July 13, 2009

Dear Shareholder,

Net earnings for the second quarter totaled $810,000, or $1.69 per share, compared to the $713,000 earned in the first quarter and the $542,000 earned in the same quarter in 2008. For the six month period ended June 30, 2009, earnings totaled $1,523,000 ($3.17 per share), an increase of 2.8% from the $1,482,000 earned in the first six months of 2008.

While 2008's earnings were bolstered by $513,000, the result of the sale of the Danvers branch, earnings in 2009 were driven by an improving net interest income and continued strong activity in the secondary mortgage market.
Net interest income in the first half of 2009 totaled $4,566,000, an increase of 8.9% over the $4,194,000 reported for the same period in 2008. The continued low interest rate environment has enabled the Corporation's subsidiary banks to lower their cost of funds, while asset rates have declined at a slower pace. Consequently, the net interest margin has improved from 3.46% in the first half of 2008 to the 3.82% reported for the first six months of 2009.

As mentioned, secondary mortgage activity has remained strong throughout the first half of 2009. Production of loans sold to FNMA totaled over $68,800,000, compared to a 2009 budget total of $32,000,000. Gains on the sales of these loans were $919,000 in the first six months of the year, compared to $206,000 reported for the same period in 2008.

The subsidiary banks realized net gains of $140,000 from the sale of securities during the second quarter of 2009. The banks reduced their holdings in 30 year, fixed rate mortgage backed securities (MBS) in a move to shorten the overall duration of the investment portfolios and reduce their exposure to future interest rate changes.

Non-interest expenses were up $207,000 (4.7%), to $4,566,000, from the $4,359,000 reported for the first six months of 2008. The majority of this increase ($155,000) was in the Other Expense category, the result of the banks' additional accrual for the FDIC's special assessment. This assessment was required to be accrued by banks by June 30th, with payment to the FDIC on September 30th. The FDIC implemented the special assessment of 5 basis points to help replenish the FDIC's Depository Institution Fund, which has declined dramatically, the result of the number of banks that have failed over the past 18 months.

The Corporation's return on equity was 17.52% as of June 30, 2009 on an annualized basis, while return on assets was 1.09%.

With all of this positive information, there were some areas of concern. Nonperforming loans increased to $1,703,000 at June 30, 2009, compared to the $1,446,000 at the end of the first quarter of 2009 and the $498,000 reported at June 30 last year. Loan charge-offs increased by $320,000 from the first quarter to the second quarter. Second quarter charge offs totaled $604,000, primarily the result of one large loan for $584,000 being charged against the reserve for loan losses.

Asset quality remains very strong; the Corporation has a strong core deposit base; and capital is strong and is well above the "well capitalized" level established by the FDIC.

As mentioned in Gaylon Martin's letter to the shareholders in the 2008 Annual Report, Thomas Black will retire from the Board of Directors in July of this year. Tom's contributions to the Corporation and its subsidiary banks over his 26 years of service have been much appreciated and he will be missed. In addition, Gaylon Martin resigned as President and CEO of Illini Bank effective May 1, 2009. Gaylon continues to serve as President and CEO of the Corporation and as Chairman of Illini Bank. Greg Birky, previously the Executive Vice President of Illini Bank, was appointed to replace Gaylon as President of the bank.

The Board of Directors of the Corporation at its June board meeting approved a quarterly dividend of $0.25 per share. Your dividend check is enclosed or will be deposited electronically.

We thank you for your continued support.

Sincerely,

Dennis Guthrie
SVP & CFO

Enclosure(s)