

July 12, 2010

Dear Shareholder,

Earnings performance continued to be strong for Illini Corporation during the second quarter of 2010, as net income for the quarter totaled \$1,137,000, up from the \$810,000 reported in the second quarter of 2009 and the \$542,000 reported in the first quarter of this year. Year-to-date earnings totaled \$1,679,000, an increase of \$156,000 (10%) over reported earnings for the first half of 2009. This equates to earnings per share of \$2.36 for the second quarter, and \$3.49 per share for the first six months, compared to \$1.69 and \$3.17, respectively, for the same periods in 2009. These earnings were enhanced by pre-tax gains of \$603,000 realized from the sale of investments securities and \$65,000 in extraordinary recoveries. Factoring out these one-time events, normalized earnings for the second quarter would have been slightly in excess of \$600,000.

Illini Bank during the second quarter sold approximately \$20 million out of its investment portfolio. Doing so enabled the Bank to accomplish several objectives. First, it helped reduce the Bank's exposure to interest rate risk by shortening the overall duration of the investment portfolio. Second, it made dollars available for short-term commercial loan opportunities. And third, it provided additional earnings to further bolster the Bank's capital position.

Net interest income improved to \$2,390,000 for the second quarter, an increase of \$44,000 (2%) from the \$2,346,000 reported for the first quarter of 2010, and up \$98,000 (4%) from the like period in 2009. On a year-to-date basis, net interest income of \$4,736,000 was up \$170,000 (4%) from the \$4,566,000 reported in 2009, reflecting the strong performance in the loan portfolio. As has been seen for the past year or more, the continued low rate environment has enabled the subsidiary banks to further reduce their interest expense, providing a positive impact to the net interest income figure.

In addition to the above, the subsidiary banks contributed \$309,000 to the loan loss reserve account during the second quarter, bringing the year-to-date provision expense to \$469,000, an increase of \$55,000 (13%) from the \$414,000 expensed in the first half of 2009. The loan loss reserve account carried a balance of \$2,552,000 as of June 30, 2010, an increase of \$490,000 (24%) from the amount reported as of June 30, 2009. This number represents a very healthy 1.60% of outstanding loans as of June 30, 2010.

The Corporation generated a return on average equity of 16.75% on an annualized basis, compared to 17.52% a year ago. Return on assets equaled 1.13%, versus a 1.09% last year.

Total assets for the Corporation as of June 30, 2010, totaled \$303,980,000, up \$19.5 million from a year ago, an increase of 7%; this marks the second consecutive quarter the Corporation has exceeded the \$300 million mark. Strong growth was experienced in the loan portfolio, which grew by \$14.0 (10%) million from June 30, 2009, to \$159.4 million. This number is down slightly from the \$161.4 million reported at the end of the first quarter of 2010. On the liability side, total deposits have grown by \$18.0 million in the past year (8%) and totaled \$249.9 million at the end of the second quarter. The Corporation's exposure to non-core, jumbo CD's (\$100,000 and larger) has decreased by \$8.5 million in the past year, a decrease of 24%. Reliance on borrowed money has also been reduced in the last year, and totaled \$21.1 million at June 30, 2010, a decrease of \$770,000 (4%) from one year ago.

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Non-performing loans totaled \$2,395,000 at June 30, 2010, an increase of \$692,000 (41%) from the \$1,703,000 reported as of June 30, 2009. This number has been reduced, however, from the \$3,616,000 reported as of March 31, 2010. The loan loss reserve balance of \$2,552,000 represents 107% coverage of these non-performing loans. Management is working diligently at resolving these non-performing assets, while continuing to closely monitor the loan portfolios for possible deterioration in currently performing loans.

Asset quality remains very strong; and capital is strong and well above the "well capitalized" level established by the FDIC.

The Board of Directors of the Corporation at its June board meeting approved a quarterly dividend of \$0.30 per share. Your dividend check is enclosed or will be deposited electronically.

We thank you for your continued support.

Sincerely,

A handwritten signature in cursive script that reads "Dennis Guthrie".

Dennis Guthrie
SVP & CFO