

January 13, 2010

Dear Shareholder,

Performance for the Corporation continued to be strong in the 4<sup>th</sup> quarter, as net earnings for the quarter totaled \$549,000. Earnings for the year totaled \$2,573,000, a record for Illini Corporation, representing a 14.09% return on equity. These earnings compare favorably to the loss of \$2,394,000 experienced in 2008. Earnings per share for the quarter were \$1.15 per share, and for the year totaled \$5.36.

Net interest income for the period ended December 31 was \$2,226,000, a slight compression from the \$2,258,000 reported in the 3<sup>rd</sup> quarter. For the year, net interest income totaled \$9,050,000, an increase of 6.5% over the \$8,499,000 generated in 2008. The corresponding net interest margin reflected this compression, as it decreased 11 basis points in the 4<sup>th</sup> quarter to 3.56%. For the full year, however, the net interest margin of 3.71% represented a 23 basis point improvement over the 3.48% reported in 2008.

During the quarter, Illini Bank sold securities out of the investment portfolio, realizing a pre-tax gain of \$173,000. From this amount the bank made a special provision for loan losses in the amount of \$140,000. In addition, the bank made a normal 4<sup>th</sup> quarter provision for loan loss of \$200,000, bringing total 2009 provisions to \$1,065,000. These provision expenses increased the allowance for possible future loan losses to \$2,645,000 at year-end, a level that represents 95% coverage of non-performing loans. Management of the subsidiary banks felt the bolstering of the allowance account was prudent given the continued weakness in the economy.

In addition to the record level of earnings, the Corporation realized a record level for total assets, as the Corporation ended 2009 at \$299.5 million, an increase of \$21.3 million, or 7.6%, from the \$278.3 million reported at year-end 2008. Growth was experienced in the investment portfolio, which grew by \$9.8 million, and in cash and cash equivalents, which increased by \$10.2 million (not reflected in the Financial Highlights report) from 2008. Loan balances outstanding were level, year over year. On the liability side, the subsidiary banks realized substantial growth in their non-interest bearing deposit accounts, which increased by \$4.1 million (12.1%) to \$38.3 million. Interest-bearing deposit accounts also showed impressive growth, growing by \$21.8 million, or 11.8%, to \$206.6 million at the end of the year. This growth was seen in the core deposit areas of money market and savings accounts, while the banks reduced their exposure to non-core, \$100,000 plus certificates of deposit by \$6.2 million, to \$26.0 million. In addition, the Corporation and its subsidiary banks reduced their exposure to alternative sources of funding, such as FHLB borrowings, by \$9.1 million to \$21.7 million, which represents less than 9% of total funding sources utilized.

Shareholders' equity at the end of 2009 was \$19,537,000, an increase of \$2,983,000, or 18.0%, from the \$16,554,000 reported at December 31, 2008. Retained earnings improved almost \$2.1 million, while the unrealized gains in the subsidiary banks' investment portfolios represented the remaining \$900,000 of the increase.

However, not everything during the year was positive. The banks charged off almost \$1 million in loans over the course of the year. Total non-performing loans doubled in the 4<sup>th</sup> quarter, increasing from \$1,368,000 at September 30, 2009 to \$2,778,000 at year end. This year-end balance is over \$2 million above the levels of non-performing loans at the end of 2008. Net interest margins has shown compression in recent quarters and could be further negatively impacted by increasing interest rates. The Federal Reserve Board's amendment to Regulation E that will prohibit banks from charging consumers fees for paying overdrafts on ATM and one-time debit card transactions, scheduled to go into effect July, 2010, will have a substantial negative effect on the subsidiary banks' non-interest income. Additional regulatory reform, currently being addressed in Congress, will likely impose even more regulatory burdens on community banks, reduce earnings, and result in a reduction in the ability of these banks to serve their customer base.

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At the December meeting of the Board of Directors of the Corporation, after consideration of the strong performance of the Corporation in 2009 and the anticipated continuation of a steady revenue stream, the Board approved a 20% increase in the regular quarterly dividend to \$0.30 per share. Your dividend check is enclosed or will be deposited electronically. We thank you for your support throughout 2009 and look forward to serving you in 2010 and beyond.

Sincerely,

Dennis Guthrie  
SVP & CFO

Enclosure(s)