

PUBLIC DISCLOSURE

September 4, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Illinois
RSSD# 910042

200 West College Avenue
Normal, Illinois 61761

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604

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's performance is rated **satisfactory**.

Bank of Illinois demonstrates satisfactory performance in meeting community credit needs through the origination of residential real estate and commercial loans. The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A substantial majority of the bank's loans and lending activities are located within the assessment area. The bank demonstrated a reasonable penetration among individuals of different incomes and businesses of different sizes. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. No CRA-related complaints were received by the institution or this Reserve Bank during the scope of this evaluation.

The institution received a **satisfactory** CRA rating at the previous evaluation conducted, August 11, 2003.

SCOPE OF EXAMINATION

Bank of Illinois was reviewed as a small bank under the Community Reinvestment Act. A small bank is defined as a bank that, as of December 31st of either of the prior two calendar years, had assets of less than \$1 billion. The bank's performance was evaluated through an analysis of its loan-to-deposit ratio, lending within its assessment area, and lending to borrowers of different incomes and businesses and farms of different sizes. Products reviewed include residential real estate originations in 2006 and commercial originations from October 1, 2006 to April 30, 2007.

DESCRIPTION OF INSTITUTION

Bank of Illinois, with assets of \$139.0 million at March 31, 2007, is a subsidiary of BOI Financial Corporation, a one-bank holding company in Normal, Illinois. The main office is located in Normal, Illinois with one deposit branch in Bloomington, Illinois.

The bank offers basic deposit and loan products to meet the banking needs of businesses, consumers and other entities operating in its assessment area. Deposit products include checking, savings, NOW, money market, IRA, and certificates of deposit. Loan products include secured and unsecured consumer, residential real estate mortgage, and commercial loans.

According to the Uniform Bank Performance Report, as of March 31, 2007, the bank's primary focus is lending for real estate and commercial and industrial loans. Exhibit 1 depicts the distribution of the bank's loan portfolio.

Exhibit 1		
Loan Portfolio Mix (as of March 31, 2007)		
Loan Category*	Amount Outstanding (\$000)	% of Total Loans
Construction & Development	18,060	11.3
1-4 Family	30,797	19.3
Home Equity	1,518	0.9
Other Real Estate Loans		
Farmland	5,763	3.6
Multifamily	3,451	2.2
Non-Farm, Non-Residential	27,807	17.4
Total Real Estate	87,396	54.6
Agricultural Loans	748	0.5
Commercial & Industrial Loans	70,622	44.2
Loans to Individuals	1,187	0.7
TOTAL LOANS	159,953	100.0
<i>* Excludes Financial Institution Loans, Credit Card Loans, Municipal Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, Lease Financing Receivables.</i>		

According to the Federal Deposit Insurance Corporation (FDIC), as of June 30, 2006, for the metropolitan statistical area of Bloomington-Normal, Illinois, the bank ranked 7th in deposit market share among 29 FDIC-insured financial institutions operating at least one banking office. The bank's market share was 1.1%, with the top two financial institutions representing 80.3% and 4.0% of the market share, and the top five financial institutions collectively accounting for almost 92.4%.

The bank's peer group includes all commercial banks with assets between \$100 and \$300 million in a metropolitan area with two or fewer full service offices. The local competitors are Citizens Bank of Chatsworth, Citizen's First Equity Credit Union, Commerce Bank, Credit Union 1, Heartland Bank and Trust Company, ISU Credit Union, Main Street Bank & Trust, National City Bank of the Midwest, Prairieland FCU, Busey Bank, Central Illinois Bank, Citizens Equity First Credit Union, Commerce Bank, Country Trust Bank, First State Bank of Bloomington, Flanagan State Bank, IAA Credit Union, JP Morgan Chase Bank, Mid-Illini Credit Union, National City Bank of the Midwest, Peoples Bank, Regions Bank, State Farm Bank, FSB, and U.S. Bank National Association.

There are no apparent factors relating to the bank's financial condition, size, products offered, prior performance, legal impediments, or local economic conditions that would prevent the bank meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area has not changed since the previous compliance examination. Bank of Illinois' assessment area, shown in Appendix A, included 36 census tracts in McLean County, which is part of the Bloomington-Normal metropolitan statistical areas (MSAs). These 36 census tracts include 1 low-, 9 moderate-, 18 middle-, and 8 upper-income tracts. The main office and deposit branch are both located in middle-income tracts. The assessment area contains whole geographies and does not reflect illegal discrimination or arbitrarily exclude low- or moderate- income geographies. Selected assessment area demographics are presented in Exhibit 2.

