FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

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FILER

ILLINI CORP

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

/X/ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (FEE REQUIRED)

/ / Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 (NO FEE REQUIRED)

For the fiscal year ended December 31, 1998
Commission file number 0-13343

ILLINI CORPORATION
(Name of small business issuer in its charter)

Illinois
(State of Incorporation)
(I.R.S. Employer I.D. No.)
37-1135429

3200 West Iles Avenue
Springfield, Illinois 62707
(Address of principal executive offices and zip code)

Issuer's telephone number
(217) 787-5111

Securities registered pursuant to Section 12(b) of the Exchange Act:
None

Securities registered pursuant to Section 12(g) of the Exchange Act:
Common Stock, par value $10.00 per share
(Title and Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. X

The Registrant's revenues for fiscal year 1998 were $13,262,000.

On March 1, 1999, 448,456 shares of common stock were outstanding. The aggregate market value of such shares held by non-affiliates of the registrant was approximately $13,229,452 (based on the average of the bid and asked prices of securities traded through Dean Witter Reynolds, Inc., Springfield, Illinois).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Corporation's definitive proxy statement dated March 22, 1999, are incorporated by reference into Part III, hereof.

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PART I

ITEM 1. - DESCRIPTION OF BUSINESS

Illini Corporation ("Illini" or "Corporation"), a bank holding company as defined in the Bank Holding Company Act of 1956, as amended, was incorporated under the laws of the State of Illinois in 1983. Illini presently operates one wholly owned subsidiary bank, Illini Bank, with 18 locations throughout five counties in central Illinois. Illini's executive offices are located at 3200 West Iles Avenue, Springfield, Illinois 62707, and its telephone number is 217/787-5111.

Illini's management philosophy is to centralize overall corporate policies, procedures, and administrative functions and provide operational support for the subsidiary bank. Within these parameters, each location is allowed flexibility in responding to local market conditions and customer and community needs. Illini is committed to being a well managed, profitable financial institution providing a broad range of financial services and products and contributing to the economic and social environment of its communities.

Illini Bank (the "Bank") is an Illinois state bank, which had total assets of $160.6 million at December 31, 1998. The Bank maintains 18 banking facilities in the following Illinois communities: Springfield, Lincoln, Petersburg, Auburn, Danvers, Dawson, Divernon, Elkhart, Greenview, Hudson, Mechanicsburg, Owaneco, Sherman, Stonington, and Tallula.

The Bank offers its customers a wide variety of financial services and products. Deposit products include a variety of checking, NOW, money market, savings, investment sweep accounts, and certificates of deposit. Lending products include short, intermediate, and long-term business and agricultural loans, commercial and residential real estate loans, personal and consumer purchase loans, home equity, and personal secured and unsecured lines of credit. Additional product offerings include letters of credit, credit cards, notary services, safe deposit boxes, and check imaging.

The Bank's deposit accounts are insured by the Federal Deposit Insurance Corporation (the "FDIC") under the Bank Insurance Fund ("BIF") to the maximum amount allowed by law. Illini is supervised and

regulated by the Board of Governors of the Federal Reserve ("FRB") and the Bank is supervised and regulated by the FDIC and the Office of Banks and Real Estate of the State of Illinois.

- COMPETITION

The activities and geographic markets in which Illini is engaged are highly competitive. Competition among financial institutions is based upon interest rates offered on deposit accounts, interest rates charged on loans and other credit and service charges, the quality of services rendered, the convenience of banking facilities and, in the case of loans to large commercial borrowers, relative lending limits.

The Bank competes with other banks, savings and loan associations, credit unions, industrial loan associations, securities firms, insurance companies, small loan companies, finance companies, mortgage companies, certain governmental agencies, and credit organizations.

- SUPERVISION AND REGULATION - GENERAL

Various federal and state banking laws and regulations affect the business of Illini and the Bank. They are subject to supervision, regulation, and periodic examination by the Board of Governors of the FRB and the Commissioner and the FDIC, respectively. The following is a summary of certain statutes and regulations affecting Illini and the Bank. This summary is qualified in its entirety by such statutes and regulations, which are subject to change based on pending and future legislation and action by regulatory agencies. Proposals to change the laws and regulations governing the operation of banks and companies which control banks and other financial institutions are frequently raised in Congress. The likelihood of any major legislation and the impact such legislation might have on Illini or the Bank are, however, impossible to predict.

- THE BANK HOLDING COMPANY ACT

As a bank holding company, Illini is subject to regulation by the FRB under the Bank Holding Company Act of 1956, as amended (the "BHCA"). The BHCA restricts the product range of a bank holding company by circumscribing the types of businesses it may own or acquire. The BHCA limits a bank holding company to owning and managing banks or companies engaged in activities determined by the FRB to be closely related to banking.

Among the activities that the FRB has determined are closely related to banking are activities that are usual in connection with making, acquiring, brokering or servicing loans, leasing personal or real property, engaging in trust company functions, acting as investment or financial advisor, providing securities brokerage services, certain management consulting and counseling services, engaging in certain insurance agency activities and providing data processing services.

The BHCA requires a bank holding company to obtain the prior approval of the FRB before acquiring substantially all of the assets or direct or indirect ownership or control of more than five percent of the voting shares of a bank or a bank holding company or merging or consolidating with any other bank holding company.

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Riegle-Neal Act"), since September 29, 1995, the FRB is permitted, under specified circumstances, to approve the acquisition by a bank holding company located in one state of a bank or a bank holding company located in another state, without regard to any prohibition contained in state law.

The Riegle-Neal Act permits states to require that a target bank have been in operation for a minimum period, up to five years, and to impose non-discriminatory limits on the percentage of the total amount of deposits with insured depository institutions in the state which may be controlled by a single bank or bank holding company. In addition, the Riegle-Neal Act imposes federal deposit concentration limits (10% of nationwide total deposits, and 30% of total deposits in the host state on applications subsequent to the applicant's initial entry to the host state), and adds new statutory conditions to FRB approval, i.e., the applicant meets or exceeds all applicable federal regulatory capital standards and is "adequately managed."

The Riegle-Neal Act also authorized, effective June 1, 1997, the responsible federal banking agency to approve applications for mergers of depository institutions across state lines without regard to whether such activity is contrary to state law. Any state could, however, by adoption of a non-discriminatory law after September 29, 1994 and before June 1, 1997, elect to opt-out of the provision. The effect of opting out is to prevent banks chartered by, or having their main office located in, such state from participating in any interstate branch merger. Each state was permitted to retain a minimum age requirement of up to five years, a non-discriminatory deposit cap, and non-discriminatory notice or filing requirements. The responsible federal agency will apply the same federal concentration limits and capital management adequacy requirements noted above with respect to BHCA applications. Only Texas opted-out of the interstate merger provision.

While Illinois adopted legislation to opt-in to the interstate merger provision, unlike some states and as permitted by federal law, Illinois law does not authorize the establishment of de novo branches or the purchase by an out-of-state bank of one or more branches of a bank with its main office in Illinois. Since the laws of the various states which do authorize de novo branches or branch purchases normally have reciprocity provisions, Illinois state-chartered banks generally are not able to establish or acquire branches in other states except through the merger with a bank in another state.

Branches acquired in a host state by both out-of-state state-chartered and national banks will be subject to community reinvestment, consumer protection, fair lending, and interstate branching laws of the host state to the same extent as branches of a national bank having its main office in the host state. Among other things, the Riegle-Neal Act also preserves state taxation authority, prohibits the operation by out-of-state banks of interstate branches as deposit production office, imposes additional notice requirements upon interstate banks proposing to close branch offices in a low or moderate-income area, and creates new Community Reinvestment Act evaluation requirements for interstate depository institutions.

- DIVIDEND RESTRICTIONS

Illini's principal source of income is the Bank's payment of dividends on the stock of the Bank owned by Illini. Illinois law restricts the Bank's ability to pay these dividends. Under the Illinois Banking Act, no dividend may be declared by an Illinois state-chartered bank (i) except out of the bank's net profits and (ii) unless the bank has transferred to surplus at least one-tenth of its net profits since the date of the declaration of the last preceding dividend, until the amount of its surplus is at least equal to its capital. Net profits under the Illinois Banking Act must be adjusted for losses and bad debts (i.e. debts owing to the bank on which interest is past due and unpaid for a period of six months or more unless such debts are well secured and in the process of collection).

Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), no insured depository institution may declare any dividend if, following the payment of such dividend, the institution would be under-capitalized.

- TRANSACTIONS WILL AFFILIATES AND INSIDERS

The Bank and Illini are affiliates of each other and, as such, are subject to certain federal restrictions on loans and extensions of credit to Illini, on investments in Illini's and its affiliates' securities, on acceptance of such securities as collateral for loans to any borrower and on leases and services and other contracts between the Bank and Illini. Additionally, regulations allow the Bank to extend credit to the Bank's and its affiliates' executive officers, directors, and principal shareholders or their related interests only if the loan is made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with non-insiders. Moreover, loans to insiders must not involve more than the normal risk or repayment or present other unfavorable features and must, in certain circumstances, be approved in advance by a majority of the entire board of directors of the Bank. The aggregate amount that can be lent to all insiders is limited to the Bank's unimpaired capital and surplus. There are additional limitations on the amount of loans that can be made to the Bank's executive officers.

- DEPOSIT INSURANCE

Deposits held by the Bank are insured, to the extent permitted by law, by the Bank Insurance Fund ("BIF") administered by the FDIC. A minimum designated reserve ratio of 1.25 percent of insured deposits has been established for the BIF. However, the FDIC may set a higher designated reserve ratio if circumstances raise a significant risk of substantial future losses to the BIF. Assessment rates are established sufficient to maintain reserves at the designated reserve ratio or, if the ratio is less than the designated ratio, to increase the ratio to the designated ratio within a reasonable period of time.

As required under FDICIA, the FDIC has established a system of risk-based deposit insurance premiums. Under this system each insured institution's assessment is based on the probability that the BIF will incur a loss related to that institution, the likely amount of the loss, and the revenue needs of the BIF.

Under the risk-based assessment system, currently, a depository institution pays an assessment of between 0 cents and 27 cents per $100 of insured deposits based on its capital level and risk classification. To arrive at a risk-based assessment for an insured institution, the FDIC places it in one of nine risk categories using a two step analysis based first on capital ratios and then on relevant supervisory information. In addition, in 1996, pursuant to the Deposit Insurance Funds Act, enacted by Congress in September, the FDIC imposed a special assessment on bank deposits at a rate not tied to risk classification in order to service debt on the Financing Corporation (FICO) bonds issued in connection with the federal government's bail out of the thrift industry. Any further significant changes in the deposit insurance assessment rate imposed by the FDIC could have a material effect on the earnings of Illini.

- CAPITAL REQUIREMENTS

The FRB has imposed risk-based capital guidelines applicable to Illini. These guidelines require that bank holding companies maintain capital commensurate with both on and off balance sheet credit and other risks of their operations. Under the guidelines, a bank holding company must have a minimum ratio of total capital to risk-weighted assets of 8 percent. In addition, a bank holding company must maintain a minimum ratio of Tier 1 capital equal to 4 percent of risk-weighted assets. Tier 1 capital includes common shareholders' equity, qualifying perpetual preferred stock and minority interests in equity accounts of consolidated subsidiaries, less goodwill. As a supplement to risk-based capital requirements, the FRB has also imposed leverage capital ratio requirements. The leverage ratio requirements establish a minimum required ratio of Tier 1 capital to total assets less goodwill of 3 percent for the most highly rated bank holding companies. All other bank holding companies are required to maintain additional Tier 1 capital yielding a leverage ratio of 4 percent to 5 percent, depending on the particular circumstances and risk profile of the institution. Refer to the Capital Resources Section of Item 6 and Note 12 included under Item 7 for a summary of Illini's capital ratios as of December 31, 1998 and 1997.

The Bank is also subject to risk-weighted capital standards and leverage measures which are similar, but in some cases not identical, to the requirements for bank holding companies which apply to Illini. At December 31, 1998, the Bank met all applicable capital requirements. Under FDICIA, the federal bank regulators must take various specified prompt corrective actions based on levels of an insured depository institution's capital that are below the adequately capitalized level. These prescribed actions increase restrictions on the institution as its capital declines.

- SAFETY AND SOUNDNESS GUIDELINES

As required by federal law, the federal banking regulators have adopted interagency guidelines (the "Guidelines") establishing standards for safety and soundness for depository institutions on matters such as internal controls, internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth and quality, earnings, and compensation and other benefits. In general, the Guidelines prescribe the goals to be achieved in each area, and each institution will be responsible for establishing its own procedures to achieve these goals. If an institution fails to comply with any of the standards set forth in the Guidelines, the institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. The preamble to the Guidelines states that an

agency expects to require a compliance plan from an institution whose failure to meet one or more standards is of such severity that it would threaten the safe and sound operation of the institution. Failure to submit an acceptable compliance plan, or failure to adhere to a compliance plan that has been accepted by the appropriate regulator, would constitute grounds for further enforcement action.

FDIC regulations also require all depository institutions with assets in excess of $250 million to be examined annually by the banking regulators. Depository institutions with assets of $250 million or less which are well capitalized, well managed, have a CAMELS rating of 1 or 2, are not subject to a formal enforcement proceeding or order and have not undergone a change in control in the previous twelve months are eligible to be examined every eighteen months. FDIC regulations also require insured depository institutions having $500 million or more in total assets to prepare annual financial statements which are audited by an independent public accountant, to have an audit committee comprised solely of outside directors, and to hire outside auditors to evaluate the institution's internal control structure. For institutions that are subsidiaries of bank holding companies, the financial statement requirement can be satisfied by audited financial statements of the consolidated bank holding company. Other audit related requirements for subsidiary institutions that have total assets of less than $5 billion or assets of $5 billion or more and a composite CAMELS rating of 1 or 2 also may be satisfied by the parent bank holding company. The FDIC, in adopting the regulations, reiterated its belief that every depository institution, regardless of size, should have an annual independent audit and an independent audit committee.

- MONETARY POLICY AND ECONOMIC CONDITIONS

The business of commercial banks, such as the Bank is affected by monetary and fiscal policies of various regulatory agencies, including the FRB. Among the regulatory techniques available to the FRB are open market operations in United States Government securities, changing the discount rate for member bank borrowings, and imposing and changing the reserve requirements applicable to member bank deposits and to certain borrowings by member banks and their affiliates (including parent companies). These policies influence to a significant extent the overall growth and distribution of bank loans, investments and deposits and the interest rates charged on loans, as well as the interest rates paid on savings and time deposits.

The monetary policies of the FRB have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. In view of constantly changing conditions in the national economy and the money market, as well as the effect of acts by the monetary and fiscal authorities, including the FRB, no definitive predictions can be made by Illini or the Bank as to future changes in interest rates, credit availability, deposit levels, or the effect of any such changes on Illini's or the Bank's operations and financial condition.

- EMPLOYEES

As of December 31, 1998, Illini and the Bank had 99 total employees and 72 full-time employees.

- STATISTICAL DISCLOSURE

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ITEM 2. - PROPERTIES

Illini's corporate offices are located at 3200 West Iles Avenue, Springfield, Illinois. The Bank owns 15 and leases three of the banking offices at which it operates. Operating leases are further discussed in Note 5 in Item 7. The Bank operates four banking offices in Springfield, Illinois and one each in the following Illinois communities: Auburn, Danvers, Dawson, Divernon, Elkhart, Greenview, Hudson, Lincoln, Mechanicsburg, Owaneco, Petersburg, Sherman, Stonington, and Tallula. The Bank leases space for the banking offices in Lincoln, Petersburg and 615 W. Jefferson, Springfield.

ITEM 3. - LEGAL PROCEEDINGS

On or about July 17, 1998, Ida R. Noll filed a 14 count complaint against Illini Corporation and all members of Illini Corporation's Board of Directors except William Walschleger Jr. in the Seventh Judicial Circuit, Sangamon County, Illinois. On September 28, 1998, Judge Carmody dismissed the complaint and granted Plaintiff 21 days in which to file an amended complaint. The Plaintiff filed her amended pleading on October 19, 1998. This pleading was also dismissed, but Plaintiff was granted leave to file a second amended complaint. Illini and the directors recently answered the second amended complaint. The second amended complaint arises out of Illini Corporation's adoption of a Shareholder Rights Agreement on June 20, 1997, Illini Corporation's subsequent adoption of a First Amendment to the Rights Agreement on July 1, 1998, and the Plaintiff's assertion that she became an "acquiring person" under the Rights Agreement on April 16, 1998. The Plaintiff seeks declaratory and injunctive relief from Illini and the directors regarding the alleged triggering of the Rights Agreement and the enforceability and validity of the First Amendment to the Rights Agreement. The Plaintiff also seeks compensatory and punitive damages against the directors arising out of the directors' alleged breaches of fiduciary duty committed in connection with the Rights Agreement and the First Amendment to the Rights Agreement. The Plaintiff seeks recovery of her attorneys' fees and costs in connection with her action. Ida Noll asserted that her attorneys' fees through October 23, 1998 were approximately $50,000 and that her expenses at that time were approximately $5,000. Illini and the directors intend to vigorously contest and oppose the allegations made by Ida R. Noll, and the parties are just beginning discovery in the case.

The Company adopted a Shareholder Rights Agreement on June 20, 1997 and named Illinois Stock Transfer Company ("ISTC") as its rights agent thereunder. The Company was notified in May, 1998 of a threatened complaint against ISTC by an Illini shareholder. The shareholder, Mary K. Quinn, who owns 21 shares of stock in Illini, filed suit against ISTC on June 9, 1998 in the Seventh Judicial Circuit Court, Sangamon County, Illinois. Quinn seeks to compel ISTC to distribute rights certificates to Illini's

shareholders and further seeks to certify all Illini shareholders as a class. Ms. Quinn asserts that Ida R. Noll became an acquiring person under the Rights Agreement on April 16, 1998, and that the Rights Agreement was triggered. ISTC is being represented in the litigation by Howard & Howard, which vigorously contests Quinn's assertions that Ida R. Noll is an acquiring person, that the Rights Agreement has been triggered, and that ISTC has a duty to distribute rights certificates.

On June 9, 1998, Quinn filed a Motion to Certify the Class, which was granted on December 29, 1998. On January 13, 1999, Quinn filed an Amended Complaint adding Illini Corporation as a defendant to her action. Illini is represented in the litigation by Howard & Howard. Both Illini and ISTC have answered the Amended Complaint and have denied that Ida R. Noll is an acquiring person. Quinn asserts that she is entitled to recover her attorneys' fees from Illini and ISTC, which the defendants deny. The parties are currently engaged in discovery.

ITEM 4. - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 1998.

PART II.

ITEM 5. - MARKET FOR THE COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The common stock of Illini is traded on the Nasdaq over the counter bulletin board (OTCBB). The following table sets forth the high and low bid prices by calendar quarter of the common stock of Illini as reported by Dean Witter Reynolds, Inc. and A.G. Edwards & Sons, St. Louis, Missouri in 1998 and 1997. The prices shown do not reflect retail mark-ups, markdowns, or commissions and may not represent actual transactions.

