. During the evaluation period, over 90% of the number and 83% of the dollar volume of residential real estate loans were secured by properties inside the assessment area. The sample of agricultural loans during the same evaluation period showed 90% of the number and 94% of the dollar volume of loans were made inside the assessment area. The following table details the bank's lending within and outside the assessment area by the number and dollar volume of loan originations.

<u>LENDING IN/OUT OF THE ASSESSMENT AREA</u>				
<i>Loan Type</i>	<i>Number of Loans</i>		<i>Dollar Volume</i>	
	<i>In AA</i>	<i>Out of AA</i>	<i>In AA</i>	<i>Out of AA</i>
Home Purchase	16	4	\$605,866	\$278,159
	80.0%	20.0%	68.5%	31.5%
Refinance	20	0	\$676,500	\$0
	100.0%	0.0%	100.0%	0.0%
Home	18	2	\$352,047	\$42,412
Improvement	90.0%	10.0%	89.2%	10.8%
Agricultural	18	2	\$1,975,793	\$132,060
	90.0%	10.0%	93.7%	6.3%
	72	8	\$3,610,206	\$452,631
TOTAL	90.0%	10.0%	88.9%	11.1%

Source: OCC's review of bank reports. Loans originated in years 1998/1999/2000/2001/2002.

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

FNB meets the standards for satisfactory performance for loans made to individuals with different income levels and to farms of different sizes. Sixty residential real estate loans broken down by home purchase, refinance, and home improvement loans and a sample of 20 agricultural loans made within the assessment area were used for this evaluation. All loans were originated during the same review period. FNB's distribution for these primary loan products reflects reasonable penetration among individuals of different income levels including low- and moderate-income individuals and to farms of different sizes.

Home Mortgage Loans

FNB's borrower distribution of home mortgage loans reflects good dispersion among borrowers of different income levels throughout the assessment area and meets the standards for satisfactory performance. In FNB's assessment area we placed significant weight on home mortgage loans because they represented a fair percentage (28%) of the bank's net loan/leases. The table below illustrates the borrower distribution of the home purchase, refinance, and home improvement loans made within the assessment area.

Borrower Distribution of Home Purchase, Refinance, and Home Improvement Loans									
Income Level		LOW		MODERATE		MIDDLE		UPPER	
AA % Families **		20.94		17.32		23.53		38.19	
	Total Loans by # / \$ (000s)	% of Number	% of Amount						
Home Purchase	20/720	20.0	12.9	20.0	16.0	40.0	32.0	20.0	39.1
Refinance	20/811	0.0	0.0	15.0	9.3	55.0	54.0	30.0	36.7
Home Improvement	20/337	0.0	0.0	0.0	0.0	50.0	43.9	50.0	56.1

*OCC's review of bank records for a sample of 20 home purchase, refinance and home improvement loans made within AA during 2000/2001/2002.

**Source: 1990 US Census.

Home Purchase Loans

FNB has done an excellent job of addressing the low- and moderate-income borrower credit needs for home purchase loans. The portion of home purchase loans to low-income borrowers (20.0%) is slightly lower than the portion of assessment area families that are low-income (20.94%). The portion of home purchase loans to moderate-income borrowers (20.0%) exceeds the portion of assessment area families that are moderate-income (17.32%).

Home Refinance Loans

FNB has done a good job of addressing the moderate-income borrower credit needs for refinance loans. The portion of refinance loans to moderate-income borrowers (15.0%) is slightly lower than the portion of assessment area families that are moderate-income (17.32%).

Home Improvement Loans

Sampled home improvement loans were divided among middle- and upper-income borrowers in

keeping with the portion of assessment area families that are middle- and upper-income (61.0%).

Agricultural Loans

Agricultural loan products were given more consideration because agricultural loans represent a larger portion of FNB’s loan portfolio and are a strong focus of its business strategy. The bank’s record of agricultural lending to farms with revenues less than \$1 million reflects an excellent level of lending to small farms. The percentage of agricultural loans made to farms with annual revenues of less than \$1 million (95.0%) is comparable to the percentage of farms with annual revenues of less than \$1 million (98.5%) within the AA. Of the 20 loans in our sample, 19 loans totaling \$2,273,368 were made to farms with annual revenues of less than \$1 million.

Revenue Ranges Farms within AA	*Lending to Farms of Different Sizes				**Farms within AA	
	#	Percent	\$(000s)	Percent	#	Percent
\$1 Million or Less	19	95.0	\$2,274	94.8	132	98.5
Greater than \$1 Million	1	5.0	\$125	5.2	2	1.49

*OCC’s review of bank records for a sample of 20 farm loans made within AA during 2000/2001/2002.

**Source: 2002 Business Geodemographic Data.

Geographic Distribution of Loans

Analysis of the distribution of loans among geographies of different income levels would not be meaningful because there are no low- or moderate-income geographies in the assessment area. The bank's assessment area consists of five geographies, one is classified as upper-income and the remaining four are classified as middle-income.

Responses to Complaints

No complaints have been received from the public specifically related to the bank’s performance in helping to meet community credit needs.

Fair Lending Review

An analysis of several years of public comments and consumer complaint information was performed according to the OCC’s risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1997.