



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 9, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Illinois National Bank
Charter Number: 11443

322 East Capitol Street
Springfield, Illinois 62701

Office of the Comptroller of the Currency

North Central Illinois & Eastern Iowa Field Office
111 West Washington Street, Suite 300
East Peoria, Illinois 61611

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:

Illinois National Bank (“INB”) is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- INB’s distribution of loans to individuals of different income levels and businesses of different sizes is excellent.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area (“AA”), including low- and moderate-income census tracts (“CTs”).
- INB’s community development performance demonstrates adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services.
- A substantial majority of the loans originated by INB are to customers from within its AA.
- INB’s quarterly average loan-to-deposit ratio of 86 percent over the evaluation period is reasonable.

SCOPE OF EXAMINATION

This Performance Evaluation assesses Illinois National Bank’s record of meeting the credit needs of the communities in which it operates. We evaluated INB under the Intermediate Small Bank performance criterion, which includes a lending test and a community development test. The lending test evaluates a bank’s record of helping to meet the credit needs of its assessment area through its lending activities. The community development test evaluates a bank’s community development lending, qualified investments, and community development service activities.

- The evaluation period covers loans originated or purchased from August 3, 2004 through June 30, 2007.
- INB has three AAs, generating a majority of the bank’s loans and deposits. INB’s presence in the Vermilion County AA and the Cass County AA is limited and the volume of loans and deposits generated is substantially less than the Sangamon/Menard AA, thus they will only receive a limited-scope review. The Sangamon/Menard County AA will receive a full-scope review. The lending test is based on INB’s primary loan products.

- Conclusions regarding the bank's lending performance are based on commercial and residential mortgage loans originated or purchased from January 1, 2005 through June 30, 2007, utilizing 2000 census data.
- We reviewed residential related loans reported under the Home Mortgage Disclosure Act (HMDA) for the years 2005, 2006, and through June 30, 2007.
- We conducted Data Integrity reviews of the HMDA data by comparing information from the bank's loan application registers to actual loan files. We found the HMDA data for 2006 and 2007 to be accurate and reliable for use in this examination. We found the HMDA data for 2005 to be outside of the error tolerance. Thus, a sample of 20 loans from the 2005 HMDA-LAR was used in the testing of residential related loans.
- INB is not required to maintain the revenue information on commercial loans outside of the individual credit files. Thus, a sample of 25 commercial loans originated during the evaluation period was used to assess the lending to businesses of different sizes.

DESCRIPTION OF INSTITUTION

Illinois National Bank is a community bank headquartered in Springfield, Illinois. Springfield is the State Capitol and is located near Interstate 55 and Interstate 72 in Sangamon County in Central Illinois. As of June 30, 2007, INB reported total assets of \$451 million. INB is an intrastate financial institution with ten offices serving all of Sangamon and Menard Counties and portions of Cass and Vermilion Counties. In addition, INB has one wholly-owned subsidiary, INB Park, LLC, which does not negatively impact the bank's ability to meet the credit needs of the community.

Since the previous CRA evaluation, INB has opened one new branch office on West Wabash Avenue in Springfield, Illinois, added one branch in Riverton, Illinois, and extended on-site banking services to a senior citizen living center one day a week. No branches were closed. All offices are equipped with drive-up facilities, with the exception of the offices in the State Capitol building in downtown Springfield and at the Fairmount branch.

INB has a network of thirty-seven ATMs; thirty-four located throughout the AA and three located outside of the AA in conjunction with various State of Illinois governmental agencies (one in Carbondale, Deerfield, and Downer's Grove). INB has an ATM at each branch office except for Pleasant Plains and Fairmount. However, there is a stand-alone ATM located in Pleasant Plains and an ATM located in the Casey's General Store in Fairmount. There are twenty-four ATMs located in Sangamon County: thirteen regular ATMs, nine restricted access ATMs (located in a corporate or state government building not accessible by the public), and two mobile ATMs used at special community events.