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1998	HIGH	LOW	CASH DIVIDENDS DECLARED
1ST QUARTER	$ 28.50	$ 28.00	$.25
2ND QUARTER	28.50	28.50	.25
3RD QUARTER	28.75	28.50	.25
4TH QUARTER	28.75	28.75	.25

1997	High	Low	Cash Dividends Declared
1st Quarter	$25.50	$25.50	$.25
2nd Quarter	27.00	25.50	.25
3rd Quarter	27.00	27.00	.25
4th Quarter	28.00	27.00	.25

</TABLE>

As of December 31, 1998, there were 1,495 shareholders of record of Illini common stock.

ITEM 6. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- INTRODUCTION

The following discussion highlights the significant factors affecting the operations and financial condition of Illini for the two years ended December 31, 1998. The discussion should be read in conjunction with the consolidated financial statements, accompanying notes, and selected financial data appearing elsewhere within this report.

Illini cautions that any forward looking statements contained in this report, in a report incorporated by reference to this report, or made by management involve estimates and uncertainties and are subject to change based upon various important factors. Actual results for 1999 and beyond could differ materially from results expressed or implied by forward looking statements in this report.

- SUMMARY

Management views 1998 as an investment in the future of Illini Corporation. Short term profitability was sacrificed to stabilize the organization and prepare Illini to compete in the ever changing financial environment. Net income for 1998 was $630,000 or $1.40 per share. This represents 3.1% decrease from 1997's net income of $650,000. A complete reengineering of the Bank's operations began in early 1998 and will continue throughout 1999. Management believes the new operational design will allow for future growth and help in stabilizing our overhead structure.

The recent earnings decline has been primarily due to the intensive effort to solidify the loan portfolio and reduce net charge-offs to an acceptable level. Interest and fee income on loans declined slightly in 1998 due to a falling rate environment and slow growth in the portfolio. A centralized credit department was organized in late 1998 and management now feels we are positioned to increase our loan volume in 1999 while maintaining an acceptable amount of credit risk in the loan portfolio.

The increase in operating expenses was primarily in three areas. Increased occupancy and equipment expense relating to the opening of a new main banking facility in December 1997, increased data processing costs, and a large increase in fees paid to outside consultants and attorneys to assist management in strategic planning and shareholder related activities. The Bank reduced marketing expense by $230,000 in 1998. Management will initiate a more aggressive marketing campaign in 1999 to promote new products and services.

Non interest income rose significantly in 1998. The gain on the sale of other real estate represented 71% of the increase. The additional increase was associated with the refinancing of fixed rate mortgages. Management believes the restructuring of our deposit pricing will help to increase fee income in 1999.

Management will focus on maintaining improved credit quality, controlling operating costs, and increasing the Bank's revenues through improved sales efforts in 1998 and beyond. Management is committed to investing in our future by developing our team of associates and implementing the necessary technology to become a "customer first" organization. We believe we built a foundation in 1998 to prepare our organization for growth and leverage our position as a locally owned community bank in the markets we serve.

The following table details changes in Illini's net income per share over the last two fiscal years.

CHANGE IN EARNINGS PER SHARE (EPS)
FOR 1998 AND 1997

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<S>	1998-97 <C>	1997-96 <C>
PER SHARE		
Net income prior period	$ 1.45	$ 1.04
Change in EPS attributable to change in:		
Net interest income	(1.08)	(0.12)
Provision for loan losses	0.22	1.85
Noninterest income	1.45	0.08
Noninterest expense	(0.56)	(1.30)
Income tax expense	(0.08)	(0.10)
Net increase (decrease)	(0.05)	.41
Net income current period	$ 1.40	$ 1.45

</TABLE>

- OVERVIEW-BALANCE SHEET REVIEW

Average assets were $153.7 million in 1998, an increase of $7.0 million or 4.8% from 1997. Average loans were $84.0 million in 1998, a decline of $3.5 million or 4.0% from 1997. Management believes the decrease in loan volume is an expected outcome from the reengineering of the Corporation. Efforts to aggressively pursue new loan relationships will be the primary focus in 1999 in both consumer and commercial loan services. Average deposits were $136.6 million in 1998, an increase of $8.2 million or 6.4% from 1997. We believe this trend of growth will continue as our product offerings become more sophisticated and the level of merger and acquisition activity continues to rise.

- SECURITIES

Total securities as of December 31, 1998 were $53.3 million, an increase of $6.5 million or 13.8% over the prior year-end. At December 31, 1998 and 1997, the total securities portfolio comprised 33.1% and 30.2%, respectively, of total assets.

Illini's investment strategy is to maximize portfolio yields commensurate with credit risk and liquidity considerations. The decision to purchase or sell securities is based upon the current assessment of economic and financial conditions, including the interest rate environment. Approximately $9.4 million or 17.7% of the securities portfolio at December 31, 1998 matures or reprices within one year. Scheduled maturities and the prepayment of mortgage-backed securities represent a source of liquidity for the Bank as well as federal funds sold, federal funds purchased lines, and lines of credit established at other banks which are discussed further in the Liquidity section of this report.

Mortgage-backed securities as of December 31, 1998 totaled $25.4 million and represent 47.6% of total securities. The distribution of mortgage-backed securities include $16.9 million of U.S. government agency mortgage-backed pass through securities and $8.5 million of private issue collateral mortgage obligations, all of which are rated AAA.

At December 31, 1998, securities available for sale totaled $53.3 million. There were no securities classified as held to maturity or trading at the end of 1998 or 1997. The securities available for sale portfolio at the end of 1998 included gross unrealized gains of $744,000 and gross unrealized losses of $81,000, of which the combined effect, net of tax, is included as an unrealized gain in stockholders' equity. For comparative purposes, at December 31, 1997, gross unrealized gains of $339,000 and gross unrealized losses of $88,000 were included in the securities available for sale portfolio. For further analysis of the securities portfolio, see Note 2 in Item 7.

- MATURITIES AND DURATION

The maturities and weighted average yields of the investment portfolio at the end of 1998 are presented in the following table. Maturities of private mortgage-backed securities are based on their average expected lives and include the effects of anticipated prepayments. All other securities are listed at their actual maturity or contractual repricing interval. The amounts and yields disclosed reflect the net carrying value, which is the same as fair value. Taxable equivalent adjustments, using a 34% tax rate, have been made in calculating yields on tax-exempt obligations.

The securities portfolio at December 31, 1998 contained no securities of any issuer with an aggregate book or market value in excess of 10% of Illini's shareholders' equity, excluding those issued by the United States government, or its agencies or corporations.

MATURITIES AND YIELD OF SECURITIES

(dollars in thousands)

	TOTAL	WEIGHTED AVERAGE TAX EQUIVALENT YIELD
U.S. Treasury securities:		
0 to 1 year	$ 1,263	5.89%
1 to 5 years	1,031	5.20
Total	$ 2,294	5.58%
U.S. government agencies:		
1 to 5 years	$11,761	6.24%
5 to 10 years	5,516	5.92
Total	$17,277	6.14%
Mortgage-backed securities and Collateralized mortgage obligations:		
0 to 1 year	$ 1,972	5.66%
1 to 5 years	11,649	6.29
5 to 10 years	5,103	6.34
Over 10 years	6,634	5.91
Total	$25,358	6.15%
States of the U.S. and political subdivisions:		
0 to 1 year	$ 965	7.22%
1 to 5 years	878	7.22
5 to 10 years	3,366	7.32
Over 10 years	2,685	7.64
Total	$ 7,894	7.40%
FHLB stock and other equity securities, no stated maturity	$ 453	--
Total securities:		
0 to 1 year	$ 4,200	6.09%
1 to 5 years	25,319	6.25
5 to 10 years	13,985	6.41
Over 10 years	9,319	6.40
No stated maturity	453	
Total	$53,276	6.31%

- LOANS

Illini's loan portfolio consists of a diverse variety of loan types within the following major categories: commercial real estate, residential real estate, consumer, commercial, and agricultural loans.

Average total loans declined $3.5 million from $87.5 million in 1997 to $84.0 million in 1998. Contraction in the loan portfolio resulted primarily from management's priority on evaluating and managing credit risk in existing loan relationships over new business development.

The largest contraction was in commercial loans for which the average balance declined $4.4 million to $10.7 million in 1998. Consumer loans declined $3.6 million to $10.8 million and residential real estate loans declined $3.8 million to $20.8 million. Commercial real estate loans increased $6.4 million to $31.0

million and agricultural loans increased $1.6 million to $7.4 million. Agricultural real estate loans at $2.7 million remained relatively stable in 1998.

All of Illini's loans are domestic. Illini does not currently engage in foreign loans, lease financing, or loans to financial institutions. Additionally, Illini does not have any concentration of loans exceeding 10% of total loans, which are not otherwise disclosed under "types of loans."

Each major type of loan will normally have different risk elements. Real estate loans and installment loans to individuals can be affected by the general strength of the economy in a given geographical area. A wide range of economic and other factors can impact the businesses to which commercial loans are extended. Such things as drought, floods, U.S. and foreign market prices, and federal government subsidies and programs can affect agricultural loans. Illini's susceptibility to these risk elements has decreased as prior deficiencies in overall loan portfolio management and credit risk management systems and controls have been corrected.

- TYPES OF LOANS

A summary of loans by type as of December 31, 1998 and 1997 is set forth in Note 3 in Item 7.

- MATURITIES AND INTEREST RATE SENSITIVITY OF LOANS

$27.5 million or 31.5% of the Bank's loan portfolio reprices within one year. $82.4 million or 94.6% of the portfolio reprices within five years. The relatively short duration of the loan portfolio requires diligence on the part of management to replace and/or renew maturing loans more frequently. However, it benefits the Bank by decreasing its susceptibility to rising interest rates and by allowing management more frequent opportunities to reassess and adjust loan agreements with borrowers and to exit deteriorating loan relationships. 62.1% of commercial, financial, and agricultural loans mature within one year.

LOANS

<TABLE>
<CAPTION>

	MATURITY			
	ONE YEAR OR LESS	ONE TO FIVE YEARS	AFTER FIVE YEARS	TOTAL
	(dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
Commercial, financial, and agricultural	$ 12,756	$ 6,508	$ 1,289	$ 20,553
Real estate construction	5,486	1,024	594	7,104

	$ 18,242	$ 7,532	$ 1,883	$ 27,657

</TABLE>

<TABLE>
<CAPTION>

<S>	INTEREST SENSITIVITY		
	FIXED INTEREST RATES	FLOATING OR ADJUSTABLE INTEREST RATES	TOTAL
		(dollars in thousands)	
Loans due after one but within five years	$ 5,938	$ 1,594	$ 7,532
Loans due after five years	643	1,240	1,883
	$ 6,581	$ 2,834	$ 9,415

</TABLE>

DEPOSITS

<TABLE>
<CAPTION>

<S>	AVERAGE BALANCES OF DEPOSITS AND COST OF FUNDS			
	1998 AVERAGE		1997 AVERAGE	
	BALANCE	RATE	BALANCE	RATE
		(dollars in thousands)		
Noninterest bearing demand deposits	$ 21,103	---	$ 20,246	---
NOW and money market deposit accounts	35,319	3.61 %	27,311	2.92 %
Savings deposits	17,474	2.41	18,287	2.47
Time deposits	62,676	5.53	62,533	5.46
	$ 136,572	3.78 %	$128,377	3.63 %

</TABLE>

<TABLE>
<CAPTION>

MATURITY OF TIME DEPOSITS GREATER THAN $100,000
AT DECEMBER 31, 1998

TIME CERTIFICATES OF DEPOSIT	OTHER TIME DEPOSITS	TOTAL
	(dollars in thousands)	

<S> <C> <C> <C>

Three months or less	$ 6,085	$ ----	$ 6,085
Three to six months	1,246	----	1,246
Six to twelve months	3,089	2,400	5,489
Over twelve months	2,244	----	2,244
	$ 12,664	$ 2,400	$ 15,064

</TABLE>

Average deposits increased $8.2 million or 6.4% to $136.6 million in 1998. Due to the reduction in deposits required to fund loan growth, management was able to hold deposit rates steady. The Bank's overall cost of funds related to deposits increased 15 basis points to 3.78% in 1998. Noninterest bearing accounts increased $1.1 million to $26.2 million, NOW and Money Market accounts were up $8.3 million to $38.9 million, and Time Deposits decreased $3.3 million to $60.8 million in 1998. Total deposits increased $5.4 million or 3.9% to $143.0 million in 1998.

- LIQUIDITY

Liquidity represents the availability of funding to meet obligations to depositors, borrowers, and creditors at a reasonable cost without adverse consequences. Accordingly, the liquidity position is influenced by the funding base and asset mix.

Illini requires adequate liquidity to pay its expenses and pay stockholder dividends. Liquidity is provided to Illini from the Bank in the form of dividends. In 1998, dividends from the Bank amounted to $0.7 million compared to $0.9 million in 1997. The Bank's liquidity is provided by bank cash balances, liquidation of short-term investments, loan payments, an overnight federal funds line of credit, and borrowings on a line of credit available with the Federal Home Loan Bank of Chicago. While the Bank is limited in the amount of dividends it pays, as of December 31, 1998, approximately $0.2 million was available for payment to Illini in the form of dividends without prior regulatory approval.

Cash and cash equivalents which includes federal funds remained relatively unchanged from December

31, 1997 to December 31, 1998.

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments, maturities of investment securities, and sales of investment securities available for sale.

The liability portion of the balance sheet provides liquidity through federal funds purchased, securities sold under agreements to repurchase, and other short-term borrowings. As of December 31, 1998 Illini has established an overnight federal funds line of credit with an unaffiliated financial institution in the amount of $3.5 million, with the entire amount available for borrowing. The Bank is also a member of the Federal Home Loan Bank of Chicago and has established a line of credit of approximately $4.0 million as of December 31, 1998, with the entire amount available for additional borrowings. The various sources of liquidity available to the Bank provide ample long-term as well as short-term funding alternatives.

- INTEREST RATE SENSITIVITY

In conjunction with maintaining a satisfactory level of liquidity, management monitors the degree of interest rate risk assumed on the balance sheet. Illini monitors its interest rate risk by the use of static and dynamic gap models at the one-year interval. The static gap model monitors the difference in interest rate sensitive assets and interest rate sensitive liabilities that mature within the specified time frame as a percentage of total interest earning assets. The dynamic gap model goes further in that it assumes that interest rate sensitive assets and liabilities will be reinvested. Illini uses a computerized model to monitor its interest rate risk.

The Bank's static interest rate gap position as of December 31, 1998 is presented below.

<TABLE>
<CAPTION>

<S>	<C> UP TO 3 MONTHS	<C> 4 TO 12 MONTHS	<C> TOTAL 1 YEAR	<C> OVER 1 YEAR	<C> TOTAL
	INTEREST RATE SENSITIVITY ANALYSIS (dollars in thousands)				
Interest-earning assets:					
Loans	$ 16,846	10,629	27,475	59,699	87,174
Debt and marketable equity securities	4,151	5,286	9,437	43,839	53,276
Federal funds sold	6,675	---	6,675	---	6,675
Total interest-earning assets	$ 27,672	15,915	43,587	103,538	147,125
Interest-bearing liabilities:					
Savings, NOW, and money market	$ 27,990	---	27,990	27,989	55,979
Time deposits	18,355	29,826	48,181	12,609	60,790
Federal funds purchased and securities sold under agreements to repurchase	290	---	290	---	290
Total interest-bearing liabilities	$ 46,635	29,826	76,461	40,598	117,059
Gap by period	$ (18,963)	(13,911)	(32,874)	62,940	30,066
Cumulative gap	$ (18,963)	(32,874)	(32,874)	30,066	30,066
Cumulative gap as a percent of earning assets	-12.88%	-22.33%	-22.33%	20.44%	20.44%

</TABLE>

In June of 1998, Illini engaged consultants to assist in Asset/Liability management efforts. Management believes that periodic reviews will enable Illini to proactively react to financial conditions in our market place. An ALM policy is currently being reviewed for implementation and will assist management in maximizing our yields while accepting appropriate risk levels. There can be no assurance, however, that such steps will have the desired result.

- QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Derivative financial instruments include futures, forwards, interest rate swaps, option contracts, and other financial instruments with similar characteristics. The Bank currently does not enter into futures, forwards, swaps, or options. However, the Bank is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates and require collateral from the borrower if deemed necessary by the Bank. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party up to a stipulated amount and within specified terms and conditions.

Commitments to extend credit and standby letters of credit are not recorded as an asset or liability by the Bank until and unless the instrument is exercised.

The Bank's exposure to market risk is reviewed by the Asset/Liability

Committee. Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair market values. The objective is to measure the effect on net interest income and to adjust the balance sheet to minimize the inherent risk while at the same time maximize income. Management realizes certain risks are inherent, such as the uncertainty of market interest rates, and that its goal is to identify and minimize the risks. The primary tool management uses to monitor and manage interest rate risk is a static gap report. The Bank has no market risk sensitive instruments held for trading purposes.

The condensed gap report summarizing the Bank's interest rate sensitivity is as follows:

<TABLE>
<CAPTION>

	MARKET RISK SENSITIVE INSTRUMENTS				
	1 YEAR	OVER 1 YEAR THROUGH 3 YEARS	OVER 3 YEARS THROUGH 5 YEARS	OVER 5 YEARS	TOTAL
			(dollars in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Assets:					
Debt and marketable equity securities	$ 9,437	7,168	11,010	25,661	53,276
Loans	27,475	41,664	13,306	4,729	87,174
Federal funds sold	6,675	---	---	---	6,675
	$ 43,587	48,832	24,316	30,390	147,125
Liabilities:					
Savings, NOW and money market (1)	$ 27,990	27,989	---	---	55,979
Time deposits	48,181	12,373	236	---	60,790
Federal funds purchased and securities sold under agreements to repurchase	290	---	---	---	290
	$ 76,461	40,362	236	---	117,059

</TABLE>

<TABLE>
<CAPTION>

	TOTAL	AVERAGE INTEREST RATE	FAIR VALUE
<S>	<C>	<C>	<C>
Assets:			
Debt and marketable equity securities (2)	$ 53,276	6.28 %	$ 53,276
Loans (2)	87,174	9.24	85,921
Federal funds sold	6,675	5.08	6,675
Liabilities:			
Savings, NOW and money market	$ 55,979	3.21 %	$ 55,979
Time deposits	60,790	5.53	61,197
Federal funds purchased and securities sold under agreements to repurchase	290	5.38	290

</TABLE>

(1) Management's experience with interest bearing checking accounts, money market and savings deposits has been that, although these deposits are subject to immediate withdrawal or repricing, a portion of the balances has remained relatively constant in periods of both rising and falling rates. Therefore, a portion of these deposits is included in the over 1 year through 3 years.

(2) Interest rates are presented on a fully taxable equivalent basis.

- CAPITAL RESOURCES

Total shareholders' equity increased from $15.0 million at December 31, 1997 to $15.4 million at December 31, 1998. The primary source of capital of Illini is retained earnings. Cash dividends per share were $1.00 for 1998 and $1.00 for 1997. Illini retained 28.9% of its earnings for 1998 and 31.1% for 1997.