Exhibit 2								
Assessment Area Demographics								
Assessment Area(s): 2006 Bloomington-Normal MSA (selected year - 2006)								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	2.8	10	0.0	5	50.0	5,525	17.5
Moderate-income	9	25.0	7,790	24.7	855	11.0	5,730	18.2
Middle-income	18	50.0	15,724	49.9	404	2.6	8,168	25.9
Upper-income	8	22.2	7,981	25.3	79	1.0	12,082	38.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	36	100.0	31,505	100.0	1,343	4.3	31,505	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	271	0	0.0	0.0	270	99.6	1	0.4
Moderate-income	15,860	8,009	24.0	50.5	6,683	42.1	1,168	7.4
Middle-income	27,191	16,437	49.4	60.5	9,605	35.3	1,149	4.2
Upper-income	10,737	8,859	26.6	82.5	1,310	12.2	568	5.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	54,059	33,305	100.0	61.6	17,868	33.1	2,886	5.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	32	0.7	25	0.7	4	1.0	3	2.3
Moderate-income	1,250	29.0	1,087	28.7	125	31.8	38	29.5
Middle-income	2,303	53.5	2,032	53.7	202	51.4	69	53.5
Upper-income	720	16.7	639	16.9	62	15.8	19	14.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	4,305	100.0	3,783	100.0	393	100.0	129	100.0
Percentage of Total Businesses:				87.9		9.1		3.0

Based on 2000 Census Information.

Population Changes

According to the 2000 U.S. Census Bureau data, the population in the assessment area is 135,785. The assessment area has a total minority population of 13.2% compared to McLean County and the state minority population, at 12.1% and 32.2% respectively.

Income Characteristics

As Exhibit 3 illustrates, the 2006 HUD adjusted median family income for the assessment area is \$61,958, which is higher than other geographic areas within the county, metropolitan areas and state. The assessment area consists primarily of middle- and upper-income census tracts (64.3%), which is slightly higher than the other geographic areas. The assessment area's low- and moderate-income of 35.7% is slightly lower than other geographic area.

Exhibit 3						
Distribution of Families by Income Level						
Location	Median Family Income(\$)	Percent of Families (Based on 2000 Census Data) ⁽¹⁾				
		Low	Moderate	Middle	Upper	Below Poverty Level
Assessment Area	61,958	17.5	18.2	25.9	38.4	4.3
McLean County	61,073	17.4	18.9	26.6	37.1	4.1
Metropolitan areas in Illinois	61,140	17.4	18.9	26.6	37.1	4.1
State of Illinois	55,545	19.9	18.1	22.8	39.1	7.8

(1) Low-income is defined as less than 50% of median family income; moderate-income as 50% to less than 80% of median family income; middle-income as 80% to less than 120% of median family income; and upper-income as 120% or more of median family income.

Housing Characteristics and Affordability

The affordability ratios for the assessment area and for the state are 40.0 and 36.0, respectively, indicating that affordable housing is relatively comparable. Exhibit 4, depicted on the next page, illustrates that the owner-occupied portion in the assessment area is consistent with other geographic areas. The median housing value in the assessment area is slightly lower compared to state, but slightly higher than McLean County and metropolitan areas in Illinois.

Exhibit 4						
Housing Summary						
Location	Total Housing Units	Owner-Occupied Units (%)	Rental Units (%)	Vacant Units (%)	Median Housing Value (\$)	Median Gross Rent (\$)
Assessment Area	54,059	61.6	33.1	5.3	112,892	536
McLean County	59,972	62.9	31.8	5.4	109,300	533
Metropolitan areas in Illinois	59,972	62.9	31.8	5.4	109,339	533
State of Illinois	4,885,615	63.2	30.8	6.0	127,800	605

Labor and Employment

As Exhibit 5 illustrates, the average unemployment rate of McLean County is lower than the State of Illinois. Community representatives indicated the workforce for McLean County is diverse with education, services, and manufacturing. According to the community representatives, the universities located in McLean County create a highly educated workforce coinciding with the employers requirements. The major employers are listed in Exhibit 6.

