GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **The Bank of Illinois in Normal** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **August 7, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: This institution is rated Satisfactory.

The bank promotes economic revitalization and growth consistent with its size, financial capacity, location, and current economic conditions. Its loan-to-deposit ratio is more than reasonable, given the bank's size, financial condition, lending activities and assessment area credit needs. The bank originated the majority of its commercial/agricultural, consumer installment, and real estate mortgage loans within its assessment area. The bank's geographic distribution of its credit extensions demonstrates a reasonable penetration of all segments of its local community. The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. No complaints have been received since the previous examination.

The following table indicates the performance level of **The Bank of Illinois in Normal** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	**THE BANK OF ILLINOIS IN NORMAL PERFORMANCE LEVELS**		
	Exceeds Standards for Satisfactory Performance	**Meets Standards for Satisfactory Performance**	**Does Not Meet Standards for Satisfactory Performance**
Loan-to-Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the previous examination		

DESCRIPTION OF INSTITUTION

The Bank of Illinois in Normal, with total assets of $64,890,000 as of June 30, 1996 is a full-service bank headquartered in Normal, Illinois. The bank is a subsidiary of BOI Financial Corporation, a one-bank holding company owned by a group of local investors.

The bank conducts its operations from one main office and one branch office. The bank acquired Partners Financial. LTD., the largest downstate mortgage company in Illinois, in February 1995. The bank established its first branch office in Bloomington, Illinois in May 1995 as a result of this acquisition. Additionally, the bank operates five Automated Teller Machines (ATMs). Due to the bank's proximity to the downtown area and Illinois State University, it is a convenient depository for college students, university employees and downtown businesses. Consumer credit products offered by the bank include real estate, installment, home equity and single payment loans.

Local competition is provided by branches of Bank One Bloomington - Normal, First of America Bank-Illinois N.A., First Federal Savings and Loan Association of Bloomington, and Commerce Bank (Bloomington). Additional competition for financial services is provided by credit unions and mortgage companies.

DESCRIPTION OF THE BANK’S ASSESSMENT AREA

The bank is located in Normal which is in McLean County, Illinois, in the central portion of the state. Normal serves as the twin city to Bloomington (Bloomington-Normal), and is approximately 150 miles southwest of Chicago, 40 miles southeast of Peoria and 60 miles northeast of Springfield. The bank’s assessment area consist of one or more contiguous political subdivisions, contains all geographies where is has offices or deposit-taking ATMs, and consists only of whole census tracts included in the Cities of Bloomington and Normal, which are located in the Bloomington-Normal Metropolitan Statistical Area (MSA) #1040. The population of the MSA and the assessment area is 129,180 and 96,091, respectively, according to census data. Minorities comprise 8.8% of the total population, while the largest segment of the minority population is African American (5.6%). There are no minority census tracts in the assessment area. There are 31 census tracts within the Bloomington-Normal MSA, 24 of which are within the bank's assessment area. Out of these 24 tracts, six census tracts are considered moderate-income and two census tracts are considered low-income areas.

According to the census data, the median family income for the bank’s assessment area was $39,881. The median value of homes in the assessment area is $69,492 and the median age is 34 years. This compares to the statewide median home value of $80,114 and median age of 43 years. The housing stock is 55.6% owner-occupied housing units, with single-family homes comprising 67.9% of the housing stock. The bank’s assessment area contains 17.8% low-income families and 18.3% moderate-income families. In addition, 26.6% of the residents are designated middle-income, while 37.3% are upper-income families.

Some of the primary employers within the assessment area include State Farm, Illinois State University, Diamond Star Motors, Country Companies, Bromenn Healthcare, General Telephone, and Eureka Company. The State of Illinois unemployment rate is 5.1%, according to the May 1996 Michigan Employment Security Commission Area Labor Statistics. This compares to an unemployment rate of 3.3% for both the Bloomington-Normal MSA and McLean County for the same period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank is in compliance with the substantive provision of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. The examination did not reveal any evidence of discriminatory policies, procedures or practices that would discourage applicants.

Loan-to-Deposit Ratio

A review of the bank's June 31, 1996 Consolidated Report of Condition revealed a loan-to-deposit ratio of 90.3%. This ratio is considered more than satisfactory when compared to the bank=s peers and financial institutions within the local area. According to the most recent Uniform Bank Performance Report available, the bank=s peer group or all insured commercial banks having assets between $50 million ans $100 million with two or less banking offices and located in an MSA, showed a loan-to-deposit ratio of 66.41%. Although this ratio was as of March 31, 1996, the bank=s ratio for that same period was 89.52%.

An analysis of the bank=s Consolidated Reports of Condition throughout the seven quarter review period disclosed an average loan-to-deposit ratio of 86.6%. The following chart reveals those ratios as follows:

12/94	3/95	6/95	9/95	12/95	3/96	6/96
79.9%	79.0%	91.1%	86.6%	89.0%	90.3%	90.3%

As shown in the above chart, the bank=s loan-to-deposit ratio has shown an increase since the previous examination. The significant increase noted from the December 1994 to March 1996 was primarily due to an increase in net loans while total deposits remained somewhat comparable. This increase was noted primarily in the real estate loans due to the bank acquiring a mortgage company in the beginning of the 1996 calendar year.

