



PUBLIC DISCLOSURE

February 17, 2015

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

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.

The major factors that support this rating of Satisfactory are:

- A substantial majority of the bank's loans were made within the assessment area (AA).
- The average quarterly loan-to-deposit ratio since the last CRA evaluation is more than reasonable.
- The distribution of loans to individuals of different income levels and to businesses of different sizes reflects reasonable penetration in the AA.

SCOPE OF EVALUATION

This Performance Evaluation of The First National Bank of Allendale (FNB) assesses its record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criteria, which consist of 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 July 1, 2009 through February 17, 2015. The Lending Test analyzed loans originated or purchased from January 1, 2013 through December 31, 2014. Conclusions regarding the bank's lending performance are based on FNB's primary loan products during the evaluation period: farm loans, business loans, and consumer loans. For the evaluation, we reviewed a sample of 20 farm loans, 20 business loans and 20 consumer loans.

DESCRIPTION OF INSTITUTION

FNB is a nationally chartered intrastate bank located in Allendale, Illinois, and is wholly owned by Allendale Bancorp, Inc., a one-bank holding company. The bank's business strategy currently focuses on the origination of farm, business, and consumer loans. As of December 31, 2014, FNB had total assets of \$187 million, total deposits of \$153 million, and net tier one capital of \$20 million. Net loans and leases represented 64% of total assets and consisted of RRE residential real estate loans (59%), commercial loans (16%), farm loans (13%), and consumer loans (12%).

FNB has two locations: the main office in Mt. Carmel, and a facility in Allendale. The bank operates four automated teller machines (ATMs), all within Wabash County. A full-service ATM is located at the Mt. Carmel office. Three cash-dispensing-only ATMs are located at the Allendale facility, at the Wabash General Hospital in Mt. Carmel, and at an Allendale convenience store. No branches were opened or closed since the last evaluation. All banking facilities are in middle-income census tracts (CTs) according to

2010 Census data. The Mt. Carmel office is located in CT 9575 and the Allendale office is in CT 9572.

FNB offers a full range of loan and deposit products and services to its customers. FNB's business strategy focuses on commercial, farm and consumer loans. There are no legal, financial, or other factors impeding FNB's ability to help meet the credit needs of the AA it serves. FNB's last CRA evaluation was July 1, 2009, and its performance was rated Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

FNB has designated Wabash County and the southernmost CT of Lawrence County as its AA. The AA is a non-Metropolitan Statistical Area (non-MSA) in southeastern Illinois. It meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. Based on 2010 Census information, the AA is comprised of five middle-income CTs. There are no low-, moderate-, or upper-income tracts within the AA.

As of the 2010 U.S. Census, the AA counted 7,320 households, with 23% considered low-income, 15% moderate-income, 20% middle-income, and 42% upper-income. The following table provides additional demographic information on the AA.

Demographic Information for First National Bank of Allendale's AA - 2010 Census					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	5	0.00	0.00	100.00	0.00
Population by Geography	17,716	0.00	0.00	100.00	0.00
Owner-Occupied Housing by Geography	5,806	0.00	0.00	100.00	0.00
Business by Geography	825	0.00	0.00	100.00	0.00
Farms by Geography	131	0.00	0.00	100.00	0.00
Family Distribution by Income Level	5,176	19.24	18.06	24.40	38.29
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,931	0.00	0.00	100.00	0.00
Median Family Income (MFI)		54,549	Median Housing Value		74,668
Median Household Income		44,440	Unemployment Rate-Wabash (November 2014)		5.6%
FFIEC Adjusted Median Family Income for 2014		58,600	Unemployment Rate-Lawrence (November 2014)		6.1%
Households Below Poverty Level		11%			

Source: 2010 US Census, 2014 Federal Financial Institutions Examination Council (FFIEC) updated MFI and June 2013 Dunn and Bradstreet Data

Business data as of June 2013 shows 825 businesses in the AA, with 69% reporting revenues of \$1 million or less, 4% reporting revenues over \$1 million, and 27% not reporting income. Farm data as of June 2013 reflects 131 farms in the AA, with 98%

reporting revenues of \$1 million or less, 1% reporting revenues over \$1 million, and 1% not reporting income.