Regulatory guidelines require bank holding companies, commercial banks, and thrifts to maintain certain minimum ratios and define companies as "well capitalized" that sufficiently exceed the minimum ratios. The banking regulators may alter minimum capital requirements as a result of revising their internal policies and their ratings of individual institutions. To be "well capitalized," banks must maintain a Tier 1 leverage ratio of no less than 5.0%, a Tier 1 risk based ratio of no less than 6.0%, and a total risk based ratio of no less than 10.0%. The Bank's ratios as of December 31, 1998 were 9.35%, 14.19%, and 15.52%, respectively, which meet the criteria for "well capitalized." The Corporation's ratios as of December 31,

1998 were 9.57%, 14.53%, and 15.87%, respectively.

As of December 31, 1998, management is not aware of any current recommendations by banking regulatory authorities which, if they were to be implemented, would have, or are reasonably likely to have, a material adverse impact on the Corporation's liquidity, capital resources, or operations.

RESULTS OF OPERATIONS

<TABLE>
<CAPTION>

KEY RATIOS
FOR THE YEARS ENDED DECEMBER 31,

<S>	1998 <C>	1997 <C>	1996 <C>	1995 <C>	1994 <C>
Return on average assets	0.41 %	0.44 %	0.31 %	0.89 %	0.86 %
Return on average equity	4.19	4.44	3.25	10.08	10.77
Dividend payout ratio	71.15	69.00	91.17	29.29	26.23
Average equity to assets ratio	9.77	9.98	9.58	8.87	7.94

</TABLE>

- NET INTEREST INCOME

Net interest income is the principal component of Illini's net income stream and represents the difference between interest and fee income generated from earning assets and interest expense paid on deposits and borrowed funds. Fluctuations in interest rates as well as volume and mix changes in earning assets and interest bearing liabilities can materially impact net interest income. The discussion of net interest income is presented on a taxable equivalent basis to facilitate performance comparisons among various taxable and tax-exempt assets.

Interest income decreased marginally and interest expense increased $0.4 million from 1997 to 1998, resulting in a decline in net interest income. Constricting interest margins plagued the banking community as a whole and Illini was no exception. Our net interest margin fell from a three year high of 4.96% in 1997 to 4.34% in 1998. The decline in interest income was primarily the result of a decrease of $3.5 million in average loans from 1997 to 1998. The average yield earned on loans also decreased 18 basis points over the same period. The slow loan growth resulted in a $5.9 million increase in our total securities average balance. The securities portfolio has an average yield of 6.28% while our loan portfolio has an average yield of 9.24%. Management plans to maintain our existing level of securities and utilize our funding sources to fuel future loan growth.

The $0.4 million increase in interest expense was primarily the result of a significant growth in the NOW and money market accounts. Our average interest bearing liabilities grew $5.5 million while experiencing only a 13 basis point increase to our cost of funds. Management believes our demonstrated ability to raise low cost funds together with our redesigned lending environment will provide an excellent opportunity to increase net interest income performance in 1999.

NET INTEREST INCOME - RATE/VOLUME VARIANCE ANALYSIS

<TABLE>
<CAPTION>

	1998-97			1997-96		
	Changes in Income/expense	Volume Effect	Rate Effect	Changes in Income/expense	Volume Effect	Rate Effect
			(dollars in thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Short-term investments	$ 175	$ 191	$ (16)	$ 126	$ 132	$ (6)
Investment securities:						
Taxable	376	625	(249)	454	306	148
Nontaxable	(252)	(259)	7	(171)	(208)	37
Loans	(479)	(341)	(138)	(652)	(779)	127
Total interest income	(180)	216	(396)	(243)	(549)	306
Savings and NOW accounts	446	214	232	22	(48)	70
Time deposits	54	6	48	(167)	(111)	(56)
Short-term borrowings	(108)	(107)	(1)	(14)	(15)	1
Long-term borrowings	0	0	0	0	0	0
Total interest expense	392	113	279	(159)	(174)	15
Net interest income	$ (572)	$ 103	$ (675)	$ (84)	$ (375)	$ 291

</TABLE>

(*) Fully taxable equivalent basis
NOTE: The change in interest which can not be attributed to only a change in volume or a change in rate, but instead represents a combination of the two factors, has been allocated to the rate effect.

CONSOLIDATED AVERAGE BALANCES, INTEREST INCOME/EXPENSE AND YIELD/RATES
<TABLE>
<CAPTION>

	Year ended December 31,							
	1998				1997			
	AVERAGE BALANCE	PERCENT OF TOTAL ASSETS	INTEREST INCOME/ EXPENSE	AVERAGE YIELD/ RATE	Average Balance	Percent of Total Assets	Interest Income/ Expense	Average Yield/ Rate
	(dollars in thousands)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS								
Interest-earning assets:								
Short-term investments	$ 6,662	4.3%	$ 338	5.08%	$ 3,067	2.1%	$ 163	5.32%
Investment securities (3)								
Taxable	41,563	27.1	2,514	6.05	32,161	21.9	2,138	6.65
Tax-exempt (1)	7,873	5.1	591	7.51	11,357	7.8	843	7.43
Total securities	49,436	32.2	3,105	6.28	43,518	29.7	2,981	6.85
Loans								
Commercial (1)	10,668	6.9	990	9.28	15,089	10.3	1,466	9.72
Agriculture	7,363	4.8	664	9.02	5,716	3.9	526	9.20
Real estate								
Commercial	30,959	20.2	2,803	9.05	24,554	16.7	2,251	9.17
Agriculture	2,718	1.8	245	9.02	2,370	1.6	217	9.14
Residential	20,846	13.6	1,888	9.06	24,680	16.8	2,267	9.19
Consumer, net	10,797	7.0	1,060	9.82	14,439	9.9	1,404	9.73
Credit card	630	0.4	108	17.13	637	0.4	106	16.60
Total loans	83,981	54.7	7,758	9.24	87,485	59.6	8,237	9.42
Allowance for loan losses	(1,331)	(0.9)			(1,246)	(0.8)		
Net loans (1) (2)	82,650	53.8	7,758	9.39	86,239	58.8	8,237	9.55
Total interest earning assets	138,748	90.3	11,201	8.07	132,824	90.6	11,381	8.57
Cash and due from banks	4,224	2.8			4,570	3.1		
Premises and equipment	7,695	5.0			6,512	4.4		
Other real estate owned	654	0.4			583	0.4		
Other assets (3)	2,356	1.5			2,183	1.5		
TOTAL ASSETS	$ 153,677	100.0%			$ 146,672	100.0%		
LIABILITIES								
Deposits:								
Non interest bearing deposits	$ 21,103	13.7%			$ 20,246	13.8%		
Interest bearing demand	35,319	23.0	$ 1,274	3.61%	27,311	18.6	$ 798	2.92 %
Savings	17,474	11.4	421	2.41	18,287	12.5	451	2.47
Time deposits less than $100,000	46,753	30.4	2,584	5.53	46,206	31.5	2,479	5.36
Total core deposits	120,649	78.5	4,279	3.55	112,050	76.4	3,728	3.33
Time deposits $100,000 and over	15,923	10.4	885	5.56	16,327	11.1	936	5.74
Total deposits	136,572	88.9	5,164	3.78	128,377	87.5	4,664	3.63
Short-term borrowings	292	0.2	16	5.38	2,103	1.4	124	5.89
Total interest bearing liabilities	115,761	75.4	5,180	4.47	110,234	75.1	4,788	4.34
Other liabilities	1,792	1.1			1,556	1.1		
Total liabilities	138,656	90.2			132,036	90.0		
Shareholders' Equity	15,021	9.8			14,636	10.0		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$153,677	100.0%			$146,672	100.0%		

NET INTEREST MARGIN	$ 6,021	4.34%	$6,593	4.96%

</TABLE>

(1) Income amounts are presented on a fully taxable equivalent basis (FTE), which is defined as income on earning assets that is subject to either a reduced rate or zero rate of income tax, adjusted to give effect to the appropriate incremental federal income tax rate and adjusted for non-deductible carrying costs, where applicable. Where appropriate, yield calculations include these adjustments. The federal statutory rate was 34% for all years presented.

(2) Nonaccrual loans are included in the loan balances. Interest income includes related fee income of $246,000 in 1998 and $242,000 in 1997.

(3) Average securities balances are based on amortized historical cost, excluding SFAS 115 adjustments to fair value, which are included in other assets.

CONSOLIDATED AVERAGE BALANCES, INTEREST INCOME/EXPENSE AND YIELD/RATES
<TABLE>
<CAPTION>

	Year ended December 31, 1996			
	Average Balance	Percent of Total Assets	Interest Income/ Expense	Average Yield/ Rate
	(dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
ASSETS				
Interest-earning assets:				
Short-term investments	$ 679	0.5 %	$ 37	5.52 %
Investment securities (3)				
Taxable	27,217	18.2	1,684	6.19
Tax-exempt (1)	14,282	9.6	1,014	7.10
Total securities	41,499	27.8	2,698	6.50
Loans				
Commercial (1)	13,885	9.3	1,224	8.81
Agriculture	5,510	3.7	465	8.45
Real estate				
Commercial	28,586	19.2	2,650	9.27
Agriculture	2,567	1.7	235	9.14
Residential	26,877	18.0	2,503	9.31
Consumer, net	17,792	11.9	1,717	9.65
Credit card	634	0.4	95	15.00
Total loans	95,851	64.2	8,889	9.27
Allowance for loan losses	(1,162)	(0.8)		
Net loans (1) (2)	94,689	63.4	8,889	9.39
Total interest earning assets	136,867	91.7	11,624	8.49
Cash and due from banks	4,856	3.2		
Premises and equipment	4,983	3.3		
Other real estate owned	573	0.4		
Other assets (3)	2,151	1.4		
TOTAL ASSETS	$ 149,430	100.0 %		
LIABILITIES				
Deposits:				

Non interest bearing deposits	$ 18,965	12.7 %		
Interest bearing demand	27,678	18.5	$ 734	2.65 %
Savings	19,802	13.3	493	2.49
Time deposits less than $100,000	48,919	32.7	2,700	5.52
Total core deposits	115,364	77.2	3,927	3.40
Time deposits $100,000 and over	15,628	10.5	882	5.65
Total deposits	130,992	87.7	4,809	3.67
Short-term borrowings	2,454	1.6	138	5.61
Total interest bearing liabilities	114,481	76.6	4,947	4.32
Other liabilities	1,664	1.1		
Total liabilities	135,110	90.4		
Shareholders' Equity	14,320	9.6		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 149,430	100.0 %		
NET INTEREST MARGIN			$ 6,677	4.88 %

</TABLE>

(1) Income amounts are presented on a fully taxable equivalent basis (FTE), which is defined as income on earning assets that is subject to either a reduced rate or zero rate of income tax, adjusted to give effect to the appropriate incremental federal income tax rate and adjusted for non-deductible carrying costs, where applicable. Where appropriate, yield calculations include these adjustments. The federal statutory rate was 34% for all years presented.

(2) Nonaccrual loans are included in the loan balances. Interest income includes related fee income of $244,000 in 1996.

(3) Average securities balances are based on amortized historical cost, excluding SFAS 115 adjustments to fair value, which are included in other assets.

- PROVISION FOR LOAN LOSSES, NET CHARGE-OFFS AND ALLOWANCE FOR LOAN LOSSES

The provision for loan losses charged to earnings was $0.2 million for 1998, a decrease of $0.1 million or 32.0% from the $0.3 million in 1997. During 1996, the provision for loan losses was $1.1 million. The ratio of net charge-offs to average loans outstanding has improved from 1.17% to 0.29% to 0.16% for the years ended December 31, 1996, 1997 and 1998, respectively. Provision expense decreased in 1998. While nonaccrual loans increased to $1,029,000 at December 31, 1998 compared to $636,000 at December 31, 1997, net loan losses and other asset quality indicators reflected continued improvement in the overall quality of the loan portfolio. The large provision expense in 1996 had a significant effect on Illini's net income. Management detected deficiencies in asset quality and credit processes in late 1995 and took steps to improve asset quality. Initiatives including a new loan policy, centralization of commercial loan underwriting, and a more proactive approach to identifying and resolving problem loans were undertaken in late 1996 and have resulted in improved loan loss experience and lower provision expense.

The management of Illini considers a number of factors in determining the amount of the allowance for loan losses. These factors include, but are not limited to, the following:

- Historical data and trends relating to net charge-offs, average loans, and the level of the allowance for loan losses;
- Other historical data and trends, including the allowance as a percentage of total loans outstanding and loan volume;
- Borrowers identified on the Bank's watch list, borrowers with significant credit exposure, and loans that are past due or on nonaccrual status;

- The capability of management's credit risk management processes to successfully underwrite credit and identify and resolve problem loans on an ongoing basis;
- Results of continuing reviews of individual higher risk loans by management personnel; and
- Consideration as to the impact of present economic conditions on the loan portfolio.

The allowance for loan losses as a percent of total loans increased from 1.51% at December 31, 1997 to 1.57% at December 31, 1998. The allowance as a percent of nonperforming loans decreased from 204.72% at December 31, 1997 to 132.95% at December 31, 1998 due to an increase in nonperforming loans. This percentage has been adversely affected by several individual loans that have large balances that have been in nonaccrual status since June 1998, and are in a collection status. The overall quality of loans has still improved overall. After full consideration of these factors, with particular emphasis on review of potential problem loans identified by management, Illini's management concluded the allowance for loan losses was adequate as of December 31, 1998.

- SUMMARY OF LOAN LOSS EXPERIENCE

The following summary presents the changes in the allowance for loan losses for the years ended December 31, 1998, 1997, and 1996:

<TABLE>
<CAPTION>

	1998	1997	1996
		(dollars in thousands)	
Average loans outstanding	$ 83,981	$ 87,485	$ 95,851
Allowance for loan losses:			
Balance at beginning of year	$ 1,302	$ 1,258	$ 1,247
Loans charged-off:			
Commercial, financial, and agricultural	(54)	(48)	(736)
Real estate	(9)	(136)	(163)
Consumer	(152)	(180)	(290)
Total	(215)	(364)	(1,189)
Recoveries of loans previously charged-off:			
Commercial, financial, and agricultural	13	61	37
Real estate	31	8	11
Consumer	33	39	22
Total	77	108	70
Net charge-offs	(138)	(256)	(1,119)
Provision charged to expense	204	300	1,130
Balance at end of year	$ 1,368	$ 1,302	$ 1,258
Ratio of net charge-offs to average loans outstanding during the period	0.16 %	0.29 %	1.17 %

</TABLE>

In 1998, as illustrated in the preceding chart, loan losses decreased significantly in all areas except commercial, financial, and agricultural, which has a slight increase. Real estate loans ended the year with net recoveries. This decrease reflects improvement in the overall quality of the loan portfolio resulting from decisive action Illini's management has taken to improve credit quality over the last two years.

Efforts continue to maintain this improved quality, and to enhance credit quality processes and controls.

- ALLOWANCE ALLOCATION

The risk of losses inherent in the loan portfolio is not precisely attributable to a particular loan or category of loans. However, based on its review for adequacy, management has estimated those portions of the allowance that could be attributable to major categories of loans as follows:

<TABLE>
<CAPTION>

	1998		1997	
	AMOUNT	% OF TOTAL LOANS, NET OF UED	Amount	% of Total Loans, net of UED
		(dollars in thousands)		
<S>	<C>	<C>	<C>	<C>
Commercial, financial, and agriculture	$ 430	23.58 %	$ 124	19.20 %
Real estate	203	65.32	323	65.94
Consumer	346	11.10	421	14.86
Unallocated	389	------	434	------
Total allowance for loan losses	$ 1,368	100.00 %	$ 1,302	100.00 %

</TABLE>

These allocation estimates do not specifically represent that loan charge-offs of that magnitude will be incurred, nor do these allocations restrict future loan losses attributable to a particular category from being absorbed by the allowance attributable to other categories or the unallocated portion of the allowance. The risk factors considered when estimating the allocations for major loan categories are the same as the factors considered when determining the adequacy of the overall allowance as specified in the allowance summary.

The large increase in the commercial, financial, and agriculture category is a result of several agricultural loans downgraded during the quarter. The decrease in the real estate category is due mainly to improved real estate loan performance during the last two years.

- NONPERFORMING ASSETS

Nonperforming assets consist of nonaccrual loans, loans with restructured terms and other real estate owned. Loans are generally classified as nonaccrual when there are reasonable doubts as to the collectibility of principal and interest or when payment becomes 90 days past due, except loans which are well secured and in the process of collection. Interest collection on nonaccrual loans for which the ultimate collectibility of principal is uncertain is applied as principal reduction. Otherwise, such collections are applied to interest when received. The following table presents information concerning the aggregate amount of nonperforming assets and loans 90 days or more past due but still accruing interest.

	December 31, 1998	December 31, 1997
	(dollars in thousands)	
Nonaccrual	$ 1,029	$ 636
Renegotiated	0	0
Other real estate owned	366	551
Nonperforming assets	$ 1,395	$ 1,187
Accruing loans past due 90 days	$ 0	$ 0
Nonperforming loans to total loans	1.18 %	0.74 %
Nonperforming assets to total assets	0.87 %	0.77 %
Accruing loans past due 90 days to total loans	0.00 %	0.00 %

Nonperforming assets totaled $1,395,000 as of year-end 1998, an increase of $208,000 or 17.5% from the $1,187,000 at year-end 1997. Total nonperforming assets represent 0.87% of total assets at December

31, 1998, compared to 0.77% at December 31, 1997.

Nonperforming loans increased $393,000 or 61.8% to a total of $1,029,000 at year-end 1998. This is largely the result of three large loans totaling $378,000 that are currently in the process of collection. At the current time, Illini Bank feels that collection of these three loans should not result in any loss. As of December 31, 1998, nonperforming loans to total loans were 1.18% compared to 0.74 % at year-end 1997. Illini Bank did not carry any loans past due more than 90 days and still accruing interest as of December 31, 1998 and 1997. Individual nonaccrual loans are written down to management's estimate of the net realizable value of collateral and/or realistic estimates of other payments from the borrower. Additionally, specific allocations to the allowance for loan losses are made on loans where there may be uncertainties as to the collection of the estimated value of collateral. Because these loans have been written down and/or allocated for, the potential impact on future net income is minimized. Additional interest income of $61,000 in 1998 and $35,000 in 1997 would have been recognized had these nonaccrual loans remained current.

Other real estate owned declined $185,000 or 33.6% to $366,000 at December 31, 1998, when compared to year-end 1997. One former bank property which the Bank has entered into an option agreement to sell in 1998 comprised $298,000 or 81.4% of the total Other Real Estate Owned. In September 1998, the option to buy was extended for an additional six month period. The Bank now expects to complete this sale in 1999. The remaining $68,000 or 18.6% represents real estate acquired in satisfaction of debts. Other Real Estate Owned is carried at the lower of cost or fair value. Management is actively marketing these properties to minimize the potential affects of market fluctuations and so that proceeds can be deployed to earning assets as soon as possible.

As previously discussed, management has taken steps to improve credit quality. In addition to the specific actions discussed in the PROVISION FOR LOAN

LOSSES, NET CHARGE-OFFS AND ALLOWANCE FOR LOAN LOSSES section, in late 1996, executive management empowered the credit administration function (developed in 1995) to monitor and enforce loan policy compliance, to proactively identify and resolve problem loans, and to perform detailed credit analyses on all significant loan relationships. These efforts have improved the Bank's ability to identify problem and potential problem loans, and has allowed management opportunities to resolve problem loans while minimizing the potential loss to the Bank.