Lending in Assessment Area

According to the bank=s quarterly report of lending within the assessment area, lending activity for commercial, installment, mortgage and reserve credit loans revealed the majority of the bank=s lending activity to be within the bank=s assessment area.

These reports were reviewed for the lending activity held within the bank=s loan portfolio since the previous examination. As of June 30, 1996, 71.78% of the bank=s loans were within the assessment area. The report revealed 75% of the commercial loans, 61% of the installment loans, 67% of the mortgage loans and 71% of the reserve credit loans were within the bank=s assessment area.

The bank prepared a report to show the bank=s lending activity since the previous examination. The report revealed a total of 584 loans were granted from January 9, 1995 to June 30, 1996. Of this total, 395 or 68% of these installment, commercial, reserve credit, and real estate loans were granted within the bank=s assessment area. When the bank included those loans originated by the new mortgage department (the acquired Partners Financial, LTD), total loans increased to 2,394, with 1,300 or 54% being within the assessment area. These totals are comparable to the bank=s HMDA lending for 1995 which revealed a total of 1,136 applications received and a total of 503 of 1,014 or 49.6% HMDA reportable loans originated.

The examination loan sample of approved loans was reviewed regarding lending activity within the assessment area. The examination loan sample revealed the following:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE LOCAL DELINEATED COMMUNITY	PERCENT OF TOTAL
Real Estate Mortgage	12	7	58%
Consumer Installment	15	9	60%
Home Equity	7	4	57%
Overdraft Protection	10	9	90%
Single Payment	10	7	70%
Commercial/Agricultural	10	9	90%
Total	64	45	70%

The examination loan sample further supports the fact that the majority of the bank=s loan activity is within the assessment area. Based upon this review and the information provided by management, the bank meets the standards for satisfactory performance regarding loan activity within the assessment area.

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

A review of the bank=s 1995 HMDA data revealed that lending activity to low or moderate-income individuals comprised 30.40% of the bank=s total originations within the assessment area. According to the census data, low- or moderate-income families accounted for approximately 36% of the bank=s assessment area population.

According to the census data, the median family income for the bank=s assessment area was $39,881. An analysis of a sample of loans approved since the previous examination was conducted, in which income information was available, to ascertain whether loans were originated to borrowers of different income levels. The analysis revealed:

LOAN TYPE	LOW-INCOME $000's/Number	MODERATE-INCOME $000's/Number	MIDDLE-INCOME $000's/Number	UPPER-INCOME $000's/Number
Real Estate	$0/0	$0/0	$327,000/3	$976,737/9
Single Payment	$800/0	$13,100/2	$4,453/3	$23,760/4
Home Equity	$0/0	$6,000/1	$58,540/3	$57,000/3
Installment	$1,500/1	$29,835/3	$10,375/4	$36,547/4
Reserve Credit	$500/1	$1,500/3	$1,500/3	$8,000/3
Total	$2,000/2	$50,455/9	$401,868/16	$1,102,044/23

As the chart illustrates, the majority of the loans from the sample, in which income information was available, were originated to upper (23 loans) and middle (16 loans) income borrowers. The majority of the loans were granted to upper and middle income individuals, while the majority of the family incomes within the assessment area are considered upper and middle income, or 37.3% and 26.6%, respectively. This analysis further indicates a reasonable level of lending among borrowers of different income levels throughout the assessment area.

Management stated that the bank=s primary commercial borrowers are smaller retail oriented businesses. In addition, management stated the average gross income form these businesses did not exceed $500,000. The examiners reviewed the bank=s June 30, 1996 Consolidated reports of Condition and Income and found loans to small businesses currently in the bank=s portfolio totaled 311 or $13.2 million. These figures approximate an average loan size of $42,389. The bank=s agricultural lending to small farms revealed seven loans with original amounts of $100,000 or less.

A sample of approved commercial/agricultural loans was performed to ascertain whether the bank was lending to businesses and farms of different sizes. Of the 10 loans sampled, which held current annual revenue information, it was noted that the revenues ranged from $57,000 to $302,000, with one business having a gross annual income figure of $4.2 million.

The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses and farms of different sizes. The review of approved commercial and agricultural loan applications revealed no discriminatory lending practices.

Geographic Distribution of Loans

The bank=s assessment area consists of 24 census tracts within the Bloomington-Normal MSA. Six or 25% of the census tracts are considered moderate-income areas, two or 8% are considered low-income areas. Additionally, 11 or 46% of the census tracts are considered middle-income, while the remaining five or 21% is considered upper-income.

The bank=s reports of loans held within the portfolio as of June 30, 1996 by census tract numbers was reviewed. It was noted of the total 809 loans were within the bank=s assessment area, 72 or 9% were from low-income areas and 250 or 31% were from moderate-income areas. This analysis compares favorably to the fact that the low- income areas comprise approximately 8% of the entire assessment area and the moderate-income areas comprise 25% of the assessment area.

According to the 1995 HMDA lending activity analysis, the bank originated 36% of its HMDA reportable loans in low- or moderate income census tracts, while 33% of the total assessment area was considered low- or moderate income areas.

The geographic distribution of loans is reasonable. No particular areas were noted to have no loan penetration.

Response to Substantiated Complaints

No complaints were received by the bank since the previous examination.