The area surrounding Mt. Carmel and Allendale is rural. Major employers in the area include Duke Energy, Wabash General Hospital, Wabash Valley Community College, and the local school district. Many residents of the AA commute to the Evansville, IN area for employment. Economic conditions in the AA have improved since the last evaluation. The seasonally unadjusted unemployment rate as of November 2014 was 5.6% for Wabash County and 6.1% for Lawrence County, both near the state rate of 6.0% and the national rate of 5.8%.

Competition for financial services in the AA is moderate. Besides FNB, two other community banks and one large regional bank operate one banking office each in Wabash County. As of June 30, 2014, FNB had the largest deposit market share, 51%. Several community banks in surrounding counties add competitive pressure. Various credit unions, mortgage companies, farm services and insurance agencies also offer loan products.

To help meet the community's credit needs, FNB is an approved lender for the USDA Rural Development Guaranteed Housing Program. This program enables qualified low- or moderate-income families to become homeowners. Under the program guidelines, FNB made loans totaling \$814,882 in 2013 and \$989,345 in 2014.

To further our understanding of the community's credit needs, we contacted a community action agency that serves the AA. Based on information provided, the ongoing credit needs of the community include financing for low-cost housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB does a reasonable job of meeting the credit needs of its AA given the demographics, economic factors, competitive pressures, credit needs of the community, and other lending-related activity.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, its financial condition, and AA credit needs. As of December 31, 2014, FNB's LTD ratio is 79%. The bank's quarterly average of LTD ratios since the last CRA evaluation is 75% with a quarterly low of 66% and a quarterly high of 88%. The institution's average quarterly LTD ratio compares favorably with other community institutions of similar size, location, and product offerings. FNB ranks second among eight similarly situated institutions under \$450 million in total assets. The other seven institutions had quarterly LTD ratios averaging 60%, ranging from 30% to 87%.

Lending in Assessment Area

Lending in the AA is excellent. Based on our sample of 60 loans, a substantial majority of loans by number (85%) and by dollar volume (98%) is made inside the AA.

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Commercial	14	70%	6	30%	20	4,838	97%	167	3%	5,005
Farm	19	95%	1	5%	20	4,083	99%	16	1%	4,099
Consumer	18	90%	2	10%	20	129	74%	45	26%	174
Total	51	85%	9	15%	60	9,050	98%	228	2%	9,278

Source: Sample of 60 loans

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

FNB’s lending distribution to borrowers of different income levels and farms and businesses of different sizes reflects reasonable penetration.

Farm Loans

The distribution of loans to farms of different sizes is reasonable. The percentage of loans extended to farms with gross annual revenues of \$1 million or less is within a reasonable range below the percentage of small farms within the AA.

Borrower Distribution of Loans to Farms in the AA				
Farm 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 \$	55%	45%	0%	100%

Source: Sample of 20 farm loans; June 2013 Dunn and Bradstreet Data.

Business Loans

The distribution of loans to businesses of different sizes reflects excellent penetration based on a sample of loans originated or purchased in 2013 and 2014. The percentage of loans extended to businesses with revenues of \$1 million or less (90%) exceeds the percentage of businesses with revenues of \$1 million or less (69%). The percentage by dollar is distorted because of one large business loan.

Borrower Distribution of Loans to Businesses in the AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69%	4%	27%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	23%	77%	0%	100%

Source: Sample of 20 business loans; June 2013 Dunn and Bradstreet Data.

Consumer Loans

The borrower distribution of consumer loans is reasonable. The percentage of consumer loans made to low-income borrowers (20%) is near the percentage of low-income households in the AA (23%). The percentage of such loans made to moderate-income borrowers (15%) meets the percentage of moderate-income households in the AA (15%). In evaluating the borrower distribution, we considered the percentage of households (11%) who live below the poverty level.

Borrower Distribution of Consumer Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	23%	20%	15%	15%	20%	30%	42%	35%

Source: Sample of 20 consumer loans, 2010 median household income, and 2010 U.S. Census data.

Geographic Distribution of Loans

There were no low- or moderate-income geographies in the bank’s current AA using 2010 census data. Therefore, an analysis would not be meaningful. The bank lends in all CTs of the AA.

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.