The bank is a wholly-owned subsidiary of Illinois National Bancorp, Inc., (“INBI”), a one-bank holding company headquartered in Springfield, Illinois. As of December 31, 2006, the holding company had total assets of \$439 million. INBI does not negatively impact the bank’s ability to meet the credit needs of the community.

In October 2004, INBI acquired Riverton Community Bank and merged it into INB. The acquired office is located in Riverton, Illinois. This acquisition enhanced the bank’s ability to provide banking services in eastern Sangamon County. INB’s business strategy is to provide a full range of traditional banking services to individuals and businesses, including personal, commercial and retail banking, trust and brokerage, cash management, Internet banking and remittance processing, while providing high quality customer service, a constant search for innovative delivery systems, and ensuring INB meets the ever-changing needs of their Central Illinois customer base.

INB’s two primary lending products are commercial and residential real estate loans. These two lending categories account for 84 percent of all loan originations during the evaluation period and make up 83 percent of the outstanding loan balances as of June 30, 2007. Thus, these two lending products were used for the analysis of this evaluation. Agricultural and consumer lending are not primary loan products accounting for 16 percent of all loan originations during the evaluation period and the remaining 17 percent of the outstanding loan balances as of June 30, 2007.

Table 1 – Loan Originations by Loan Type from January 1, 2005 through June 30, 2007		
Loan Category	\$ (000)	%
Commercial Loans	\$ 294,422	51%
Residential Loans	\$ 193,596	33%
Consumer Loans	\$ 79,062	14%
Agricultural Loans	\$ 13,807	2%
Total Originations	\$ 580,887	100%

Source: Bank Records from January 1, 2005 – June 30, 2007

As of June 30, 2007, INB reported \$338 million in outstanding loans and a net loans and leases to total assets ratio of 75 percent. The loan portfolio consists of the following:

Table 2 – Loan Portfolio Summary by Loan Type June 30, 2007		
Loan Category	\$(000)	%
Commercial Loans	\$ 205,655	61%
Residential Loans	\$ 75,269	22%
Consumer Loans	\$ 43,101	13%
Agricultural Loans	\$ 14,371	4%
Total Loans	\$ 338,396	100%

Source: June 30, 2007 Trial Balance

There are no financial conditions, legal constraints or other factors that would hinder the

bank's ability in helping to meet the credit needs of the communities within its assessment area. Tier 1 capital was reported at \$36 million as June 30, 2007. The bank's previous CRA rating as of August 3, 2004 was Satisfactory.

DESCRIPTION OF ASSESSMENT AREAS

INB's AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas. INB has three AAs: the Sangamon/Menard County AA, the Cass County AA, and the Vermilion County AA. This represents no change from the prior evaluation.

Sangamon/Menard County AA

The Sangamon/Menard County AA covers fifty-five CTs all located the Springfield MSA. Five CTs in Sangamon County are designated low-income (9%), fourteen CTs in Sangamon County are designated moderate-income (26%), while the remaining thirty-six CTs in Sangamon and Menard Counties are designated as middle- or upper-income (65%).

The following is demographic information for the assessment area:

Table 3 - Demographic Information for the Sangamon/Menard County Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	55	9%	26%	38%	27%
Population by Geography	201,437	5%	22%	42%	31%
Owner-Occupied Housing by Geography	58,944	2%	19%	45%	34%
Businesses by Geography	12,270	9%	26%	35%	30%
Farms by Geography	769	1%	7%	65%	27%
Family Distribution by Income Level	53,660	18%	19%	24%	39%
Distribution of Low- and Moderate-Income Families throughout the AA	20,081	9%	33%	41%	17%
Median Family Income	\$55,869	Median Housing Value		\$95,047	
2007 HUD Adjusted Median Family Income for the MSA	\$63,700	Median Year Built		1966	
Families Below the Poverty Level	8%	Average Monthly Gross Rent		\$ 493	

Source: 2000 U.S. Census Data

Vermilion County AA

The Vermilion County AA covers three CTs all located in the Danville MSA. There are no low- or moderate-income CTs in the AA. All three CTs are designated as middle- or upper-income (100%).