- POTENTIAL PROBLEM LOANS

As of December 31, 1998, approximately $300,000 of loans not included in the above table were identified by management as having potential weaknesses which, if not corrected, could affect the borrower's ability to comply with the current loan repayment terms. This amount represents one loan that is currently being handled by legal counsel. However, if weaknesses are not promptly addressed, management believes that this loan may result in disclosure at some future time as nonaccrual, past due or restructured. All significant potential problem loans are analyzed on a periodic basis to ensure that adequate reserves have been allocated to the allowance for loan losses to cover management's estimate of the inherent loss.

- NONINTEREST INCOME

The following table depicts the amount of and annual changes in noninterest income categories:

<TABLE>
<CAPTION>

	Year Ended December 31,			Percent Change	
	1998	1997	1996	1998/1997	1997/1996
	(dollars in thousands)				
Service charges on deposit accounts	$ 1,065	$ 1,054	$ 981	1.0 %	7.4 %
Other fee income	172	162	216	6.2	(25.0)
Mortgage loan servicing fees	264	198	183	33.3	8.2
Gain on sale of mortgage loans	216	105	64	105.7	64.1
Securities gains (losses), net	8	50	1	(84.0)	4,900.0
Gains (losses) on sale of other real estate	460	(105)	(24)	(538.1)	337.5
Other	90	54	144	66.7	(62.5)
	$ 2,275	$ 1,518	$1,565	49.9	(3.0)

</TABLE>

Total noninterest income increased $0.7 million from 1997 to 1998.

Service charges on deposit accounts and other fee income remained relatively steady in 1998 as compared to 1997 and 1996. Illini realized a net gain of $50,000 in 1997 due to securities sold to shorten the duration of its securities portfolio. Gains realized in 1998 were $8,000.

Due to declining long term rates on mortgage loans, and effective marketing strategies, Illini experienced a significant increase in mortgage loan originations in 1998. This, in turn, led to an increase in the gain of sale of mortgage loans to the secondary market and, to a lesser extent, increased servicing income.

Illini completed strategic planning in January 1998 that, among other subjects, covered the changing nature of the retail delivery systems of financial institutions. During this planning, management identified potentially significant opportunities for expense reductions in staffing and occupancy achievable through more efficient use of retail bank space. As a consequence, Illini completed two real estate transactions during 1998 resulting in substantial gains. A 22,000 square foot property the Company owned in

Springfield was sold for $1,350,000 and a lot in Bloomington being held for future expansion was sold for $556,000, resulting in a combined gain of $482,000. The transaction for the sale of the property in Springfield is a sale-leaseback arrangement. The carrying value of the property was $634,000 and the Bank recognized $460,000 as a gain in 1998 and deferred $256,000 to be recognized over the 10 year life of the lease.

- NONINTEREST EXPENSE

The following table depicts the amount of and annual changes in noninterest expense categories:

<TABLE>
<CAPTION>

	Year Ended December 31,			Percent Change	
	1998	1997	1996	1998/1997	1997/1996
			(dollars in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Salaries and employee benefits	$ 3,218	$ 3,246	$ 3,281	(0.9) %	(1.1)%
Net occupancy expense	692	666	540	3.9	23.3
Equipment expense	353	300	306	17.7	(2.0)
Data processing	708	614	559	15.3	9.8
Supplies	200	131	143	52.7	(8.4)
Communication and transportation	396	347	298	14.1	16.4
Marketing and advertising	19	253	238	(92.5)	6.3
Correspondent and processing fees	144	132	127	9.1	3.9
Loan and other real estate owned expenses	52	58	27	(10.3)	114.8
Professional fees	875	573	348	52.7	64.7
Directors' and regulatory fees	192	163	156	17.8	4.5
Other	328	341	301	(3.8)	13.3
Total noninterest expense	$ 7,177	$ 6,824	$ 6,324	5.2	7.9

</TABLE>

Total noninterest expense increased $0.2 million or 3.6% to $7.2 million in 1998 as compared to $6.9 million in 1997. The non-interest expense of Illini Bank is customarily comprised of four major components. First, salaries and benefits represents the largest portion of our noninterest expense from year to year. In 1998, we reduced our staffing level from 97 full time equivalents to 72. While this represents a significant reduction in staff, the expense was fairly constant from 1997 to 1998. While the reductions occurred in 1998, we were obligated to pay severance packages and partial benefits to the employees that decided to terminate their employment. As a result of the reengineered staffing levels, management implemented a new salary structure for our remaining staff. Second, our occupancy expense continues to grow. Management is closely monitoring our net occupancy expense for ways to reduce costs. In 1998, we sold one of our locations in Springfield and leased back the necessary space for our branch operations. Similar alternatives will be explored in 1999 for possible space reductions where feasible. Third, equipment and data processing costs increased 18% and 15%, respectively, from 1997 to 1998. Technology continues to be a primary investment for Illini Bank. We believe by utilizing the latest technology, we can provide better customer service. Lastly, professional fees increased $302,000 to $875,000 in 1998. This increase resulted from a large increase in fees paid to outside consultants and attorneys to assist management in strategic planning and shareholder related activities. The strategic plan began to take shape in 1998 by reducing staff levels and evaluating our current team of associates. While management does not expect the reduction in personnel to translate into savings on the income statement, we believe our actions will position us to take advantage of our investment in technology and gain efficiencies from current staffing levels. As a component of our strategic initiative to redesign our operations, marketing expense was virtually eliminated in 1998. Management expects an increase in marketing in 1999 to promote our reengineering and our movement to a sales and service environment focusing on customer relationships.

- YEAR 2000 ISSUES

Illini Bank is committed to taking the necessary steps to enable both new and existing systems, applications, and equipment to effectively process transactions up to and beyond the Year 2000. To that end, Illini Bank is well underway with its Year 2000 readiness program, having incurred $118,000 in expenses for the year ended December 31, 1998. Because of such ongoing readiness efforts, Year 2000 processing issues and risks are not expected to have a material adverse impact on the ability of Illini Bank to continue its general business operations.

Currently, Illini Bank is actively engaged in completing the following Year 2000 program initiatives:

o Complete a comprehensive analysis of current functions which might be impacted by Year 2000 issues, and document the results in a Year 2000 Assessment report.
o Develop and implement a detailed plan to address Year 2000 issues as identified, particularly as they pertain to software and hardware applications.
o Survey outside vendors to determine the degree of preparedness for the Year 2000, to uncover potential issues arising from such business counterparties.
o Raise organizational awareness not only with top management, but also at the staff level, and involve relevant business group leaders in reaching solutions.

The risk of failures of computer applications, systems and networks due to improper Year 2000 data processing are substantial, not only for users of information technologies, but also for any entities and individuals which interact with them. Moreover, when aggregated multiple individual malfunctions and failures relating to Year 2000 issues occur, they can potentially cause broader, systemic disruptions across industries and economies. The risks arising from Year 2000 issues which face many companies, including Illini Bank, include the potential diminished ability to respond to the needs and expectations of customers in a timely manner, and the potential for inaccurate processing of information. In recognition of this, Illini Bank began focusing on mission critical applications in order that programming changes are largely completed, and that testing was underway as of December 31, 1998.

In addition, Illini Bank has begun developing contingency plans to complement the Year 2000 readiness efforts already in progress, including backup and offsite processing of certain information and functions. Illini Bank anticipates that such contingency plans will provide an additional level of security to its Year 2000 efforts already underway.

The foregoing discussion of Year 2000 issues is based on current estimates of the management of Illini Bank as to the amount of time and costs necessary to remediate and test our systems. Such estimates are based on the facts and circumstances existing at this time, and were derived utilizing multiple assumptions of future events, including, but not limited to, the continued availability of certain resources, third-party modification plans and implementation success, and other factors. However, there can be no guarantee that these estimates will be achieved, and actual costs and results could differ materially from the costs and results currently anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer code, the impact of third party systems interacting with Illini Bank systems, the planning and modification success attained by the business counterparties of Illini Bank and similar uncertainties.

- NEW ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards (SFAS) 130, REPORTING COMPREHENSIVE INCOME, was issued in June 1997. Comprehensive income is defined as net income plus certain items that are recorded directly to shareholders' equity, such as unrealized gains and losses on available for sale securities.

Components of Illini's comprehensive income is reported in the consolidated statements of changes in shareholders' equity. SFAS 130's disclosure requirements have no impact on Illini's financial condition or results of operations.

SFAS 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION, is effective for financial statements for periods beginning after December 15, 1997, but interim period reporting is not required in 1998. An operating segment is defined under SFAS 131 as a component of an enterprise that engages in business activities that generate revenue and expense for which operating results are reviewed

by the chief operating decision maker in the determination of resource allocation and performance. Illini operates as a single business segment through its subsidiary Illini Bank.

During 1998, the Financial Accounting Standards Board (FASB) issued SFAS 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. This statement should not be applied retroactively to financial statements of prior periods. This statement requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Illini is currently evaluating the impact of SFAS 133 on future financial statements and related disclosures.

During 1998, the FASB issued SFAS 134, ACCOUNTING FOR MORTGAGE-BACKED SECURITIES RETAINED AFTER THE SECURITIZATION OF MORTGAGE LOANS HELD FOR SALE BY A MORTGAGE BANKING ENTERPRISE. SFAS 134 is effective for the first fiscal quarter beginning after December 15, 1998. On the date the statement is initially applied, an enterprise may reclassify mortgage-backed securities and other beneficial interest retained after the securitization of mortgage loans held for sale from the trading category, except for those with sales commitments in place. Transfers from the trading category that result from implementing this statement shall be accounted for in accordance with paragraph 15(a) of SFAS 115. Illini is currently evaluating the impact of SFAS 134 on future financial statements and disclosures, but does not currently believe such impact will be material as Illini Bank has historically not securitized originated mortgage loans.

- EFFECTS OF INFLATION

The effects of inflation on financial institutions are different from the effects on other commercial enterprises since financial institutions make few significant capital or inventory expenditures which are directly affected by changing prices. Because bank assets and liabilities are virtually all monetary in nature, inflation does not affect a financial institution as much as do changes in interest rates. The general level of inflation does, in fact, underlie the general level of most interest rates; however, interest rates do not increase at the rate of inflation as do the prices of goods and services. Rather, interest rates react more to the changes in the expected rate of inflation and to changes in monetary and fiscal policy.

Inflation, however, does have an impact on the growth of total assets in the banking industry, often resulting in a need to increase capital at higher than normal rates to maintain an appropriate capital-to-asset ratio.

ITEM 7. - FINANCIAL STATEMENTS

Index to Illini's Consolidated Financial Statements.
<TABLE>
<CAPTION>

[GRAPHIC OMITTED]

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Illini Corporation:

We have audited the consolidated balance sheets of Illini Corporation and subsidiary (the Company) as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Illini Corporation and subsidiary as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

St. Louis, Missouri
February 26, 1999 except
for Note 13 for which the
date is March 2, 1999

ILLINI CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

	1998	1997
	(dollars in thousands)	
ASSETS:		
<S>	<C>	<C>
Cash and due from banks	$ 5,624	$ 5,361
Interest-bearing deposits in other banks	19	77
Federal funds sold	6,675	6,755
Cash and cash equivalents	12,318	12,193
Debt and marketable equity securities available for sale, at fair value	53,276	46,834
Loans, net of allowance for loan losses	85,806	84,987
Premises and equipment	7,250	8,077
Accrued interest receivable	1,390	1,500
Other real estate owned	366	551
Other assets	359	772
	$160,765	$154,914
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Noninterest-bearing demand deposits	$ 26,190	$ 25,083
Interest-bearing deposits:		
NOW and money market accounts	38,877	30,596
Savings deposits	17,102	17,820
Time deposits, $100,000 and over	15,064	18,659
Other time deposits	45,726	45,418
Total deposits	142,959	137,576
Securities sold under agreements to repurchase	290	715
Accrued interest payable	827	784
Other liabilities	1,270	861
Total liabilities	145,346	139,936
Shareholders' equity:		
Common stock-authorized 800,000 shares of $10 par value; 448,456 shares issued and outstanding	4,485	4,485
Capital surplus	1,886	1,886
Retained earnings	8,632	8,450
Accumulated other comprehensive income	416	157
Total shareholders' equity	15,419	14,978
	$160,765	$154,914

</TABLE>

See accompanying notes to consolidated financial statements.

ILLINI CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

(dollars in thousands)	1998	1997	1996
Interest income:			
Interest and fees on loans	$ 7,727	$ 8,200	$ 8,871
Interest on debt and marketable equity securities:			
Taxable	2,514	2,137	1,685
Exempt from federal income taxes	408	582	700
Interest on short-term investments	338	163	36
Total interest income	10,987	11,082	11,292
Interest expense:			
Interest on deposits:			
NOW and money market accounts	1,274	798	734
Savings deposits	421	451	493
Time deposits, $100,000 and over	885	936	882
Other time deposits	2,584	2,479	2,700
Interest on borrowings	16	124	138
Total interest expense	5,180	4,788	4,947
Net interest income	5,807	6,294	6,345
Provision for loan losses	204	300	1,130
Net interest income after provision for loan losses	5,603	5,994	5,215
Noninterest income:			
Service charge on deposit accounts	1,065	1,054	981
Other fee income	172	162	216
Mortgage loan servicing fees	264	198	183
Gain on sale of mortgage loans	216	105	64
Securities gains	8	50	1
Gains (losses) on sale of other real estate owned	460	(105)	(24)
Other	90	54	144
Total noninterest income	2,275	1,518	1,565
Noninterest expense:			
Salaries and employee benefits	3,218	3,246	3,281
Net occupancy expense	692	666	540
Equipment expense	353	300	306
Data processing	708	614	559
Supplies	200	131	143
Communication and transportation	396	347	298
Marketing and advertising	19	253	238
Correspondent and processing fees	144	132	127
Loan and other real estate owned expenses	52	58	27
Professional fees	875	573	348
Directors' and regulatory fees	192	163	156
Other	328	341	301
Total noninterest expense	7,177	6,824	6,324
Income before income tax expense	701	688	456
Income tax expense (benefit)	71	38	(9)
Net income	$ 630	$ 650	$ 465

Basic earnings per share (based on weighted average common shares outstanding of 448,456 in 1998, 1997, and 1996)	$ 1.40	$ 1.45	$ 1.04

</TABLE>

See accompanying notes to consolidated financial statements.

ILLINI CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

<TABLE>
<CAPTION>

	COMMON STOCK	CAPITAL SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
	(dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1996	$ 4,485	$ 1,886	$ 8,209	$ 26	$ 14,606
Comprehensive income:					
Net income	--	--	465	--	465
Change in unrealized gains (losses) on securities available for sale, net	--	--	--	(132)	(132)
Total comprehensive income	--	--	--	--	333
Cash dividends paid $.95 per share	--	--	(426)	--	(426)
Balance at December 31, 1996	4,485	1,886	8,248	(106)	14,513
Comprehensive income:					
Net income	--	--	650	--	650
Change in unrealized gains (losses) on securities available for sale, net	--	--	--	263	263
Total comprehensive income	--	--	--	--	913
Cash dividends paid $1.00 per share	--	--	(448)	--	(448)
Balance at December 31, 1997	4,485	1,886	8,450	157	14,978
Comprehensive income:					
Net income	--	--	630	--	630
Change in unrealized gains (losses) on securities available for sale, net	--	--	--	259	259
Total comprehensive income	--	--	--	--	889
Cash dividends paid $1.00 per share	--	--	(448)	--	(448)
Balance at December 31, 1998	$ 4,485	$ 1,886	$ 8,632	$ 416	$ 15,419

</TABLE>

See accompanying notes to consolidated financial statements.

ILLINI CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

<TABLE>
<CAPTION>

<S>	1998	1997	1996
	(dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 630	$ 650	$ 465
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	978	738	543
Provision for loan losses	204	300	1,130
Securities gains, net	(8)	(50)	(1)
Gain on sale of premises and equipment	(1)	--	(108)
Deferred tax expense (benefit)	6	(78)	(1)
(Gains) losses on sale of other real estate owned	(460)	105	24
Decrease (increase) in accrued interest receivable	110	(6)	48
Increase (decrease) in accrued interest payable	43	91	(187)
Origination of secondary market mortgage loans	(44,152)	(18,740)	(17,629)
Proceeds from the sale of secondary market mortgage loans	44,299	18,446	17,255
Other, net	477	(474)	(609)
Net cash provided by operating activities	2,126	982	930
Cash flows from investing activities:			
Proceeds from sales of debt and marketable equity securities available for sale	2,028	20,530	13,064
Proceeds from maturities and paydowns of debt securities available for sale	16,109	12,764	10,037
Purchases of debt and marketable equity securities available for sale	(24,307)	(39,318)	(28,814)
Net (increase) decrease in loans, net	(1,272)	7,295	6,995
Purchases of premises and equipment	(1,136)	(3,346)	(1,287)
Proceeds from sale of premises and equipment	1	--	491
Proceeds from sales of other real estate	2,066	331	5
Net cash (used in) provided by investing activities	(6,511)	(1,744)	491
Cash flows from financing activities:			
Net increase in non-interest bearing deposit accounts	1,107	4,330	239
Net increase (decrease) in savings, NOW and money market accounts	7,563	5,141	(4,267)
Net (decrease) increase in time deposits $100,000 and over	(3,595)	3,738	171
Net increase (decrease) increase in other time deposits	308	(1,404)	(3,659)
Net (decrease) increase in federal funds purchased	--	(1,130)	1,130
Net (decrease) increase in securities sold under agreements to repurchase	(425)	215	(175)
Net (decrease) increase in other short-term borrowings	--	(3,000)	3,000
Cash dividends paid	(448)	(448)	(426)
Net cash provided by (used in) financing activities	4,510	7,442	(3,987)
Net increase (decrease) in cash and cash equivalents	125	6,680	(2,566)
Cash and cash equivalents at beginning of year	12,193	5,513	8,079
Cash and cash equivalents at end of year	$ 12,318	$ 12,193	$ 5,513

Supplemental information:

Interest paid	$ 5,137	$ 4,697	$ 5,134
Income taxes paid	77	112	145
Other non-cash investing activities:			
Transfer of premises to other real estate	$ 1,168	$ --	$ --
Transfer of loans to other real estate	102	154	260

See accompanying notes to consolidated financial statements.

</TABLE>

ILLINI CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 1998, 1997, and 1996

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Illini Corporation ("Illini") provides a full range of banking services to individual, corporate, and institutional customers through its 18 locations throughout central Illinois. Illini and its banking subsidiary, Illini Bank, are subject to competition from other financial and nonfinancial institutions providing financial products in central Illinois. Additionally, Illini and Illini Bank are subject to the regulations of certain federal and state agencies and undergo periodic examinations by those regulatory authorities.

The accounting and reporting policies of Illini conform to generally accepted accounting principles within the banking industry. The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, including the determination of the allowance for loan losses, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Following is a description of the more significant of these policies:

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Illini and Illini Bank after elimination of all significant intercompany accounts and transactions.

