

October 13, 2009

Dear Shareholder,

Net earnings for the third quarter were \$501,000, or \$1.04 per share, compared to the \$810,000 earned in the second quarter and the negative \$4,216,000 reported for the third quarter in 2008. As you recall, earnings for the third quarter of 2008 reflected the writedown taken on the FNMA and FHLMC preferred stock, as those securities became virtually worthless as a result of government actions taken during the financial crisis that heightened during September of last year. The decline in earnings from the second quarter of 2009 were impacted by a decrease in gains taken on securities sales of \$140,000, and a decrease in activity in the secondary mortgage market, which resulted in a decrease in gains on sales of loans of \$229,000.

For the nine month period ended September 30, 2009, earnings totaled \$2,024,000, or \$4.21 per share. This dollar amount represents a milestone, the first time in the Corporation's history that net income has exceeded \$2 million.

Earnings in 2009 continue to be driven by an improved net interest income and continued strong activity in the secondary mortgage market. Net interest income has been fairly consistent from quarter to quarter during the first nine months of 2009. Net interest income for the nine month period of 2009 totaled \$6,824,000, an increase of 7.2% over the \$6,367,000 reported for the same period in 2008. The positive impact of the continued low interest rate environment lessened somewhat during the third quarter, as the Corporation's net interest margin did decline by 16 basis points, to 3.67%, from the first and second quarter levels of 3.83%.

As mentioned, secondary mortgage activity has declined from levels experienced earlier in the year. Third quarter production totaled approximately \$15 million, compared to \$33 million in the second quarter and \$44 million in the first quarter. Gains on sales of loans have decreased from \$527,000 in the first quarter, to \$392,000 in the second, and \$163,000 in the third.

On a year-to-date basis, non-interest expenses were up \$380,000 (5.9%), from the \$6,491,000 reported for the first nine months of 2008. The majority of this increase (\$287,000) was in the Other Expense category, where the banks' FDIC premium costs were up \$321,000 from a year ago. The special assessment imposed by the FDIC totaled \$130,000; the balance of the difference represents increased regular assessments, coupled with assessment credits that were utilized by the banks in 2008.

The Corporation's return on equity was 15.16% as of September 30, 2009 on an annualized basis, while return on assets was 0.95%.

Nonperforming loans decreased by \$335,000 to \$1,368,000 at September 30, 2009, compared to \$1,703,000 at the end of the second quarter, but were still above the \$548,000 reported for the same period end in 2008. Net loan charge-offs for the first nine months were \$851,000, significantly above the \$8,000 for the same period of 2008. As mentioned in our last newsletter, 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.

During the third quarter Illini Bank (Illini) expensed \$203,000 for a Provision for Loan Losses. This brings the year-to-date provision expense for Illini to \$617,000, compared to \$400,000 for the first nine months of 2008. This boosted overall Allowance for Loan Losses to \$2,232,000 for the Corporation, which represents 1.49% of total loans at September 30, 2009. Management of Illini deems it prudent to increase the allowance account to provide for potential unanticipated losses in the loan portfolio, as weakness in the commercial real estate market being experienced nationally is beginning to surface at the local level.

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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.

The Board of Directors of the Corporation at its September 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)