Exhibit 5					
Unemployment Rate (%)					
Location	2003	2004	2005	2006	Avg.
McLean County	4.0	4.5	4.2	3.4	4.0
Illinois	6.7	6.2	5.7	4.5	5.8

Source: Regional Economic Conditions

Exhibit 6		
Bloomington – Normal McLean County		
Major Employers in the Assessment Area		
Company	Employees	Description
State Farm Insurance Companies	14,315	Service
Illinois State University	3,267	Education
Country Insurance & Financial Services	2,200	Service
BroMenn Healthcare	2,142	Service/Medical
Mitsubishi Motor Manufacturing	1,898	Auto Manufacturing
Unit 5 Schools	1,666	Education
Afni	1,217	Service/Financial
OSF St. Joseph Medical Center	951	Service/Medical
County of McLean	859	Government
City of Bloomington	830	Government

Source: Company Human Resources/Public Relations departments – March 2006 *Data from 2004 www.bnbiz.org

Community representatives, contacted during the examination to determine the credit needs of the assessment area, indicated that local financial institutions are actively involved in the community and are adequately meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio, calculated from data contained in the Consolidated Reports of Condition, was evaluated giving consideration to the bank's capacity to lend, competitor and peers' loan-to-deposit ratios, as well as demographic factors, economic conditions and lending opportunities present in the assessment area.

Based on the bank's LTD ratios relative to its peer group and a sample of competitors, the bank **exceeds** the standards for satisfactory performance under this criterion. Exhibit 7 shows the comparison for the eight-quarters ending March 31, 2007.

Exhibit 7									
LTD Ratios									
Bank Name, City, State; Assets \$ (Million) as of 03/07	6/05 (%)	9/05 (%)	12/05 (%)	3/06 (%)	6/06 (%)	9/06 (%)	12/06 (%)	3/07 (%)	Avg.
Bank of Illinois, Normal, IL; \$196.2	98.8	96.6	90.1	90.5	99.8	100.3	99.3	99.9	96.9
<i>Peer Group</i>	83.4	83.3	82.6	84.2	85.5	85.1	84.7	84.4	84.2
Busey Bank, Urbana, \$2,045.6	93.8	89.6	92.3	92.5	95.8	95.5	94.9	93.6	93.5
Central Illinois Bank, Champaign, IL; \$448.4	52.3	49.4	48.3	48.6	51.9	55.2	58.0	65.9	53.7
Citizens Bank Chatsworth, Chatsworth, IL; \$52.5	89.8	91.6	91.2	95.6	93.0	86.2	81.8	73.6	87.9
First State Bank Bloomington, Bloomington, IL; \$77.7	53.3	57.2	60.6	61.5	61.7	64.7	63.2	66.4	61.1
Flanagan State Bank, Flanagan, IL; \$102.0	83.4	84.4	83.2	82.0	80.9	79.2	78.1	75.9	80.9
Heartland Bank Trust, Bloomington, IL; \$921.1	98.4	95.2	94.3	88.0	92.9	95.9	96.9	95.6	94.6
JP Morgan Chase Bank, Columbus, OH, \$1,224,104.0	70.4	73.1	70.7	70.2	63.1	65.5	64.0	63.7	67.6
Main Street Bank and Trust, Champaign, IL; \$1,516.9	86.0	81.9	78.4	76.4	80.3	78.0	79.6	79.7	80.0
Peoples State Bank Colfax, Colfax, IL; \$24.2	62.4	67.7	73.9	70.5	69.3	73.7	75.5	69.3	70.3
Regions Bank, Birmingham, AL; \$133,224.3	96.8	98.4	96.5	96.7	97.2	96.2	96.6	98.5	97.1
U. S. Bank National Association, Cincinnati, OH; \$219,825.1	101.2	101.9	98.9	101.8	102.4	105.6	103.9	108.1	103.0

Lending in the Assessment Area

To assess the extent of lending within the assessment area, the following were reviewed: 2006 originations of residential real estate loans, and commercial loans originated from October 1, 2006 to April 30, 2007. Information from the performance context, such as economic conditions present within the assessment area, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.

Overall, the bank's lending within the bank's assessment area **meets** the standards for satisfactory performance under this criterion.

A majority of Bank of Illinois' residential real estate and commercial loans are originated within the assessment area. The assessment area concentration of the banks' lending activity is illustrated in Exhibit 8.