(b) CONSOLIDATED STATEMENTS OF CASH FLOWS

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and due from banks, interest-bearing deposits in other banks, and federal funds sold, all of which are considered to be highly liquid assets.

(c) DEBT AND MARKETABLE EQUITY SECURITIES

At the time of purchase, debt and equity securities are classified into one of two categories: held to maturity or available for sale.

Investments in debt securities classified as held to maturity whereby management has the positive ability and intent to hold to maturity are stated at cost, adjusted for amortization of premiums and accretion of discounts, using the interest method, over the period to maturity of the respective securities.

Investment securities designated as available for sale, which include any security which Illini has no immediate plan to sell but which may be sold in the near future under different circumstances, are stated at fair value. Amortization of premiums and accretion of discounts on securities available for sale are recorded using the interest method over the period to maturity of the respective security. Unrealized holding gains and losses for available for sale securities are excluded from earnings and reported as a net amount in a separate component of shareholders' equity until realized.

Mortgage-backed securities represent a significant portion of the debt security portfolio. Amortization of premiums and accretion of discounts on mortgage-backed securities are analyzed in relation to the corresponding prepayment rates, both historical and estimated, using a method which approximates the interest method.

Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized gains and losses associated with transfers of securities from held to maturity to available for sale are recorded as a separate component of shareholders' equity. The unrealized gains or losses included in the separate component of shareholders' equity for securities transferred from available for sale to held for maturity are maintained and amortized into earnings over the remaining life of the security as an adjustment to yield in a manner consistent with the amortization or accretion of premium or discount on the associated security. Realized gains and losses for securities are included in earnings using the specific identification method for determining the cost basis of securities sold.

(d) LOAN INCOME

Interest income on certain installment loans is recognized using the sum-of-the-years' digits method.

Interest on commercial, financial, agricultural, real estate, and all other installment loans is recognized based on the principal amounts outstanding using the simple-interest method. It is the policy of Illini to discontinue, generally when a loan becomes ninety days past due, the accrual of interest when full collectibility of principal or interest on any loan is in doubt. Subsequent interest payments received on such loans are applied to principal if there is any doubt as to the collectibility of such principal. Otherwise, these receipts are recorded as interest income. Accrual of interest may be resumed on a loan when performance is in accordance with the contract and the borrower demonstrates the ability to pay and remain current.

Loan origination fees and certain direct loan origination costs are deferred and recognized over the lives of the related loans as an adjustment of the loan yield using a method approximating the interest method on a loan-by-loan basis.

(e) ACCOUNTING FOR IMPAIRED LOANS

A loan is considered impaired when it is probable Illini will be unable to collect all amounts due, both principal and interest, according to the contractual terms of the loan agreement. When measuring impairment, the expected future cash flows of an impaired loan are discounted at the loan's effective interest rate. Alternatively, impairment is measured by reference to an observable market price, if one exists, or the fair value of the collateral for a collateral-dependent loan. Regardless of the measurement method used historically, Illini measures impairment based on the fair value of the collateral when foreclosure is probable. Additionally, impairment of a restructured loan is measured by discounting the total expected future cash flow at the loan's effective rate of interest as stated in the original loan agreement.

Illini uses its existing nonaccrual methods for recognizing interest on impaired loans.

(f) ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is increased by provisions charged to operations and is available to absorb loan losses. Illini utilizes a systematic, documented approach in determining the appropriate level of the allowance for loan losses. Management's approach, which provides for general and specific allowances, is based on current economic conditions, past loan losses, collection experience, risk characteristics of the portfolio, assessing collateral values by obtaining independent appraisals for significant properties, and such other factors which, in management's judgment, deserve recognition in estimating loan losses.

Management believes the allowance for loan losses is adequate to absorb losses in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of the examination process, periodically review Illini's allowance for loan losses. Such agencies may require Illini to increase the allowance for loan losses based on their judgment about and interpretation of information available to them at the time of their examinations.

(g) SECONDARY MORTGAGE MARKET OPERATIONS

Illini originates Federal National Mortgage Association (FNMA) mortgage loans for sale in the secondary market to FNMA. Mortgage loans held for sale are recorded at the lower of cost or market value on an individual loan basis. Deferred fees on loans held for sale are not amortized. Gains and losses on the sale of these loans and loan origination fees are recognized upon sale of the related loans and included in the consolidated statements of income as noninterest income. Additionally, loan administration fees, representing income earned from servicing these loans sold in the secondary market to FNMA, are calculated on the outstanding principal balances of the loans serviced and recorded as noninterest income as earned.

(h) PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using primarily the straight-line method. The estimated useful lives are 40 years for premises and 5 to 7 years for furniture and equipment. Costs for maintenance and repairs are expensed as incurred.

(i) INCOME TAXES

Illini and Illini Bank file a consolidated federal income tax return.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(j) INTANGIBLE ASSETS

The fair value of the individual assets acquired and liabilities assumed through acquisitions accounted for under the purchase method of accounting is recorded as an investment by Illini. The excess of cash or market value of Illini's common stock over the fair value of the net assets acquired is recorded as the excess of cost over fair value of net assets acquired and is included in other assets on the consolidated balance sheets. This amount is amortized on a straight-line basis over various periods not exceeding 25 years. The premiums paid to acquire the deposits of certain subsidiaries are being amortized over a 15-year period.

Illini assesses the recoverability of intangible assets by determining whether the amortization of the balance over its remaining life can be recovered through undiscounted future operation cash flows of the acquired operation or deposits. The amount of impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Illini's average cost of funds. The assessment of the recoverability of intangibles will be impacted if estimated future operating cash flows are not achieved.

(k) OTHER REAL ESTATE OWNED

Other real estate owned (OREO) represents property acquired through foreclosure or deeded to the Bank in lieu of foreclosure on loans on which the borrowers have defaulted. OREO also includes former bank premises that management no longer intends to use as banking facilities. OREO is recorded on an individual asset basis at the lower of fair value less estimated disposal costs or cost. If the fair value less estimated disposal costs is less than cost, the deficiency is recorded by a direct write down of the individual OREO asset. Any subsequent write downs to reflect current fair value are charged to noninterest expense.

(l) EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share gives effect to potential common stock such as stock options or convertible notes. Illini has no instruments which are dilutive.

(m) FINANCIAL INSTRUMENTS

Financial instruments are defined as cash, evidence of an ownership interest in an entity, or a contract that both imposes on one entity a contractual obligation to deliver cash or another financial instrument to a second entity or to exchange other financial instruments on potentially unfavorable terms with the second entity, and conveys to that second entity a contractual right to receive cash or another financial instrument from the first entity or to exchange other financial instruments on potentially favorable terms with the first entity.

(n) NEW ACCOUNTING PRONOUNCEMENTS

Illini adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), REPORTING COMPREHENSIVE INCOME, during 1998. SFAS 130 establishes standards for reporting and displaying comprehensive income and its components in a full set of general purpose financial statements. Illini reports comprehensive income in the consolidated statements of changes in shareholders' equity. The adoption of SFAS 130 did not have an effect on the financial position of Illini.

SFAS 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION, is effective for financial statements for periods beginning after December 15, 1997, but interim period reporting is not required in 1998. An operating segment is defined under SFAS 131 as a component of an enterprise that engages in business activities that generate revenue and expense for which operating results are reviewed by the chief operating decision maker in the determination of resource allocation and performance. Illini operates as a single business segment through its subsidiary Illini Bank.

(o) RECLASSIFICATIONS

Certain amounts in the 1996 and 1997 consolidated financial statements have been reclassified to conform to the 1998 presentation. Such reclassifications have no effect on previously reported consolidated net income or shareholders' equity.

(2) DEBT AND MARKETABLE EQUITY SECURITIES

The amortized cost and fair value of debt and marketable equity securities classified as available for sale at December 31, 1998 and 1997 are presented below.

<TABLE>
<CAPTION>

	DECEMBER 31, 1998			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
United States Treasury and United States agencies	$19,397	$ 204	$ 30	$19,571
Mortgage-backed securities	16,828	69	19	16,878
Collateralized mortgage obligations	8,487	25	32	8,480
Obligations of state and political subdivisions	7,448	446	--	7,894
FHLB stock and other equity securities	453	--	--	453

	$52,613	$ 744	$ 81	$53,276

</TABLE>

<TABLE>
<CAPTION>

DECEMBER 31, 1997

<S>	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
	(dollars in thousands)			
United States Treasury and United States agencies	$26,516	$ 121	$ 27	$26,610
Mortgage-backed securities	7,829	38	24	7,843
Collateralized mortgage obligations	2,565	3	2	2,566
Obligations of state and political subdivisions	9,231	174	35	9,370
FHLB stock and other equity securities	442	3	--	445
	$46,583	$ 339	$ 88	$46,834

</TABLE>

As a member of the Federal Home Loan Bank System administered by the Federal Housing Finance Board, Illini Bank is required to maintain an investment in the capital stock of the Federal Home Loan Bank of Chicago (FHLB) in an amount equal to the greater of 1% of the aggregate outstanding balance of loans secured by dwelling units at the beginning of each year or 0.3% of the total assets of Illini Bank. The stock is recorded at cost which represents redemption value, and is recalculated semi-annually. Illini Bank's portfolio of residential real estate loans, subject to minor adjustments, is available to secure advances from the FHLB. As of December 31, 1998, the Bank did not have any borrowings outstanding from the FHLB.

The amortized cost and fair value of debt and marketable equity securities classified as available for sale at December 31, 1998, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain issuers have the right to call or prepay obligations with or without call or prepayment penalties.

<TABLE>
<CAPTION>

<S>	AMORTIZED COST	FAIR VALUE
	(dollars in thousands)	
Due in one year or less	$ 2,204	$ 2,228
Due after one year through five years	13,464	13,670
Due after five years through ten years	8,693	8,882
Due after ten years	2,484	2,685
	26,845	27,465
Mortgage-backed securities	16,828	16,878
Collateralized mortgage obligations	8,487	8,480
FHLB stock and other equity securities, no stated maturity	453	453

	$52,613	$53,276

</TABLE>

Proceeds from sales of debt and marketable equity securities during 1998, 1997 and 1996 were $2.0 million, $20.5 million, and $13.0 million, respectively. Gross gains of $10,000, $109,000, and $51,000 and gross losses of $2,000, $59,000, and $50,000 for 1998, 1997, and 1996, respectively, were realized on those sales. All sales during 1998, 1997, and 1996 were from the available for sale category.

The market value of debt securities pledged to secure United States government and other public deposits, securities sold under agreements to repurchase, and for other purposes as required by law was approximately $16.7 million and $19.0 million at December 31, 1998 and 1997, respectively.

(3) LOANS

The loan portfolio at December 31, 1998 and 1997 is composed of the following loan types:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
	(dollars in thousands)	
Commercial, financial, and agricultural	$ 20,553	$ 16,565
Real estate:		
Construction	7,104	6,537
Mortgage loans held for investment	49,592	50,069
Mortgage loans held for sale	245	295
Consumer, net of unearned income	9,680	12,823
Total loans	87,174	86,289
Allowance for loan losses	(1,368)	(1,302)
Net loans	$ 85,806	$ 84,987

</TABLE>

Loans serviced for others totaled approximately $87.7 million and $71.7 million at December 31, 1998 and 1997, respectively.

Illini grants commercial, industrial, residential, and consumer loans to customers in central Illinois through its network of banking offices. Illini does not have any particular concentration of credit in any one economic sector; however, a majority of Illini's lending occurs in and around Springfield, Illinois, with a substantial portion of such loans secured by real estate. As such, Illini is susceptible to changes in the economic environment in the Springfield, Illinois area.

A summary of impaired loans, which includes nonaccrual loans, at December 31, 1998, 1997, and 1996 is as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
	(dollars in thousands)		

Nonaccrual loans	$1,029	$ 636	$ 869
Impaired loans continuing to accrue interest	300	50	309
Total impaired loans	$1,329	$ 686	$1,178
Allowance for losses on specific impaired loans	$ 25	$ 26	$ 435
Impaired loans with no specific related allowance for loan losses	1,268	595	69
Average balance of impaired loans during the year	1,074	977	1,665

</TABLE>

Additional interest income of $61,000 in 1998, $35,000 in 1997, and $71,000 in 1996 would have been recognized had nonaccrual loans remained current. The amount recognized as interest income on other impaired loans continuing to accrue interest was $29,000 in 1998, $5,000 in 1997, and $29,000 in 1996. The amount recognized as interest income on nonaccrual loans was $9,679, $13,300, and $19,491 for the years ended December 31, 1998, 1997, and 1996, respectively.

A summary of changes in the allowance for loan losses for the years ended December 31, 1998, 1997, and 1996 is as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
	(dollars in thousands)		
Balance at beginning of year	$ 1,302	$ 1,258	$ 1,247
Provision charged to expense	204	300	1,130
Loans charged off	(215)	(364)	(1,189)
Recoveries of loans previously charged off	77	108	70
Net loan charge-offs	(138)	(256)	(1,119)
Balance at end of year	$ 1,368	$ 1,302	$ 1,258

</TABLE>

The following table recaps the 1998 activity for loans made by Illini Bank to executive officers, directors, and principal shareholders (insiders) of Illini and Illini Bank and/or their related interests. Such loans were made in the normal course of business on substantially the same terms, including interest rates and collateral requirements, as those prevailing at the same time for comparable transactions with other persons and did not involve more than normal credit risk or present other unfavorable features.

<TABLE>
<CAPTION>

<S>	INSIDER LOANS (dollars in thousands) <C>
Balance at December 31, 1997	$ 291
Advances on existing loans	208
Payments received	(253)
Balance at December 31, 1998	$ 246

</TABLE>

(4) PREMISES AND EQUIPMENT

A summary of premises and equipment at December 31, 1998 and 1997 by major category is as follows:

<TABLE>
<CAPTION>

	1998	1997
	(dollars in thousands)	
<S>	<C>	<C>
Land	$ 1,043	$ 1,812
Bank premises	6,549	7,417
Furniture and equipment	4,771	3,695
	12,363	12,924
Less accumulated depreciation	5,113	4,847
	$ 7,250	$ 8,077

</TABLE>

Depreciation charged to noninterest expense amounted to $795,000, $638,000, and $406,000 in 1998, 1997, and 1996, respectively.

Illini completed two real estate transactions during 1998 resulting in substantial gains. A 22,000 square foot property the Company owned in Springfield was sold for $1,350,000 and a lot in Bloomington being held for future expansion was sold for $556,000, resulting in a combined gain of $482,000. The transaction for the sale of the property in Springfield is a sale-leaseback arrangement. The carrying value of the property was $634,000 and Illini Bank recognized $460,000 as a gain in 1998 and deferred $256,000 to be recognized over the 10 year life of the lease.

Illini leases certain premises and equipment under noncancellable operating leases which expire at various dates through December 2008. Such noncancellable operating leases also include options to renew on an annual basis. Minimum rental commitments under all noncancellable operating leases at December 31, 1998 are as follows:

<TABLE>
<CAPTION>

Year	Amount
	(dollars in thousands)
<S>	<C>
1999	$ 108
2000	97
2001	87
2002	33
	$ 325

</TABLE>

Total rental income received in 1998, 1997, and 1996 was $104,000, $177,000, and $182,000, respectively. Total rent expense charged to noninterest expense in 1998, 1997, and 1996 was $155,000, $213,000, and $222,000, respectively.

(5) DEPOSITS

At December 31, 1998, the scheduled maturities of time deposits are as follows:

Year	Amount (dollars in thousands)
1999	$48,182
2000	10,148
2001	2,224
2002	163
2003 and thereafter	73
	$60,790

6) INCOME TAXES

The components of income tax expense (benefit) for the years ended December 31, 1998, 1997, and 1996 are as follows:

	1998	1997	1996
	(dollars in thousands)		
Current income taxes:			
Federal	$ 122	$ 167	$ 25
State	(57)	(51)	(33)
Deferred income taxes	6	(78)	(1)
	$ 71	$ 38	$ (9)

A reconciliation of expected income tax expense to federal income tax expense, computed by applying the federal statutory rate of 34% to income before income tax expense for the years ended December 31, 1998, 1997, and 1996 to reported income tax expense, is as follows:

<TABLE>

<CAPTION>

	1998	1997	1996
	(dollars in thousands)		
Income tax expense at statutory rate	$ 239	$ 234	$ 155
Increase (decrease) in income taxes resulting from:			
Tax-exempt income	(137)	(195)	(215)
Goodwill amortization	4	4	4
State income taxes, net of federal income tax benefit	(38)	(34)	(22)
Alternative minimum tax	--	--	60
Other, net	3	29	9
Income tax expense	$ 71	$ 38	$ (9)

</TABLE>

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1998 and 1997 are presented below:

<TABLE>
<CAPTION>

	1998	1997
	(dollars in thousands)	
Deferred tax assets:		
Loans, principally due to allowance for loan losses	$ 250	$ 224
Alternative minimum tax carryforward	284	140
Other	60	35
Gross deferred tax assets	594	399
Less valuation allowance	(60)	(60)
Deferred tax assets, net	534	339
Deferred tax liabilities:		
Available for sale securities market valuation	247	94
Premises and equipment, basis differences	233	31
Intangible assets	--	1
Total gross deferred tax liabilities	480	126
Net deferred tax asset	$ 54	$ 213

</TABLE>

The alternative minimum tax carry forward has no expiration date. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. A valuation allowance is provided on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. Illini has established a valuation allowance in the amount of $60,114 for deferred tax assets at December 31, 1998 and 1997.

(7) EMPLOYEE BENEFITS

Illini has a defined contribution 401(k) plan that covers substantially all employees. Both Illini and the employee may contribute to the plan. Illini's contributions are voluntary and at the discretion of the Board of Directors. All contributions are subject to statutory restrictions. Illini made contributions of $37,000, $48,000, and $40,000 to the plan in 1998, 1997, and 1996, respectively.

