July 14, 2011

Dear Shareholder,

Second quarter net earnings totaled $709,000, up $202,000 (40%) from the $507,000 reported for the first quarter of 2011, but down $428,000 (38%) from the $1,137,000 for the second quarter of 2010. However, in the second quarter of 2010, Illini Bank realized $603,000 in securities gains. Excluding the net after-tax impact of this one-time transaction, normalized earnings for this quarter one year ago would have been approximately $640,000, or $69,000 below this year's second quarter performance. On a year-to-date basis, total earnings were $1,216,000, down 28% from the $1,679,000 for the first half of 2010. Earnings per share year-to-date total $2.53, compared to $3.49 for the same period last year.

The corporation continues to see an improvement in its net interest income (NII), as second quarter NII was $2,576,000, up $103,000 from the first quarter of 2011, and up $186,000 year over year. Year-to-date, NII was up $313,000 (7%) from a year ago, and totaled $5,049,000. A continuation in the growth of the loan portfolio, funded with low cost, stable deposit funds, is the major contributor to this improvement. Also contributing to the overall earnings performance was the increase in gains on loan sales, which provided comparable first quarter to second quarter 2011 results and on a year over year year-to-date basis increased by $181,000 (60%) from 2010 to 2011, ending June 2011 at $485,000.

An improvement in the overall quality of the loan portfolio enabled the Corporation to make smaller provisions for loan losses during the first half of 2011 when compared to the comparable period in 2010. Total provisions in 2011 were $275,000, compared to the $469,000 expensed during the same time frame in 2010.

Partially offsetting the increases on the income side was an increase of $320,000 (14%) in salaries and benefits expense, with this category totaling $2,644,000 for the first six months of 2010, compared to the $2,324,000 reported for the same period in 2010. Bolstering of the commercial lending staff, combined with fully staffed managerial staff in all branches for the first six months of 2011 contributed to this increase. Also proving to be a drag on earnings was an increase in the Other Expenses category, which includes expenses related to Other Real Estate Owned (OREO). This overall category increased by $175,000 from the same six months in 2010, and totaled $1,791,000 as of June 30, 2011. Expenses related to the maintenance of OREO property and the sale of OREO property totaled approximately $78,000 for the first six months of this year, compared to only $3,000 for the same period last year.

As mentioned earlier, the Corporation continues to see growth in the loan portfolio. Total loans outstanding as of June 30, 2011 were $166,760,000, while loans totaled $159,377,000 at June 30, 2010. This growth of $7,383,000 (5%) has come during a time when many banks have seen a decline in their total loan balances. This loan growth has been experienced primarily in the commercial loan area, where the Corporation's subsidiary banks have been able to develop new relationships with strong performing small businesses in their market areas, while also strengthening their relationships with existing commercial customers. While the Corporation has seen this growth, it continues to provide a buffer for unforeseen circumstances in the form of a $2,579,000 Loan Loss Reserve. This figure translates to 1.55% of total loans outstanding, a fairly strong figure in today's banking environment, and represents 171% of the total non-performing loans of $1,512,000 outstanding as of June 30th.

Overall, total assets of Illini Corporation declined by $5,848,000 (2%) from the $303,980,000 reported as of June 30, 2010, and stood at $298,132,000 as of the end of the recently completed quarter. Loan growth was offset by a decrease in cash and cash equivalents on the asset side, while on the liability side total deposits declined by $3,628,000 from a year ago and totaled $246,267,000 as of June 30, 2011. A growth of $3,166,000 (8%) in noninterest-bearing accounts was more than offset by a decrease of $6,794,000 (3%) in interest-bearing deposits. Of that total decrease in interest-bearing deposits, $3,638,000 came from a reduction in CDs greater than $100,000, as the subsidiary banks continue to increase the level of core deposits on their books, while decreasing their exposure to more volatile forms of deposit funds. Along this line, the subsidiary banks also decreased their total borrowings (which includes borrowings from the Federal Home Loan Bank of Chicago) to $17,527,000 as of quarter-end, a decrease of $3,524,000 (17%) from the $21,051,000 reported at June 30,2010.

Stockholders' equity totaled $22,045,000 as of June 30, 2011, up $1,461,000 (7%) from the $20,584,000 reported at the end of the second quarter of 2010. The total risk based capital ratio at the end of the second quarter of 2011 was a healthy 14.06%, up from the 13.89% reported at the same quarter end in 2010.

We often discuss the challenges that face Illini Corporation and its subsidiary banks, and the banking industry in general. Many of the provisions of the 2010 Dodd-Frank Act, which was mentioned in last quarter's newsletter, will begin to be implemented this month. The Durbin amendment to this Act, which involves the capping of interchange fees on debit card transactions, while scheduled for July, as been delayed to an October 1st implementation date. The Federal Reserve Bank has established maximum fee levels for interchange fees. It has again been stressed that financial institutions less than $10 billion in assets will not be impacted by this amendment; time and performance will tell whether or not that is the case. In addition to Dodd-Frank, the FDIC's guidance on overdrafts handling commences this month and is expected to have a more immediate negative impact on fee income.

On a different note, Illini Bank and the Sherman staff are anxiously awaiting the move into the new Sherman facility. It is anticipated that this facility, along with the new community center the bank has built adjacent to the new branch, will be opened during the third quarter of 2011, with a target date of mid-August. We invite you to stop in and say "Hi" to our staff and view these two positive additions to the village of Sherman.

At June's Board of Directors' meeting, the Board approved a dividend of $0.31 per share. Your dividend check is enclosed or will be deposited electronically to your account.

As always, the Board of Directors and management of Illini Corporation thank you for your continued support of the Corporation and we welcome your comments.

Sincerely,

Dennis Guthrie

Dennis Guthrie
SVP & CFO