Exhibit 8			
Distribution of Loans in/out of Assessment Area (AA)			
Loan Type	Number of Loans		
	# in Sample	# in AA	% in AA
Residential Real Estate	314	239	76.1
Commercial	95	83	87.4
Grand Total	409	322	78.7

Lending to Borrowers of Different Income Levels and to Business of Different Sizes

The distribution of loans among borrowers of different income levels was determined by reviewing residential real estate and commercial loans. The sample period for residential real estate loans originated in 2006 and commercial loans originated from October 1, 2006 to April 30, 2007. Information from the performance context, such as economic conditions present within the assessment area, demographics, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank’s performance.

Given the demographics of the bank’s assessment area, the loan distribution across borrowers of different income levels, and businesses of different sizes, **meets** the standards for satisfactory performance under this criterion.

The distribution of Bank of Illinois’s loans reflects reasonable penetration among borrowers of different income and revenue levels, as supported by a review of residential real estate and commercial loans.

Residential Real Estate Loans

Exhibit 9 shows the distribution of the sample of 1-4 family residential real estate loans by income level. As indicated, the percent of loans to low- and moderate-income borrowers is 21.7%, which is reasonable considering that bank’s assessment area consists primarily of middle- and upper – income individuals.

Exhibit 9		
Loan Distribution of Residential Loans by Income Level		
Income Level	Total Number of Loans	Percent of Total Loans*
Low	12	5.0
Moderate	40	16.7
Middle	68	28.5
Upper	115	48.1
Unknown**	4	1.7
Totals	239	100.0

**HUD’s estimated 2002 median family income was used to determine the income level of applicants.
**According to Home Disclosure Act, the bank is allowed to report income as unknown if the applicant’s property type is multifamily, the income information is not relied on in the credit decision, applicant is not a natural person or loan made to an employee.*

As Exhibit 10 indicates, originations in the \$100,000 or less category represents 54.2% of the number, and 15.7% of the dollar amount of business loans. Small business loans represent 67.5% of the bank's commercial and industrial loan portfolio.

Exhibit 10 Distribution of Small Business Loans		
Original Dollar Amount	Outstanding Number	Outstanding Dollar Amount (000's)
Less than or equal to \$100,000	45	2,248
Greater than \$100,000 through \$250,000	19	2,980
Greater than \$250,000 through \$1 million	18	7,998
Greater than \$1 million	1	1,050
Total	83	14,276

Geographic Distribution of Loans

The distribution of lending among geographies of different income levels within the assessment area, particularly those defined as low- and moderate-income, was reviewed. To assess the bank's performance, the following were reviewed: residential real estate and commercial loans. The sample period for residential real estate loans originated in 2006 and commercial loans originated from October 1, 2006 to April 30, 2007. Loans for which census tracts were unknown were not included in the analysis. Demographic characteristics of census tracts, such as housing types and income level, were considered in the evaluation.

The geographic distribution of loans **meets** the standards for satisfactory performance under this criterion.

As Exhibit 11 illustrates, the combined owner-occupied housing in low- and moderate-income tracts represent 24.0%, and middle-income tracts represent 49.4%. The bank's primary lending activities consist of 35.1% in moderate-income and 35.6% in middle-income tracts and represents reasonable penetration.

Exhibit 11 Loan Distribution of Residential Real Estate Loans by Tract Level				
Tract Income	2006		Combined Owner – Occupied Housing	
	#	%	#	%
Low	0	0	0	0
Moderate	84	35.1	8,009	24.0
Middle	85	35.6	16,437	49.4
Upper	70	29.3	8,859	26.6
Unknown	0	0	0	0
Total	239	100.0	33,305	100.0

Exhibit 12 illustrates that the concentration of total businesses by tract is primarily in the middle-income census tracts. The bank demonstrates a reasonable penetration, as its lending activity is consistent with the demographics of the assessment area.

Exhibit 12 Loan Distribution of Businesses by Tract Level				
Tract Income	2006		Total Business by Tract	
	#	%	#	%
Low	2	2.4	32	0.7
Moderate	12	14.5	1,250	29.0
Middle	51	61.4	2,303	53.5
Upper	18	21.7	720	16.7
Unknown	0	0	0	0
Total	83	100.0	4,305	100.0

Complaints

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A sample of the banks' lending activity was reviewed to determine whether loan policies and lending standards were in compliance with the fair lending laws and regulations, and that these are being consistently applied to all applicants. No evidence of prohibited discriminatory or other illegal credit practices was detected.

APPENDIX A - Assessment Area: 2006 Bloomington-Normal MSA