(8) OTHER COMPREHENSIVE INCOME

Illini's other comprehensive income for the years ended December 31, 1998, 1997, and 1996 included the following components:

	1998	1997	1996
Net realized and unrealized gains (losses) on securities available for sale, net	$ 264	$ 294	$(131)
Less adjustment for net securities gains realized in net income, net	(5)	(31)	(1)
Other comprehensive income (loss)	$ 259	$ 263	$(132)

(9) CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY

Following are condensed balance sheets as of December 31, 1998 and 1997 and the related condensed schedules of income and cash flows for each of the years in the three-year period ended December 31, 1998 of Illini (parent company only):

CONDENSED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

	1998 (dollars in thousands)	1997
ASSETS:		
Cash	$ 315	$ 186
Investment in Illini Bank	14,927	14,535
Other investments	--	4
Excess of cost over fair value of net assets acquired	124	160
Other assets	196	133
	$15,562	$15,018
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Other liabilities	$ 143	$ 40
Shareholders' equity	15,419	14,978

	$15,562	$15,018

</TABLE>

CONDENSED SCHEDULES OF INCOME
YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

<TABLE>
<CAPTION>

	1998	1997	1996
	(dollars in thousands)		
<S>	<C>	<C>	<C>
REVENUE:			
Dividends received from Illini Bank	$ 735	$ 900	$ 601
Other	4	--	--
	739	900	601
EXPENSES:			
Professional fees	291	314	120
Other	89	140	103
	380	454	223
Income before income tax benefit and equity in undistributed income of Illini Bank	359	446	378
Income tax benefit	139	154	92
Equity in undistributed (distributed) income of Illini Bank	132	50	(5)
Net income	$ 630	$ 650	$ 465

</TABLE>

CONDENSED SCHEDULES OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

<TABLE>
<CAPTION>

	1998	1997	1996
	(dollars in thousands)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 630	$ 650	$ 465
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	35	75	67
Equity in (undistributed) distributed income of Illini Bank	(132)	(50)	5
Other, net	40	(110)	(114)
Net cash provided by operating activities	573	565	423
Cash flows from investing activities:			
Proceeds from sales of debt and marketable equity securities available for sale	4	--	--

Net cash provided by investing activities	4	--	--
Cash flows from financing activities:			
Dividends paid	(448)	(448)	(426)
Net cash used in financing activities	(448)	(448)	(426)
Net increase (decrease) in cash	129	117	(3)
Cash at beginning of year	186	69	72
Cash at end of year	$ 315	$ 186	$ 69
Supplemental information:			
Income taxes paid	$ 77	$ 112	$ 145

</TABLE>

----

(10) DISCLOSURES ABOUT FINANCIAL INSTRUMENTS

Illini is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such instruments may involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the consolidated balance sheets. The contractual amounts of these instruments reflect the extent of involvement Illini has in particular classes of financial instruments.

Illini's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments. Illini uses the same credit policies in making commitments and conditional obligations as it does for financial instruments recorded in the consolidated balance sheets. The off-balance-sheet financial instruments of Illini at December 31, 1998 and 1997 are presented below.

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
	(dollars in thousands)	
Financial instruments whose contractual amounts represent credit risk:		
Commitments to extend credit	$11,050	$11,588
Standby letters of credit	1,295	1,223
	$12,345	$12,811

</TABLE>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Of the total commitments to extend credit at December 31, 1998 and 1997, approximately $6.4 million and $6.5 million, respectively, represent fixed-rate loan commitments. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Illini evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies, but generally includes residential or income-producing commercial property, inventory, accounts receivable, and/or equipment.

Standby letters of credit are conditional commitments issued by Illini to guarantee the performance of a customer to a third party. The credit risk involved in issuing such letters of credit is essentially the same as that involved in extending other financing arrangements with customers. Illini holds collateral to support such commitments for which collateral is deemed necessary.

Illini has established overnight federal funds lines of credit of $3.5 million with an unaffiliated bank. As a member of the FHLB, Illini has a line of credit of approximately $4.0 million.

Following is a summary of the carrying amounts and fair values of Illini's financial instruments at December 31, 1998 and 1997.

<TABLE>
<CAPTION>

DECEMBER 31, 1998	CARRYING AMOUNT	FAIR VALUE
	(dollars in thousands)	
<S>	<C>	<C>
Balance sheet assets:		
Cash and due from banks	$ 5,624	$ 5,624
Interest-bearing deposits in other banks	19	19
Federal funds sold	6,675	6,675
Debt and marketable equity securities	53,276	53,276
Loans, net	85,806	85,921
Accrued interest receivable	1,390	1,390
	$152,790	$152,905
Balance sheet liabilities:		
Deposits	$142,959	$143,366
Securities sold under agreements to repurchase	290	290
Accrued interest payable	827	827
	$144,076	$144,483

DECEMBER 31, 1997	CARRYING AMOUNT	FAIR VALUE
Balance sheet assets:		
Cash and due from banks	$ 5,361	$ 5,361
Interest-bearing deposits in other banks	77	77
Federal funds sold	6,755	6,755
Debt and marketable equity securities	46,834	46,834
Loans, net	84,987	86,024
Accrued interest receivable	1,500	1,500
	$145,514	$146,551
Balance sheet liabilities:		
Deposits	$137,576	$137,974
Securities sold under agreements to repurchase	715	715
Accrued interest payable	784	784
	$139,075	$139,473

</TABLE>

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

CASH AND OTHER SHORT-TERM INSTRUMENTS

For cash and due from banks, interest-bearing deposits in other banks, federal funds sold, and securities sold under agreements to repurchase, the carrying amount is a reasonable estimate of fair value, as such instruments reprice in a short time period.

DEBT AND MARKETABLE EQUITY SECURITIES

Fair values of debt and marketable equity securities are based on quoted market prices or dealer quotes.

LOANS

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial, commercial real estate, residential mortgage, and installment. Each loan category is further segmented into fixed- and adjustable-rate interest terms and by performing and

nonperforming categories.

For certain homogeneous categories of performing loans, such as certain residential mortgages and other consumer loans, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Fair value for nonperforming loans is based on recent external appraisals. If appraisals are not available, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows, and discount rates are judgmentally determined using available market information and specific borrower information.

ACCRUED INTEREST RECEIVABLE AND PAYABLE

For accrued interest receivable and payable, the carrying amount is a reasonable estimate of fair value because of the short maturity for this financial instrument.

DEPOSITS

The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, NOW and money market accounts, and savings accounts is equal to the amounts payable on demand. The fair value of time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

COMMITMENTS TO EXTEND CREDIT AND STANDBY LETTERS OF CREDIT

The fair value of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the likelihood of the counterparties drawing on such financial instruments, and the present creditworthiness of such counterparties. Illini believes such commitments have been made on terms which are competitive in the markets in which it operates; however, no premium or discount is offered thereon and, accordingly, Illini has not assigned a value to such instruments for purposes of this disclosure.

(11) LITIGATION

Various legal claims have arisen against Illini Bank, Illini's wholly owned subsidiary, in the normal course of business, which, in the opinion of Illini management, will not result in any material liability to Illini.

Two complaints were filed against Illini in 1998. One complaint seeks to compel Illinois Stock Transfer Company, Illini's transfer agent, to distribute rights certificates to Illini's shareholders and further seeks to certify all Illini shareholders as a class. The other complaint seeks declaratory and injunctive relief from Illini and its directors regarding an alleged triggering of the Company's Shareholder Rights Agreement and the enforceability of an amendment thereto. The plaintiff in the second complaint also seeks compensatory and punitive damages arising out of the directors' alleged breach of fiduciary duty. The plaintiffs in both actions seek to recover their attorneys' fees from Illini.

Illini and its directors intend to vigorously contest and oppose the allegation made in both complaints.

(12) REGULATORY RESTRICTIONS

Illini and Illini Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on Illini's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Illini and Illini Bank must meet specific capital guidelines that involve quantitative measures of Illini and Illini Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting principals. Illini and Illini Bank capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

Quantitative measures established by regulations to ensure capital adequacy require Illini and Illini Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as

defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital to average assets (as defined). Management believes, as of December 31, 1998, Illini and Illini Bank meet all capital adequacy requirements to which they are subject.

As of September 30, 1997, the most recent notification from regulatory agencies categorized Illini Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, Illini Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed Illini Bank's category.

Illini and Illini Bank actual and required capital amounts and ratios as of December 31, 1998 and 1997 are as follows:

<TABLE>
<CAPTION>

	DECEMBER 31, 1998					
	ACTUAL		CAPITAL REQUIREMENTS		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
			(dollars in thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total capital (to risk-weighted assets):						
Illini	$16,247	15.87%	$8,189	8.00%	--	--
Illini Bank	15,880	15.52	8,183	8.00	$10,229	10.00%
Tier I capital (to risk-weighted assets):						
Illini	14,878	14.53%	4,095	4.00%	--	--
Illini Bank	14,511	14.19	4,091	4.00	6,137	6.00%
Tier I capital (to quarterly average assets):						
Illini	14,878	9.57%	4,663	3.00%	--	--
Illini Bank	14,511	9.35	4,656	3.00	7,761	5.00%

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31, 1997					
	ACTUAL		CAPITAL REQUIREMENTS		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
			(dollars in thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total capital (to risk-weighted assets):						
Illini	$15,985	15.67%	$8,159	8.00%	--	--
Illini Bank	15,681	15.39	8,151	8.00	$10,188	10.00%
Tier I capital (to risk-						

weighted assets):						
Illini	14,683	14.40%	4,080	4.00%	--	--
Illini Bank	14,379	14.11	4,075	4.00	6,113	6.00%
Tier I capital (to quarterly average assets):						
Illini	14,683	9.78%	4,506	3.00%	--	--
Illini Bank	14,379	9.59	4,498	3.00	7,497	5.00%

</TABLE>

Dividends from Illini Bank are the principal source of funds for payment of dividends by Illini to its shareholders.

Illini Bank is subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 1998, approximately $176,000 of retained earnings were available for dividends without prior regulatory approval.

At December 31, 1998 and 1997, approximately $984,000 and $1,053,000, respectively, of cash and due from banks represented required reserves on deposits maintained by Illini in accordance with Federal Reserve Bank requirements.

(13) ACQUISITION ACTIVITY

On March 2, 1999, Illini announced a definitive agreement to acquire all of the outstanding shares of Farmers State Bank of Camp Point in exchange for 123,333 shares of Illini's common stock and cash of $3,456,260. Farmers State Bank of Camp Point is headquartered in Camp Point, Illinois and had assets of approximately $33 million at December 31, 1998. Illini expects to close the acquisition during the third quarter of 1999.

ITEM 8. - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III.

ITEM 9. - DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Information required by this item is incorporated by reference from the sections entitled "Election of Directors", "Directors and Executive Officers", "Executive Officers", "Business Experience of Non Director Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the proxy statement for the Annual Meeting of Shareholders to be held on May 20, 1999 (the "Proxy Statement").

ITEM 10. - EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference from the section entitled "Executive Compensation", "Employment Agreement" and "Compensation of Directors" in the Proxy Statement.

ITEM 11. - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this item is incorporated by reference from the section entitled "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

ITEM 12. - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by this item is incorporated by reference from the section titled Transactions with Directors, Executive Officers and Associates in the Proxy Statement.

ITEM 13. - EXHIBITS LIST AND REPORTS ON FORM 8-K

(a) The following exhibits have been filed with the Securities and Exchange Commission as required:

(2)	Not applicable.
(3)	Articles of Incorporation. Incorporated by reference to Illini's Form 10-KSB for the year ended December 31, 1984, Commission File No. 0-13343. Amended and Restated Bylaws of Illini Corporation, effective October 30, 1998 (Incorporated by reference as Exhibit 99 to Registrant's Report on Form 8-K filed November 6, 1998).
(4)	Rights Agreement by and between Illini Corporation and Illinois Stock Transfer Company, as rights agent. Incorporated by reference to Illini's Form 8-K filed on June 25, 1997, Commission File No. 0-13343. First Amendment to Rights Agreement dated July 1, 1998 incorporated by reference to Illini's Form 8-K filed on July 13, 1998.
(9)	Not applicable.
(10)	(1) Form of data processing agreement. Incorporated by reference to Illini's Form 10- KSB for the year ended December 31, 1996, Commission File No. 0-13343. (2) Employment agreement by and between Illini Corporation and Burnard K. McHone dated November 24, 1998. (3) Employment agreement by and between Illini Corporation and William B. Littreal dated November 24, 1998. (4) Employment agreement by and between Illini Corporation and Ronald W. Wenger dated November 24, 1998.
(11)	Statement regarding computation of earnings per share is included in note 1(L) to the financial statements which is part of this Form 10-KSB.
(13)	Not applicable.
(16)	Not applicable.
(18)	Not applicable.

(21) Subsidiaries of the Registrant: Illini Bank, an Illinois state chartered bank.
(22) Not applicable.
(23) Not applicable.
(24) Not applicable.
(27) Financial data schedule.
(99) Not applicable.

(b) The Company filed a Form 8-K on November 6, 1998 in connection with certain amendments to the Company's Bylaws.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 25, 1999

Illini Corporation, Registrant, by

/s/ Burnard K. McHone

Burnard K. McHone, President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>

<S> <C>

/S/ THOMAS A. BLACK	MARCH 25, 1999
Thomas A. Black, Chairman	Date
/S/ RONALD E. CRAMER	MARCH 25, 1999
Ronald E. Cramer, Director	Date
/S/ LAWRENCE B. CURTIN	MARCH 25, 1999
Lawrence B. Curtin, Director	Date
/S/ KENNETH G. DEVERMAN	MARCH 25, 1999
Kenneth G. Deverman, Director	Date
/S/ WILLIAM N. ETHERTON	MARCH 25, 1999
William N. Etherton, Director	Date
/S/ WILLIAM B. MCCUBBIN	MARCH 25, 1999
William B. McCubbin, Director	Date
/S/ ROBERT F. OLSON	MARCH 25, 1999
Robert F. Olson, Director	Date
/S/ JOHN H. PICKRELL	MARCH 25, 1999
John H. Pickrell, Director	Date
/S/ N. RONALD THUNMAN	MARCH 25, 1999
N. Ronald Thunman,	Director Date
/S/ WILLIAM G. WALSCHLEGER	MARCH 25, 1999
William G. Walschleger, Director	Date
/S/ PERRY WILLIAMS	MARCH 25, 1999
Perry Williams, Director	Date
/S/ C. DEANN HAGER	MARCH 25, 1999

	C. Deann Hager, Finance Manager Date (Principal Financial and Accounting Officer)
/S/ BURNARD K. MCHONE MARCH 25, 1999	
Burnard K. McHone, Director & Pres. Date (Principal Executive Officer)	

</TABLE>

EXHIBIT INDEX

- (10)(2) Employment agreement by and between Illini Corporation and Burnard K. McHone dated November 24, 1998.
- (10)(3) Employment agreement by and between Illini Corporation and William B. Littreal dated November 24, 1998.
- (10)(4) Employment agreement by and between Illini Corporation and Ronald W. Wenger dated November 24, 1998.
- (27) Financial data schedules.

<TABLE>

ILLINI CORPORATION AND ILLINI BANK OFFICERS	ILLINI BANK LOCATIONS	
<S>	<C>	<C>
ILLINI CORPORATION	3200 West Iles Avenue Springfield DOUG FINN, BANK MANAGER II	2201 Woodlawn, Ste. 100 Lincoln SHARON AWE, BANK MANAGER
Burnard K. McHone President		
William Littreal Sr. Vice President / Operations	120 South Chatham Road Springfield BRENDA RICH, BANK MANAGER	120 Governor Oglesby Elkhart RODNEY GOWIN, BANK MANAGER
Ronald Wenger Sr. Vice President / Credit Administration	615 West Jefferson St. Springfield STEVE TATE, BANK MANAGER	116 East Exchange Danvers TOM CAISLEY, BANK MANAGER
James L. Adkins Vice President / Commercial Sales	2120 Peoria Road Springfield TERESA JUDD, BANK MANAGER	103 Franklin Hudson GREG BIRKY, BANK MANAGER II
Doug F. Finn Vice President / Sales & Service		
C. Deann Hager Finance Manager	375 West Andrew Road Sherman NANCY MANNING, BANK MANAGER	100 East Third St. Stonington CAROLYN WINN, BANK MANAGER
ILLINI BANK	133 Dodds Street Divernon VICKIE BLY, BANK MANAGER II	130 Main St. Dawson ANGELA FLECK, BANK MANAGER
Burnard K. McHone President		
William Littreal Sr. Vice President / Operations	Route 4 and Jefferson Auburn MOLLY APPELT, BANK MANAGER	101 Main St. Tallula JANE KING, BANK MANAGER
Ronald Wenger Sr. Vice President / Credit Administration	West Main St. Mechanicsburg LORI JARRETT, BANK MANAGER	Lincoln & Douglas Owaneco CAROLYN WINN, BANK MANAGER
James L. Adkins Vice President / Commercial Sales	420 East Sangamon Petersburg	

Doug F. Finn
Vice President / Sales & Service

C. Deann Hager
Finance Manager

Nancy Richards
Relationship Banker

Alan D. Fulk
Relationship Banker

STOCK TRANSFER AGENT

Illinois Stock Transfer
209 West Jackson Blvd.
Suite 903
Chicago, IL 60606
1-800-757-5755

DIANE HOPP, BANK MANAGER

106 East Washington
Greenview
DIANE HOPP, BANK MANAGER

</TABLE>

Exhibit 10.2

MANAGEMENT CONTINUITY AGREEMENT

This Management Continuity Agreement ("Agreement") is made and entered into as of this 24th day of November, 1998, by and between Illini Corporation, an Illinois corporation with an office at 3200 West Iles Avenue, Springfield, Illinois 62707 (the "Company"), and Burnard K. McHone whose address is 3800 North West Territory Drive, Springfield, Illinois 62707 (the "Officer").

W I T N E S S E T H

WHEREAS, the Officer is employed by the Company and the Company's subsidiary, Illini Bank, an Illinois banking corporation (the "Bank"), as an officer of the Company and the Bank, respectively, with the title and salary current at the date of this Agreement as set forth in this Agreement; and

WHEREAS, the Company wishes to attract and retain highly qualified executives and to achieve this goal it is in the best interests of the Company and the Bank to secure the continued services of the Officer regardless of a change in control of the Company; and

WHEREAS, the Company is willing, in order to provide the Officer a measure of security with respect to his employment with the Company and the Bank in the event of a change in control of the Company so that the Officer will be in a position to act with respect to a possible change in control of the Company in the best interests of the Company and its shareholders, without concern as to the Officer's own financial security, and in order to induce the Officer to remain in employment with the Company and the Bank, to agree that employment of the Officer shall be terminable only for cause for a limited period after a change in control of the Company.

NOW, THEREFORE, the Company and the Officer agree as follows:

SECTION 1
EMPLOYMENT

1.1 TERM. The Company shall continue to employ the Officer as its President, and shall cause the Bank to continue to employ the Officer as its President and the Officer shall remain in employment with the Company and the Bank until December 31, 2000 (the "Term") unless terminated prior to the expiration of the Term pursuant to Section 2.

1.2 COMPENSATION. As compensation for services provided to the Company and the Bank by the Officer pursuant to this Agreement, the Company shall cause the Bank to pay the Officer an annual base salary of $110,000, which salary may be increased from time to time by the Company or the Bank. The Officer shall also be eligible to actively participate in any other compensation and benefit plans generally available to executive employees of the Company or the Bank of like grade and salary including, but not limited to, retirement plans, group life, disability, accidental death and dismemberment, travel and accident, and health and dental insurance plans, incentive compensation plans, stock compensation plans, deferred compensation plans, supplemental retirement plans and excess benefit plans. Such other compensation and benefit plans are hereinafter referred to collectively as the "Compensation and Benefit Plans".

1.3 DUTIES. The Officer shall perform such duties and functions as are assigned to him by the bylaws of the Company and the Bank, as amended or restated, the Boards of Directors of the Company and the Bank, or by a duly authorized committee of the Boards of Directors of the Company and the Bank. In the event of an actual or potential Change in Control (as defined in Section 2.9), the Officer shall perform his duties and functions in a manner that is consistent with the best interest of the Company and its shareholders, without regard to the effect that the potential or actual Change in Control may have on the Officer personally.

1.4 DUTY OF LOYALTY. The Officer shall work full-time for the Company and the Bank only, provided that:

(a) he may also engage in charitable, civic and other similar activities;

(b) with the consent of the Board of Directors of the Company, he may serve as a director of a business organization not competing with the Company; and

(c) he may make such investments and reinvestment in business activities as shall not require a substantial portion of his time.

