

January 14, 2011

Dear Shareholder,

Your Corporation continued its strong earnings performance in the fourth quarter, with quarterly net income of \$720,000, or \$1.50 per share. This number compares very favorably to the \$549,000 earned in the fourth quarter of 2009. For the year, net income came in just under \$3 million, at \$2,961,000 (\$6.16 per share). Return on average equity equaled 14.31% for 2010, up from the 14.09% realized in 2009.

Mortgage banking continued to be a major contributor to earnings in 2010, with loan closings exceeding \$100 million for the second year in a row. Gains on sales of mortgage loans totaled \$1,312,000 in 2010, down only slightly from the \$1,378,000 generated in 2009. By comparison, the Corporation reported gains of only \$334,000 in 2008

Net interest income improved \$102,000 (4.5%) in the fourth quarter to \$2,389,000, from the third quarter number of \$2,287,000. As of year-end 2010, net interest income totaled \$9,412,000, up \$362,000 (4.0%) from the \$9,050,000 reported in 2009. The shift in assets from investments to the loan portfolio has contributed to this growth, as has the low rate environment and its impact on deposit pricing. Loans, net of unearned, totaled \$161.8 million at the end of the year, up \$11.4 million (7.6%) from the \$150.4 million at the end of 2009. In addition, the Corporation is seeing a continuation of the shift in deposit composition, which has helped reduce overall interest expense costs. At December 31, 2010, non-interest-bearing deposits exceeded \$42 million, the highest level in the Corporation's history. At the same time, the Corporation's subsidiary banks' reliance on large, non core CDs (those of \$100,000 or more in size), has fallen below \$20 million, at \$19,759,000, a reduction of \$6,249,000 (24.0%) from the \$26,008,000 at the end of 2009, and down over 42% from the high of \$34,501,000 reported at year-end 2007.

Provision for loan losses totaled just over \$1 million in 2010, very comparable to 2009. The allowance for loan loss account is a very strong \$2.9 million at year-end, which represents 1.78% of total loans.

Non-performing loans of \$1,519,000 as of year end represented a decrease of \$1,259,000 from the \$2,778,000 reported at year-end 2009, and represent less than 1% of outstanding loans. This decrease reflects the return to earning status of some loans whose performance has improved, as well as the placement of one commercial real estate credit of just over \$500,000 into other real estate owned (OREO). This OREO is an income producing property and will generate some income to the Corporation while Illini Bank seeks a buyer for this property.

Stockholders' equity totaled \$20,935,000 as of December 31, 2010, up \$1,398,000 (7.2%) from the \$19,537,000 reported at the end of 2009. This translates to a total risk based capital ratio of 14.58% at year-end 2010, compared to 13.54% a year ago.

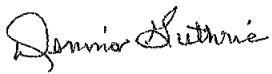
While there are many positives in the performance of the Corporation and its subsidiary banks, there are some areas of concern. The net interest margin, while showing a slight improvement (3 basis points) from the 3.71% reported for 2009, is exposed to possible compression in 2011, as loans and investments re-price at lower levels than are currently present in the respective portfolios, and fewer opportunities exist to re-price the liability side of the balance sheet lower. And, as mentioned in September's newsletter, the myriad of new regulations on banking coming out of Washington will negatively impact the subsidiary banks' ability to generate fee income. 2011 will indeed be a challenging year!

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At the December meeting of the Board of Directors, the Board approved a 1 cent increase in the quarterly dividend, to \$0.31 per share. Your dividend check is enclosed or will be deposited electronically to your account.

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

Sincerely,

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

Dennis Guthrie
SVP & CFO