The following is demographic information for the assessment area:

Table 4 - Demographic Information for the Vermilion County Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	3	0%	0%	67%	33%
Population by Geography	9,538	0%	0%	69%	31%
Owner-Occupied Housing by Geography	3,139	0%	0%	69%	31%
Businesses by Geography	397	0%	0%	79%	21%
Farms by Geography	121	0%	0%	77%	23%
Family Distribution by Income Level	2,856	12%	17%	23%	48%
Distribution of Low- and Moderate-Income Families throughout the AA	837	0%	0%	69%	31%
Median Family Income	\$41,578	Median Housing Value		\$63,521	
2006 HUD Adjusted Median Family Income for the MSA	\$47,000	Median Year Built		1959	
Families Below the Poverty Level	7%	Average Monthly Gross Rent		\$ 471	

Source: 2000 U.S. Census Data

Cass County AA

The Cass County AA covers two CTs in Cass County, not located in a MSA. There are no low- or moderate-income CTs in the AA. Both CTs are designated as middle-income (100%).

The following is demographic information for the assessment area:

Table 5 - Demographic Information for the Cass County Assessment Area					
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Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	2	0%	0%	100%	0%
Population by Geography	5,463	0%	0%	100%	0%
Owner-Occupied Housing by Geography	1,728	0%	0%	100%	0%
Businesses by Geography	403	0%	0%	100%	0%
Farms by Geography	119	0%	0%	100%	0%
Family Distribution by Income Level	1,544	15%	18%	27%	40%
Distribution of Low- and Moderate- Income Families throughout the AA	500	0%	0%	78%	0%
Median Family Income	\$46,191	Median Housing Value			\$60,708
200 HUD Adjusted Median Family Income for Illinois non-MSA	\$50,600	Median Year Built			1952
Families Below the Poverty Level	8%	Average Monthly Gross Rent			\$ 432

Source: 2000 U.S. Census Data

Economic Data

The local economy is stable and heavily concentrated in the service and government sectors. The May 2007 unemployment rates for three of the four counties within the AA compare favorably to the 4.3% national average and to the 4.6% State of Illinois average rate. The May 2007 unemployment rates for each county are; 3.6% Menard, 4.0% Sangamon, 4.1% Cass, and 5.5% Vermilion. The economy of the AA is concentrated in the governmental service, retail, healthcare, education, and agricultural industries. Major employers include; State of Illinois, St. John's Hospital, Memorial Medical Center, Illinois National Guard, Springfield school system, Horace Mann Insurance Company, SIU School of Medicine, and the city and county governments.

We contacted a City of Springfield economic development official during the examination. The official indicated the primary credit needs in the AA are business loans for operations, equipment, and real estate, and personal loans to purchase homes, cars, and trucks. He felt INB and other local financial institutions are meeting the credit needs of the area. The official stated the economy in the AA is stable, due to the heavy influence of state government, along with the medical, financial, and retail service related industries. All of these are stable sources of employment and has allowed the area to sustain modest growth over the years. The official stated the opportunity for banks to participate in Community Development projects in low- and moderate-income CTs is limited. The city has not sponsored any specific projects banks would be able to participate in. The contact indicated there are not any credit needs or banking services not met or provided for by the local financial institutions. He said all local banks and their employees remain actively involved in the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

LENDING TEST

INB meets the standards for satisfactory performance. In making this determination, we gave more weight to the performance of lending in the Sangamon/Menard County AA as a majority of loan originations are from this AA.

- The distribution of loans to individuals of different income levels and businesses of different sizes is excellent.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA, including low- and moderate-income CTs.
- A majority of the loans originated by INB are to customers from within its AA.
- INB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of loans reflects an excellent penetration among individuals of different income levels (including low-, and moderate-income) and businesses of different sizes.

Commercial Loans

The distribution of loans to businesses reflects, given the demographics of the AAs, reasonable penetration among businesses of different sizes. Based on our sample of commercial loans originated by INB, ninety-five percent from the Sangamon/Menard County AA were to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. The demographic data shows sixty-three percent of the businesses in the Sangamon/Menard County AA reporting revenue data, have annual gross revenues equal to or less than one million dollars.