1.5 DUTY NOT TO DISCLOSE CONFIDENTIAL INFORMATION. The Officer acknowledges that his relationship with the Company and the Bank is one of high trust and confidence, and that he has access to Confidential Information (as hereinafter defined) of the Company and the Bank. The Officer shall not, directly or indirectly, communicate, deliver, exhibit or provide any Confidential Information to any person, firm, partnership, corporation, organization or entity, except as required in the normal course of the Officer's duties. The duties contained in this paragraph shall be binding upon the Officer during the time that he is employed by the Company and following the termination of such employment. Such duties will not apply to any such Confidential Information which is or becomes in the public domain through no action on the part of the Officer, is generally disclosed to third parties by the Company without restriction on such third parties, or is approved for release by written authorization of the Board of Directors of the Company. The term "Confidential Information" shall mean any and all confidential, proprietary, or secret information relating to the Company's or the Bank's business, services, customers, business operations, or activities and any and all trade secrets, products, methods of conducting business, information, skills, knowledge, ideas, know-how or devices used in, developed by, or pertaining to the Company's or the Bank's business and not generally known, in whole or in part, in any trade or industry in which the Company or the Bank is engaged.

SECTION 2
TERMINATION

2.1 TERMINATION OF AGREEMENT. Unless sooner terminated in accordance with the terms of this Section 2, this Agreement shall terminate at the expiration of the Term, and all obligations hereunder shall terminate except as specifically set forth in Section 2.5. The Officer may, with the consent of the Company, continue in the employ of the Company and the Bank after the expiration of the Term on such terms and conditions as may be agreed upon by the Company and the Officer.

2.2 TERMINATION BY THE OFFICER. The Officer may voluntarily terminate this Agreement by providing thirty days notice to the Company, in which event the Company shall have no further obligation to the Officer hereunder from the date of such termination and the Officer shall have no further obligation to the Company hereunder except the duty to not disclose Confidential Information in accordance with Section 1.5. In the event the Officer's employment with the Company and the Bank is terminated due to the Officer's death, the Company shall have no further obligation to the Officer, his heirs or legatees hereunder from the date of such termination, except to pay any benefits due under the Compensation and Benefit Plans. In the event the Officer's employment with the Company and the Bank is terminated due to the Officer's Permanent Disability, the Company shall have no further obligation to the Officer, hereunder from the date of such termination, except, to pay any benefits due under the Compensation and Benefit Plans.

For purposes of this Agreement, the term "Permanent Disability" means a physical or mental condition of the Officer which:

(a) has continued uninterrupted for six months;

(b) is expected to continue indefinitely; and

(c) is determined by the Company to render the Officer incapable of adequately performing his duties under Section 1.3 of this Agreement.

2.3 TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate this Agreement without cause prior to the Firm Term (as hereinafter defined), by providing thirty days notice to the Officer. In such event, the Officer shall have no further obligation to the Company hereunder, except the duty to not disclose Confidential Information in accordance with Section 1.5, and the Company shall have no further obligation to the Officer hereunder from the date of such termination except (i) to pay to the Officer the salary payments described in Section 1.2, in the amount in effect on the date of termination, for a period of six months from the date of termination, (ii) to pay to the Officer any other benefits due under the Compensation and Benefit Plans for a period of six months from the date of termination and (iii) to pay to the Officer reasonable expenses of out placement within the financial institutions industry during the six month period following the date of termination; provided, however, out placement expenses shall be paid only upon actually incurring such expenses and Officer's furnishing of evidence thereof to the Company and shall not include moving or relocation expenses; and provided, however, that any benefit to be provided by a Compensation and Benefit Plan may be provided by the Company through cash of equivalent value or through a nonqualified arrangement or arrangements if, in the judgment of the Company, permitting the Officer to participate in such plan after the date of termination would adversely affect the tax status of such plan.

2.4 TERMINATION BY THE COMPANY WITH CAUSE. Prior to or during the Firm Term, the Company may terminate this Agreement for Cause. For purposes of this Agreement, Cause shall mean;

(a) the Officer's willful and material breach of the provisions of this Agreement after the Board of Directors delivers a written demand to cure such breach, which specifically identifies the manner in which the Board of Directors believes that the Officer has not substantially performed his duties, or

(b) the Officer willfully engages in illegal conduct or gross misconduct which materially and demonstrably injures the Company or the Bank.

For purposes of determining whether "Cause" exists, no act or failure to act, on the Officer's part shall be considered "willful," unless it is done, or omitted to be done, by the Officer in bad faith or without reasonable belief by the Officer that his action or omission was in the best interests of the Company.

In the event of the Officer's termination for Cause, the Company will have no further obligation to the Officer under the Agreement from the date of such termination.

2.5 TERMINATION FOLLOWING CHANGE IN CONTROL. In the event there is a Change in Control of the Company, as defined in Section 2.6, during the Term, and:

(a) within the period commencing three months prior to the date of a Change in Control and ending six months following the date of the Change in Control (the "Firm Term"), the Officer's employment hereunder is terminated by the Company other than for Cause, as defined in Section 2.4; or

(b) within the Firm Term, the Officer resigns from his employment hereunder upon thirty days written notice given to the Company within thirty days following a material change in the Officer's title, authorities or duties, in effect immediately prior to the Change in Control, a reduction in the compensation or a reduction in benefits provided pursuant to this Agreement or the Compensation and Benefit Plans below the amount of compensation and benefits in effect immediately prior to the Change in Control, or a change of the Officer's principal place of employment without his consent to a city more than 25 miles from Springfield, Illinois,

then the Officer shall have no further obligation to the Company hereunder, except the duty not to disclose Confidential Information in accordance with Section 1.5, and the Company shall have no further obligation to the Officer hereunder from the date of termination except (i) to pay to the Officer the salary payments described in Section 1.2, in the amount in effect on the date of termination, for a period of twelve months from the date of termination, (ii) to pay to the Officer any other benefits due under the Compensation and Benefit Plans for a period of twelve months from the date of termination and (iii) to pay to the Officer reasonable expenses of out placement within the financial institutions industry during the twelve month period following the date of termination; provided, however, out placement expenses shall be paid only upon actually incurring such expenses and Officer's furnishing of evidence thereof to the Company and shall not include moving or relocation expenses and provided, however, that any benefit to be provided by a Compensation and Benefit Plan may be provided by the Company through cash of equivalent value or through a nonqualified arrangement or arrangements if, in the judgment of the Company, permitting the Officer to participate in such plan after the date of termination would adversely affect the tax status of such plan.

2.6 CHANGE IN CONTROL DEFINED. A Change in Control of the Company shall have occurred:

(a) on the fifth day preceding the scheduled expiration date of a tender offer by, or exchange offer by any corporation, person, other entity or group (other than the Company or any of its wholly owned subsidiaries), to acquire Voting Stock of the Company if:

(i) after giving effect to such offer such corporation, person, other entity or group would own 50% or more of the Voting Stock of the Company;

(ii) there shall have been filed documents with the Securities and Exchange Commission in connection therewith (or, if no such filing is required, public evidence that the offer has already commenced); and

(iii) such corporation, person, other entity or group has secured all required regulatory approvals to own or control 50% or more of the Voting Stock of the Company;

(b) if the shareholders of the Company approve a definitive agreement to merge or consolidate the Company with or into another corporation in a transaction in which neither the Company nor any of its wholly owned subsidiaries will be the surviving corporation, or to sell or otherwise dispose of all or substantially all of the Company's assets to any corporation, person, other entity or group (other that the Company or any of its wholly owned subsidiaries), and such definitive agreement is consummated;

(c) if any corporation, person, other entity or group (other than the Company or any of its wholly owned subsidiaries) becomes the Beneficial Owner (as that term is defined in the Securities and Exchange Commission's Rule 13d-3 under the Securities Exchange Act of 1934) of stock representing 50% or more of the Voting Stock of the Company; or

(d) if during any period of two consecutive years Continuing Directors cease to comprise a majority of the Company's Board of Directors.

The term "Continuing Director" means:

(a) any member of the Board of Directors of the Company at the beginning of any period of two consecutive years; and

(b) any person who subsequently becomes a member of the Board of Directors of the Company; if

(i) such person's nomination for election or election to the Board of Directors of the Company is recommended or approved by resolution of a majority of the Continuing Directors; or

(ii) such person is included as a nominee in a proxy statement of the Company distributed when a majority of the Board of Directors of the Company consists of Continuing Directors.

"Voting Stock" shall mean those shares of the Company entitled to vote generally in the election of directors.

2.7 TERMINATION OF RELATED OFFICERS. The parties agree that in the event Officer's employment by the Company is terminated for any reason, Officer will immediately resign from all other positions or offices held with the Company, including any directorships with the Company or the Bank.

2.8 OFFICER'S COSTS OF ENFORCEMENT. The Company shall pay all expenses of the Officer, including but not limited to attorney's fees, incurred in enforcing payments by the Company pursuant to this Agreement.

Section 3
MISCELLANEOUS

3.1 ASSIGNMENT OF OFFICER'S RIGHTS The Officer may not assign, pledge or otherwise transfer any of the benefits of this Agreement either before or after termination of employment, and any purported assignment, pledge or transfer of any payment to be made by the Company hereunder shall be void and of no effect. No payment to be made to the Officer hereunder shall be subject to the claims of creditors of the Officer.

3.2 AGREEMENTS BINDING ON SUCCESSORS. This Agreement shall be binding and inure to the benefit of the parties hereto and their respective successors, assigns, personal representatives, heirs, legatees and beneficiaries.

3.3 NOTICES. Any notice required or desired to be given under this Agreement shall be deemed given if in writing and sent by first class mail to the Officer or the Company at his or its address as set forth above, or to such other address of which either the Officer or the Company shall notify the other in writing.

3.4 WAIVER OF BREACH. The waiver by either party of a breach of any provision of this Agreement

shall not operate or be construed as a waiver of any subsequent breach by either the Officer or the Company.

3.5 ENTIRE AGREEMENT. This Agreement contains the entire understanding of the parties and supersedes the Personal Service Contract between the Officer, the Company and the Bank, which was effective October 30, 1996. It may be modified or amended only by an agreement in writing signed by the party against whom enforcement of any change or amendment is sought.

3.6 SEVERABILITY OF PROVISIONS. If for any reason any paragraph, term or provision of this Agreement is held to be invalid or unenforceable, all other valid provisions herein shall remain in full force and effect and all paragraphs, terms and provisions of this Agreement shall be deemed to be severable in nature.

3.7 GOVERNING LAW. This Agreement is made in, and shall be governed by, the laws of the State of Illinois.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first set forth above.

/s/ Burnard K. Mchone

Officer

ILLINI CORPORATION

By: /s/ Thomas A. Black

Its: CHAIRMAN

Exhibit (10)(3)

MANAGEMENT CONTINUITY AGREEMENT

This Management Continuity Agreement ("Agreement") is made and entered into as of this 24th day of November, 1998, by and between Illini Corporation, an Illinois corporation with an office at 3200 West Iles Avenue, Springfield, Illinois 62707 (the "Company"), and William B. Littreal whose address is 2819 Cronin Drive, Springfield, Illinois 62707 (the "Officer").

W I T N E S S E T H

WHEREAS, the Officer is employed by the Company and the Company's subsidiary, Illini Bank, an Illinois banking corporation (the "Bank"), as an officer of the Company and the Bank, respectively, with the title and salary current at the date of this Agreement as set forth in this Agreement; and

WHEREAS, the Company wishes to attract and retain highly qualified executives and to achieve this goal it is in the best interests of the Company and the Bank to secure the continued services of the Officer regardless of a change in control of the Company; and

WHEREAS, the Company is willing, in order to provide the Officer a measure of security with respect to his employment with the Company and the Bank in the event of a change in control of the Company so that the Officer will be in a position to act with respect to a possible change in control of the Company in the best interests of the Company and its shareholders, without concern as to the Officer's own financial security, and in order to induce the Officer to remain in employment with the Company and the Bank, to agree that employment of the Officer shall be terminable only for cause for a limited period after a change in control of the Company.

NOW, THEREFORE, the Company and the Officer agree as follows:

SECTION 1
EMPLOYMENT

1.1 TERM. The Company shall continue to employ the Officer as its Vice President of Operations and Administration, and shall cause the Bank to continue to employ the Officer as its Vice President of Operations and the Officer shall remain in employment with the Company and the Bank until December 31, 2000 (the "Term") unless terminated prior to the expiration of the Term pursuant to Section 2.

1.2 COMPENSATION. As compensation for services provided to the Company and the Bank by the Officer pursuant to this Agreement, the Company shall cause the Bank to pay the Officer an annual base salary of $68,000, which salary may be increased from time to time by the Company or the Bank. The Officer shall also be eligible to actively participate in any other compensation and benefit plans generally available to executive employees of the Company or the Bank of like grade and salary including, but not limited to, retirement plans, group life, disability, accidental death and dismemberment, travel and accident, and health and dental insurance plans, incentive compensation plans, stock compensation plans, deferred compensation plans, supplemental retirement plans and excess benefit plans. Such other compensation and benefit plans are hereinafter referred to collectively as the "Compensation and Benefit Plans".

1.3 DUTIES. The Officer shall perform such duties and functions as are assigned to him by the bylaws of the Company and the Bank, as amended or restated, the Boards of Directors of the Company and the Bank, or by a duly authorized committee of the Boards of Directors of the Company and the Bank. In the event of an actual or potential Change in Control (as defined in Section 2.9), the Officer shall perform his duties and functions in a manner that is consistent with the best interest of the Company and its shareholders, without regard to the effect that the potential or actual Change in Control may have on the Officer personally.

1.4 DUTY OF LOYALTY. The Officer shall work full-time for the Company and the Bank only, provided that:

(a) he may also engage in charitable, civic and other similar activities;

(b) with the consent of the Board of Directors of the Company, he may serve as a director of a business organization not competing with the Company; and

(c) he may make such investments and reinvestment in business activities as shall not require a substantial portion of his time.

1.5 DUTY NOT TO DISCLOSE CONFIDENTIAL INFORMATION. The Officer acknowledges that his relationship with the Company and the Bank is one of high trust and confidence, and that he has access to Confidential Information (as hereinafter defined) of the Company and the Bank. The Officer shall not, directly or indirectly, communicate, deliver, exhibit or provide any Confidential Information to any person, firm, partnership,

corporation, organization or entity, except as required in the normal course of the Officer's duties. The duties contained in this paragraph shall be binding upon the Officer during the time that he is employed by the Company and following the termination of such employment. Such duties will not apply to any such Confidential Information which is or becomes in the public domain through no action on the part of the Officer, is generally disclosed to third parties by the Company without restriction on such third parties, or is approved for release by written authorization of the Board of Directors of the Company. The term "Confidential Information" shall mean any and all confidential, proprietary, or secret information relating to the Company's or the Bank's business, services, customers, business operations, or activities and any and all trade secrets, products, methods of conducting business, information, skills, knowledge, ideas, know-how or devices used in, developed by, or pertaining to the Company's or the Bank's business and not generally known, in whole or in part, in any trade or industry in which the Company or the Bank is engaged.

SECTION 2
TERMINATION

2.1 TERMINATION OF AGREEMENT. Unless sooner terminated in accordance with the terms of this Section 2, this Agreement shall terminate at the expiration of the Term, and all obligations hereunder shall terminate except as specifically set forth in Section 2.5. The Officer may, with the consent of the Company, continue in the employ of the Company and the Bank after the expiration of the Term on such terms and conditions as may be agreed upon by the Company and the Officer.

2.2 TERMINATION BY THE OFFICER. The Officer may voluntarily terminate this Agreement by providing thirty days notice to the Company, in which event the Company shall have no further obligation to the Officer hereunder from the date of such termination and the Officer shall have no further obligation to the Company hereunder except the duty to not disclose Confidential Information in accordance with Section 1.5. In the event the Officer's employment with the Company and the Bank is terminated due to the Officer's death, the Company shall have no further obligation to the Officer, his heirs or legatees hereunder from the date of such termination, except to pay any benefits due under the Compensation and Benefit Plans. In the event the Officer's employment with the Company and the Bank is terminated due to the Officer's Permanent Disability, the Company shall have no further obligation to the Officer, hereunder from the date of such termination, except, to pay any benefits due under the Compensation and Benefit Plans.

For purposes of this Agreement, the term "Permanent Disability" means a physical or mental condition of the Officer which:

(a) has continued uninterrupted for six months;

(b) is expected to continue indefinitely; and

(c) is determined by the Company to render the Officer incapable of adequately performing his duties under Section 1.3 of this Agreement.

2.3 TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate this Agreement without cause prior to the Firm Term (as hereinafter defined), by providing thirty days notice to the Officer. In such event, the Officer shall have no further obligation to the Company hereunder, except the duty to not disclose Confidential Information in accordance with Section 1.5, and the Company shall have no further obligation to the Officer hereunder from the date of such termination except (i) to pay to the Officer the salary payments described in Section 1.2, in the amount in effect on the date of termination, for a period of six months from the date of termination, (ii) to pay to the Officer any other benefits due under the Compensation and Benefit Plans for a period of six months from the date of termination and (iii) to pay to the Officer reasonable expenses of out placement within the financial institutions industry during the six month period following the date of termination; provided, however, out placement expenses shall be paid only upon actually incurring such expenses and Officer's furnishing of evidence thereof to the Company and shall not include moving or relocation expenses; and provided, however, that any benefit to be provided by a Compensation and Benefit Plan may be provided by the Company through cash of equivalent value or through a nonqualified arrangement or arrangements if, in the judgment of the Company, permitting the Officer to participate in such plan after the date of termination would adversely affect the tax status of such plan.

2.4 TERMINATION BY THE COMPANY WITH CAUSE. Prior to or during the Firm Term, the Company

may terminate this Agreement for Cause. For purposes of this Agreement, Cause shall mean;

(a) the Officer's willful and material breach of the provisions of this Agreement after the Board of Directors delivers a written demand to cure such breach, which specifically identifies the manner in which the Board of Directors believes that the Officer has not substantially performed his duties, or

(b) the Officer willfully engages in illegal conduct or gross misconduct which materially and demonstrably injures the Company or the Bank.

For purposes of determining whether "Cause" exists, no act or failure to act, on the Officer's part shall be considered "willful," unless it is done, or omitted to be done, by the Officer in bad faith or without reasonable belief by the

Officer that his action or omission was in the best interests of the Company.

In the event of the Officer's termination for Cause, the Company will have no further obligation to the Officer under the Agreement from the date of such termination.

2.5 TERMINATION FOLLOWING CHANGE IN CONTROL. In the event there is a Change in Control of the Company, as defined in Section 2.6, during the Term, and:

(a) within the period commencing three months prior to the date of a Change in Control and ending six months following the date of the Change in Control (the "Firm Term"), the Officer's employment hereunder is terminated by the Company other than for Cause, as defined in Section 2.4; or

(b) within the Firm Term, the Officer resigns from his employment hereunder upon thirty days written notice given to the Company within thirty days following a material change in the Officer's title, authorities or duties, in effect immediately prior to the Change in Control, a reduction in the compensation or a reduction in benefits provided pursuant to this Agreement or the Compensation and Benefit Plans below the amount of compensation and benefits in effect immediately prior to the Change in Control, or a change of the Officer's principal place of employment without his consent to a city more than 25 miles from Springfield, Illinois,

then the Officer shall have no further obligation to the Company hereunder, except the duty not to disclose Confidential Information in accordance with Section 1.5, and the Company shall have no further obligation to the Officer hereunder from the date of termination except (i) to pay to the Officer the salary payments described in Section 1.2, in the amount in effect on the date of termination, for a period of twelve months from the date of

termination, (ii) to pay to the Officer any other benefits due under the Compensation and Benefit Plans for a period of twelve months from the date of termination and (iii) to pay to the Officer reasonable expenses of out placement within the financial institutions industry during the twelve month period following the date of termination; provided, however, out placement expenses shall be paid only upon actually incurring such expenses and Officer's furnishing of evidence thereof to the Company and shall not include moving or relocation expenses and provided, however, that any benefit to be provided by a Compensation and Benefit Plan may be provided by the Company through cash of equivalent value or through a nonqualified arrangement or arrangements if, in the judgment of the Company, permitting the Officer to participate in such plan after the date of termination would adversely affect the tax status of such plan.

2.6 CHANGE IN CONTROL DEFINED. A Change in Control of the Company shall have occurred:

(a) on the fifth day preceding the scheduled expiration date of a tender offer by, or exchange offer by any corporation, person, other entity or group (other than the Company or any of its wholly owned subsidiaries), to acquire Voting Stock of the Company if:

(i) after giving effect to such offer such corporation, person, other entity or group would own 50% or more of the Voting Stock of the Company;

(ii) there shall have been filed documents with the Securities and Exchange Commission in connection therewith (or, if no such filing is required, public evidence that the offer has already commenced); and

(iii) such corporation, person, other entity or group has secured all required regulatory approvals to own or control 50% or more of the Voting Stock of the Company;

(b) if the shareholders of the Company approve a definitive agreement to merge or consolidate the Company with or into another corporation in a transaction in which neither the Company nor any of its wholly owned subsidiaries will be the surviving corporation, or to sell or otherwise dispose of all or substantially all of the Company's assets to any corporation, person, other entity or group (other that the Company or any of its wholly owned subsidiaries), and such definitive agreement is consummated;

(c) if any corporation, person, other entity or group (other than the Company or any of its wholly owned subsidiaries) becomes the Beneficial Owner (as that term is defined in the Securities and Exchange Commission's Rule 13d-3 under the Securities Exchange Act of 1934) of stock representing 50% or more of the Voting Stock of the Company; or

(d) if during any period of two consecutive years Continuing Directors cease to comprise a majority of the Company's Board of Directors.

The term "Continuing Director" means:

(a) any member of the Board of Directors of the Company at the beginning of any period of two consecutive years; and

(b) any person who subsequently becomes a member of the Board of Directors of the Company; if

(i) such person's nomination for election or election to the Board of Directors of the Company is recommended or approved by resolution of a majority of the Continuing Directors; or

(ii) such person is included as a nominee in a proxy statement of the Company distributed when a majority of the Board of Directors of the Company consists of Continuing Directors.

"Voting Stock" shall mean those shares of the Company entitled to vote generally in the election of directors.

2.7 TERMINATION OF RELATED OFFICERS. The parties agree that in the event Officer's employment by the Company is terminated for any reason, Officer will immediately resign from all other positions or offices held with the Company, including any directorships with the Company or the Bank.

2.8 OFFICER'S COSTS OF ENFORCEMENT. The Company shall pay all expenses of the Officer, including but not limited to attorney's fees, incurred in enforcing payments by the Company pursuant to this Agreement.

Section 3
MISCELLANEOUS

3.1 ASSIGNMENT OF OFFICER'S RIGHTS The Officer may not assign, pledge or otherwise transfer any of the benefits of this Agreement either before or after termination of employment, and any purported assignment, pledge or transfer of any payment to be made by the Company hereunder shall be void and of no effect. No payment to be made to the Officer hereunder shall be subject to the claims of creditors of the Officer.

3.2 AGREEMENTS BINDING ON SUCCESSORS. This Agreement shall be binding and inure to the benefit of the parties hereto and their respective successors, assigns, personal representatives, heirs, legatees and beneficiaries.

3.3 NOTICES. Any notice required or desired to be given under this Agreement shall be deemed given

if in writing and sent by first class mail to the Officer or the Company at his or its address as set forth above, or to such other address of which either the Officer or the Company shall notify the other in writing.

3.4 WAIVER OF BREACH. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either the Officer or the Company.

3.5 ENTIRE AGREEMENT. This Agreement contains the entire understanding of the parties and supersedes the Personal Service Contract between the Officer, the Company and the Bank, which was effective October 30, 1996. It may be modified or amended only by an agreement in writing signed by the party against whom enforcement of any change or amendment is sought.

3.6 SEVERABILITY OF PROVISIONS. If for any reason any paragraph, term or provision of this Agreement is held to be invalid or unenforceable, all other valid provisions herein shall remain in full force and effect and all paragraphs, terms and provisions of this Agreement shall be deemed to be severable in nature.

3.7 GOVERNING LAW. This Agreement is made in, and shall be governed by, the laws of the State of Illinois.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first set forth above.

/s/ William B. Littreal

Officer

ILLINI CORPORATION

By: /s/ Thomas A. Black

Its: CHAIRMAN

Exhibit (10)(4)

MANAGEMENT CONTINUITY AGREEMENT

This Management Continuity Agreement ("Agreement") is made and entered into as of this 24th day of November, 1998, by and between Illini Corporation, an Illinois corporation with an office at 3200 West Iles Avenue, Springfield, Illinois 62707 (the "Company"), and Ronald E. Wenger whose address is 2613 Parsifal, Springfield, Illinois 62704 (the "Officer").

W I T N E S S E T H

WHEREAS, the Officer is employed by the Company and the Company's subsidiary, Illini Bank, an Illinois banking corporation (the "Bank"), as an officer of the Company and the Bank, respectively, with the title and salary current at the date of this Agreement as set forth in this Agreement; and

WHEREAS, the Company wishes to attract and retain highly qualified executives and to achieve this goal it is in the best interests of the Company and the Bank to secure the continued services of the Officer regardless of a change in control of the Company; and

WHEREAS, the Company is willing, in order to provide the Officer a measure of security with respect to his employment with the Company and the Bank in the event of a change in control of the Company so that the Officer will be in a position to act with respect to a possible change in control of the Company in the best interests of the Company and its shareholders, without concern as to the Officer's own financial security, and in order to induce the Officer to remain in employment with the Company and the Bank, to agree that employment of the Officer shall be terminable only for cause for a limited period after a change in control of the Company.

NOW, THEREFORE, the Company and the Officer agree as follows:

SECTION 1
EMPLOYMENT

1.1 TERM. The Company shall continue to employ the Officer as its Vice President of Credit Administration, and shall cause the Bank to continue to employ the Officer as its Vice President of Credit Administration and the Officer shall remain in employment with the Company and the Bank until December 31, 2000 (the "Term") unless terminated prior to the expiration of the Term pursuant to Section 2.

1.2 COMPENSATION. As compensation for services provided to the Company and the Bank by the

Officer pursuant to this Agreement, the Company shall cause the Bank to pay the Officer an annual base salary of $63,000, which salary may be increased from time to time by the Company or the Bank. The Officer shall also be eligible to actively participate in any other compensation and benefit plans generally available to executive employees of the Company or the Bank of like grade and salary including, but not limited to, retirement plans, group life, disability, accidental death and dismemberment, travel and accident, and health and dental insurance plans, incentive compensation plans, stock compensation plans, deferred compensation plans, supplemental retirement plans and excess benefit plans. Such other compensation and benefit plans are hereinafter referred to collectively as the "Compensation and Benefit Plans".

1.3 DUTIES. The Officer shall perform such duties and functions as are assigned to him by the bylaws of the Company and the Bank, as amended or restated, the Boards of Directors of the Company and the Bank, or by a duly authorized committee of the Boards of Directors of the Company and the Bank. In the event of an actual or potential Change in Control (as defined in Section 2.9), the Officer shall perform his duties and functions in a manner that is consistent with the best interest of the Company and its shareholders, without regard to the effect that the potential or actual Change in Control may have on the Officer personally.

1.4 DUTY OF LOYALTY. The Officer shall work full-time for the Company and the Bank only, provided that:

(a) he may also engage in charitable, civic and other similar activities;

(b) with the consent of the Board of Directors of the Company, he may serve as a director of a business organization not competing with the Company; and

(c) he may make such investments and reinvestment in business activities as shall not require a substantial portion of his time.

1.5 DUTY NOT TO DISCLOSE CONFIDENTIAL INFORMATION. The Officer acknowledges that his relationship with the Company and the Bank is one of high trust and confidence, and that he has access to Confidential Information (as hereinafter defined) of the Company and the Bank. The Officer shall not, directly or indirectly, communicate, deliver, exhibit or provide any Confidential Information to any person, firm, partnership, corporation, organization or entity, except as required in the normal course of the Officer's duties. The duties contained in this paragraph shall be binding upon the Officer during the time that he is employed by the Company and following the termination of such employment. Such duties will not apply to any such Confidential Information which is or becomes in the public domain through no action on the part of the Officer, is generally disclosed to third parties by the Company without restriction on such third parties, or is approved for release by written authorization of the Board of Directors of the Company. The term "Confidential Information" shall mean any and all confidential, proprietary, or secret information relating to the Company's or the Bank's business, services, customers, business operations, or activities and any and all trade secrets, products, methods of conducting business, information, skills, knowledge, ideas, know-how or devices used in, developed by, or pertaining to the Company's or the Bank's business and not generally known, in whole or in part, in any trade or industry in which the Company or the Bank is engaged.

SECTION 2
TERMINATION

2.1 TERMINATION OF AGREEMENT. Unless sooner terminated in accordance with the terms of this Section 2, this Agreement shall terminate at the expiration of the Term, and all obligations hereunder shall terminate except as specifically set forth in Section 2.5. The Officer may, with the consent of the Company, continue in the employ of the Company and the Bank after the expiration of the Term on such terms and conditions as may be agreed upon by the Company and the Officer.

2.2 TERMINATION BY THE OFFICER. The Officer may voluntarily terminate this Agreement by providing thirty days notice to the Company, in which event the Company shall have no further obligation to the Officer hereunder from the date of such termination and the Officer shall have no further obligation to the Company hereunder except the duty to not disclose Confidential Information in accordance with Section 1.5. In the event the Officer's employment with the Company and the Bank is terminated due to the Officer's death, the Company shall have no further obligation to the Officer, his heirs or legatees hereunder from the date of such termination, except to pay any benefits due under the Compensation and Benefit Plans. In the event the Officer's employment with the Company and the Bank is terminated due to the Officer's Permanent Disability, the Company shall have no further obligation to the Officer, hereunder from the date of such termination, except, to pay any benefits due under the Compensation and Benefit Plans.

For purposes of this Agreement, the term "Permanent Disability" means a physical or mental condition of the Officer which:

(a) has continued uninterrupted for six months;

(b) is expected to continue indefinitely; and

(c) is determined by the Company to render the Officer incapable of adequately performing his duties under Section 1.3 of this Agreement.

2.3 TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate this Agreement without cause prior to the Firm Term (as hereinafter defined), by providing thirty days notice to the Officer. In such event, the Officer shall have no further obligation to the Company hereunder, except the duty to not disclose Confidential Information in accordance with Section 1.5, and the Company shall have no further obligation to the Officer hereunder from the date of such termination except (i) to pay to the Officer the salary payments described in Section 1.2, in the amount in effect on the date of termination, for a period of six months from the date of termination, (ii) to pay to the Officer any other benefits due under the Compensation and Benefit Plans for a period of six months from the date of termination and (iii) to pay to the Officer reasonable expenses of out placement within the financial institutions industry during the six month period following the date of termination; provided, however, out placement expenses shall be paid only upon actually incurring such expenses and Officer's furnishing of evidence thereof to the Company and shall not include moving or relocation expenses; and provided, however, that any benefit to be provided by a Compensation and Benefit Plan may be provided by the Company through cash of equivalent value or through a nonqualified arrangement or arrangements if, in the judgment of the Company, permitting the Officer to participate in such plan after the date of termination would adversely affect the tax status of such plan.

2.4 TERMINATION BY THE COMPANY WITH CAUSE. Prior to or during the Firm Term, the Company may terminate this Agreement for Cause. For purposes of this Agreement, Cause shall mean;

(a) the Officer's willful and material breach of the provisions of this Agreement after the Board of Directors delivers a written demand to cure such breach, which specifically identifies the manner in which the Board of Directors believes that the Officer has not substantially performed his duties, or

(b) the Officer willfully engages in illegal conduct or gross misconduct which materially and demonstrably injures the Company or the Bank.

For purposes of determining whether "Cause" exists, no act or failure to act, on the Officer's part shall be considered "willful," unless it is done, or omitted to be done, by the Officer in bad faith or without reasonable belief by the Officer that his action or omission was in the best interests of the Company.

In the event of the Officer's termination for Cause, the Company will have no further obligation to the Officer under the Agreement from the date of such termination.

2.5 TERMINATION FOLLOWING CHANGE IN CONTROL. In the event there is a Change in Control of the Company, as defined in Section 2.6, during the Term, and:

(a) within the period commencing three months prior to the date of a Change in Control and ending six months following the date of the Change in Control (the "Firm Term"), the Officer's employment hereunder is terminated by the Company other than for Cause, as defined in Section 2.4; or

(b) within the Firm Term, the Officer resigns from his employment hereunder upon thirty days written notice given to the Company within thirty days following a material change in the Officer's title, authorities or duties, in effect immediately prior to the Change in Control, a reduction in the compensation or a reduction in benefits provided pursuant to this Agreement or the Compensation and Benefit Plans below the amount of compensation and benefits in effect immediately prior to the Change in Control, or a change of the Officer's principal place of employment without his consent to a city more than 25 miles from Springfield, Illinois,

then the Officer shall have no further obligation to the Company hereunder, except the duty not to disclose Confidential Information in accordance with Section 1.5, and the Company shall have no further obligation to the Officer hereunder from the date of termination except (i) to pay to the Officer the salary payments described in Section 1.2, in the amount in effect on the date of termination, for a period of twelve months from the date of termination, (ii) to pay to the Officer any other benefits due under the Compensation and Benefit Plans for a period of twelve months from the date of termination and (iii) to pay to the Officer reasonable expenses of out placement within the financial institutions industry during the twelve month period following the date of termination;

provided, however, out placement expenses shall be paid only upon actually incurring such expenses and Officer's furnishing of evidence thereof to the Company and shall not include moving or relocation expenses and provided, however, that any benefit to be provided by a Compensation and Benefit Plan may be provided by the Company through cash of equivalent value or through a nonqualified arrangement or arrangements if, in the judgment of the Company, permitting the Officer to participate in such plan after the date of termination would adversely affect the tax status of such plan.

2.6 CHANGE IN CONTROL DEFINED. A Change in Control of the Company shall have occurred:

(a) on the fifth day preceding the scheduled expiration date of a tender offer by, or exchange offer by any corporation, person, other entity or group (other than the Company or any of its wholly owned subsidiaries), to acquire Voting Stock of the Company if:

(i) after giving effect to such offer such corporation, person, other entity or group would own 50% or more of the Voting Stock of the Company;

(ii) there shall have been filed documents with the Securities and Exchange Commission in connection therewith (or, if no such filing is required, public evidence that the offer has already commenced); and

(iii) such corporation, person, other entity or group has secured all required regulatory approvals to own or control 50% or more of the Voting Stock of the Company;

(b) if the shareholders of the Company approve a definitive agreement to merge or consolidate the Company with or into another corporation in a transaction in which neither the Company nor any of its wholly owned subsidiaries will be the surviving corporation, or to sell or otherwise dispose of all or substantially all of the Company's assets to any corporation, person, other entity or group (other that the Company or any of its wholly owned subsidiaries), and such definitive agreement is consummated;

(c) if any corporation, person, other entity or group (other than the Company or any of its wholly owned subsidiaries) becomes the Beneficial Owner (as that term is defined in the Securities and Exchange

Commission's Rule 13d-3 under the Securities Exchange Act of 1934) of stock representing 50% or more of the Voting Stock of the Company; or

(d) if during any period of two consecutive years Continuing Directors cease to comprise a majority of the Company's Board of Directors.

The term "Continuing Director" means:

(a) any member of the Board of Directors of the Company at the beginning of any period of two consecutive years; and

(b) any person who subsequently becomes a member of the Board of Directors of the Company; if

(i) such person's nomination for election or election to the Board of Directors of the Company is recommended or approved by resolution of a majority of the Continuing Directors; or

(ii) such person is included as a nominee in a proxy statement of the Company distributed when a majority of the Board of Directors of the Company consists of Continuing Directors.

"Voting Stock" shall mean those shares of the Company entitled to vote generally in the election of directors.

2.7 TERMINATION OF RELATED OFFICERS. The parties agree that in the event Officer's employment by the Company is terminated for any reason, Officer will immediately resign from all other positions or offices held with the Company, including any directorships with the Company or the Bank.

2.8 OFFICER'S COSTS OF ENFORCEMENT. The Company shall pay all expenses of the Officer, including but not limited to attorney's fees, incurred in enforcing payments by the Company pursuant to this Agreement.

Section 3
MISCELLANEOUS

3.1 ASSIGNMENT OF OFFICER'S RIGHTS The Officer may not assign, pledge or otherwise transfer any of the benefits of this Agreement either before or after termination of employment, and any purported assignment, pledge or transfer of any payment to be made by the Company hereunder shall be void and of no effect. No payment to be made to the Officer hereunder shall be subject to the claims of creditors of the Officer.

3.2 AGREEMENTS BINDING ON SUCCESSORS. This Agreement shall be binding and inure to the benefit of the parties hereto and their respective successors, assigns, personal representatives, heirs, legatees and beneficiaries.

3.3 NOTICES. Any notice required or desired to be given under this Agreement shall be deemed given if in writing and sent by first class mail to the Officer or the Company at his or its address as set forth above, or to such other address of which either the Officer or the Company shall notify the other in writing.

3.4 WAIVER OF BREACH. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either the Officer or the Company.

3.5 ENTIRE AGREEMENT. This Agreement contains the entire understanding of the parties and supersedes the Personal Service Contract between the Officer, the Company and the Bank, which was effective October 30, 1996. It may be modified or amended only by an agreement in writing signed by the party against whom enforcement of any change or amendment is sought.

3.6 SEVERABILITY OF PROVISIONS. If for any reason any paragraph, term or provision of this Agreement is held to be invalid or unenforceable, all other valid provisions herein shall remain in full force and effect and all paragraphs, terms and provisions of this Agreement shall be deemed to be severable in nature.

3.7 GOVERNING LAW. This Agreement is made in, and shall be governed by, the laws of the State of Illinois.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first set forth above.

/s/ Ronald E. Wengeer

Officer

ILLINI CORPORATION

By: /s/ Thomas A. Black

Its: CHAIRMAN

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