The following table shows the distribution of commercial loans among businesses of different sizes within the AAs:

Table 6 – Borrower Distribution of Loans to Businesses of Different Sizes in the Sangamon/Menard County AA			
Business	Number of Loans	%	Dollars of Loans

Revenues	#	%	Businesses in AA**	\$(000)	%
≤\$1,000,000	20	95%	63%	\$3,111	96%
>\$1,000,000	1	5%	5%	\$ 135	4%
Total	21	100%	68%	\$3,246	100%

Source: Bank records on new loans originated during 2005 through June 30, 2007; 2000 Census Data.

** 32 percent of AA businesses did not report revenue data.

Residential Real Estate Loans

The distribution of borrowers reflects, given the demographics of the AA, excellent penetration among individuals of different income levels. The distribution of HMDA loans is excellent. INB's lending to moderate-income borrowers is excellent and exceeds the percentage of moderate-income families in the Sangamon/Menard County AA. Although the lending to low-income borrowers is below the percentage of low-income families in the Sangamon/Menard County AA, this is considered reasonable given the percentage of families in the Sangamon/Menard County AA below the poverty level. In making this determination, we weighed the performance in the Sangamon/Menard County AA more heavily because ninety-seven percent of the originations during the evaluation period were from the Sangamon/Menard County AA. INB's performance in the Vermilion County AA is consistent with that of the Sangamon/Menard County AA; however, there was not a sufficient volume of originations in the Cass County AA for a meaningful review.

Table 7 – Borrower Distribution of Residential Real Estate Loans in the Sangamon/Menard County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential	18%	15%	19%	26%	24%	27%	39%	32%

Source: HMDA records from January 1, 2005 to June 30, 2007; 2000 Census Data.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans reflects reasonable dispersion throughout the Sangamon/Menard County AA. The geographic distribution of loans was limited to the Sangamon/Menard County AA because there are no low- or moderate-income census tracts in the Vermilion County AA or in the Cass County AA.

Commercial Loans

INB's geographic distribution of commercial lending reflects a reasonable dispersion in CTs of different income levels, including low- and moderate-income CTs. Based on the

sample of commercial loans originated in the evaluation period, the percentage of commercial loans originated in moderate-income CTs is above the level of commercial businesses located in the moderate-income CTs, while the percentage of commercial loans originated in the low-income CTs meets the level of commercial businesses located in the low-income CTs within the Sangamon/Menard County AA.

Table 8 – Geographic Distribution of Loans to Businesses in the Sangamon/Menard County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number
Commercial	9%	9%	26%	29%	35%	38%	30%	24%

Source: Bank records on new loans originated during 2005 through June 30, 2007; 2000 Census Data.

Residential Real Estate Loans

INB’s geographic distribution of residential lending reflects a reasonable dispersion throughout the CTs of different income levels, including low- and moderate-income CTs. The percentage of residential loans originated in low- and moderate-income CTs is below the level of owner occupied housing located in the low- and moderate-income CTs within the Sangamon/Menard County AA.

Table 9 – Geographic Distribution of Residential Real Estate Loans in the Sangamon/Menard County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number
Residential	2%	1%	19%	12%	45%	43%	34%	44%

Source: HMDA records from January 1, 2005 to June 30, 2007; 2000 Census Data.

LENDING IN THE ASSESSMENT AREA

A substantial majority of the loans originated by INB are to customers within its AA. INB’s lending to customers within the AA for all loan types is good. The following table

details the bank's lending within the AA based on the number of loan originations and dollar volume during the evaluation period.

Table 10 – Loans Originated within the Assessment Area

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Commercial	21	84%	4	16%	25	\$ 3,246	65%	\$ 1,766	35%	\$ 5,012
Residential	861	89%	110	11%	971	\$82,801	87%	\$12,664	13%	\$ 95,465
Totals	882	89%	114	11%	996	\$86,047	86%	\$14,430	14%	\$100,477

Source: Bank HMDA-LAR and bank records on small business loans originated in 2005, 2006, and through June 30, 2007.

LOAN-TO-DEPOSIT RATIO

INB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. INB's quarterly average loan-to-deposit ratio for the period July 1, 2004, to June 30, 2007, was eighty-six percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from fifty-six percent to ninety-nine percent. INB's average loan-to-deposit ratio is comparable with the other six similarly situated banks, which range in asset size from \$236 million to \$634 million. The similarly situated banks utilized for comparison purposes are community banks located within the AA counties.

RESPONSES TO COMPLAINTS

INB has not received any complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

INBs community development performance demonstrates adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services.

Number and amount of community development loans

INB has five qualifying loans totaling \$800,000 originated during the evaluation period.

- INB originated a \$150,000 annual operating line of credit for the Springfield Urban League in October 2005 and again in October 2006. In addition, INB originated a \$150,000 short-term line of credit in May 2005 and in May 2006 to cover a temporary delay in funding from the State of Illinois. The Springfield Urban League

provides a variety of social services to low- and moderate-income families in Springfield.

- INB renewed a \$200,000 line of credit for renovations to the Springfield Arts Center, located in a low-income CT. This loan supplemented a grant from the State of Illinois to complete the renovations of a building originally constructed in 1909.

Number and amount of qualified investments

INB has made a total of \$79,000 in cash contributions and donations to community development organizations assisting low- and moderate-income individuals and families within the assessment area. Some of the notable qualifying grants and donations are as follows:

- \$76,524 to the United Way.
- \$ 1,000 to the American Red Cross – Hurricane Katrina Disaster Relief Fund.
- \$ 1,000 to the Springfield Project, a community-based organization improving the quality of life in low- and moderate-income neighborhoods by providing programs for crime prevention, summer youth employment, education mentoring and tutoring, and resident empowerment.

Extent to which the bank provides community development services

Delivery systems are reasonably accessible to individuals of different income levels. INB operates ten full-service offices and thirty-four ATM's in the AA. The main office located at 322 E. Capitol Avenue and five ATMs are located in low-income CTs, while the branch in the State Capitol building and six ATMs are located in moderate-income CTs. The remaining branch and ATM locations are in middle- and upper-income CTs. Extended hours are available at all locations, except the branch in the State Capitol building. Eight of the ten offices are open on Saturdays, and all drive up locations are open longer on weekdays and on Saturdays. INB's loan and deposit products are available at all branch locations.

INB offers a satisfactory level of community development services based on the capacity of the bank, and the need and availability of opportunities in the AA.

- Illinois Housing Development Authority's first-time homebuyer program - 98 loans - \$7 million.

This program offers low- and moderate-income families, low-interest, fixed-rate, long-term mortgages. The IHDA provides \$1,000 toward the closing costs for low- and moderate-income families and provides a \$5,000 grant for low-income families. INB retains the servicing on the loans generated through this program.

- Small Business Administration Guaranteed Loan Program – 53 loans - \$5,325,000

The SBA assists businesses to get loans from banks they would not be able to receive without a guarantee. The SBA is available for start-up businesses or existing

businesses to expand their current operations.

- USDA Guaranteed Rural Housing Loan Program – 45 loans - \$3,732,000

This federal government program is designed to encourage people to purchase homes in rural areas. The USDA sets maximum income guidelines for people to qualify for the program.

- Veteran's Administration (VA) – 7 loans - \$785,000

This federal government program for veterans features a mortgage product with no down payment requirements at loan rates established by the VA. The product assists buyers with limited resources for the significant up-front costs often associated with buying a home. Another positive feature of this product is that debt-to-income ratio requirements are more flexible than conventional mortgage loans.

Bank's responsiveness, through community development activities, to community development lending, investment, and services needs

INB continues to be responsive to the needs of the community. The bank is a member of the Springfield Financial Institutions CRA Council, which coordinates a number of projects each year assisting low- and moderate-income families. The officers and employees of the bank are heavily involved in a large number of community service organizations.

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.