



WESTERN ILLINOIS BANCSHARES INC.



2021 ANNUAL REPORT





STRONG. HONEST. LOYAL.

WIBI PRESIDENT'S REPORT

As I write this on March 18, 2022, I must report that a glass was raised yesterday to toast Ireland's patron saint, our customers, staff, stockholders and the people in the communities we serve for their support in making 2021 our most profitable year.

Shortly thereafter, another glass went up in thanks for the government programs that caused those profits to grow and our deposits to surge.

Tongues having loosened after the earlier toasts, the commentary became less complimentary, focusing on inflation, fuel costs and supply shortages.

Today things look good for our farmers. Though input costs have soared, so too have grain prices. Mother Nature will still determine the final outcome, but I hope many have been able to sell their stored grain and some of what they plan to grow.

While I condemn the actions of Russia's leader, he has pointed out the world's necessary dependence on fossil fuels and has been able to make many dependent on his nation's oil and natural gas. His recent actions in the Ukraine should have brought to mind that his soldiers and their war machinery do not and cannot move on green energy. His fighters, bombers, ships, tanks, artillery, armored personnel carriers, trucks, etc. are powered by liquid fuels.

Our current leadership in Washington might not remember that our ever-depleting weapons of war have the same power source, nor can they stop and recharge during a battle.

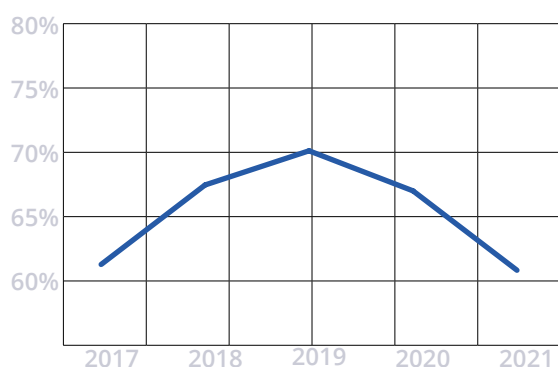
Let's hope that the world picture, both national and local, takes on a more positive focus as 2022 progresses.

Please remember that we intend to continue to strengthen our efforts to meet your banking, mortgage, insurance and wealth management needs whether in-person, over the phone or via the internet.

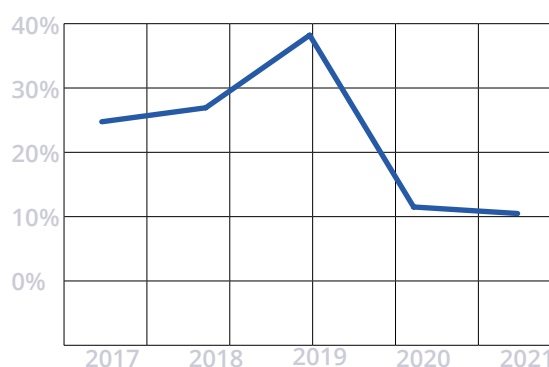
Augustin S Hart III

President, Western Illinois Bancshares, Inc.

EFFICIENCY RATIO



TEXAS RATIO



MIDWEST BANK PRESIDENT'S REPORT

CONSOLIDATED NET EARNINGS INCREASE

84%

RETURN ON COMMON EQUITY

10.57%

COMMON DIVIDENDS PAID

\$1.6MM

“These were pretty lofty goals, and I am so proud of our team for what they have achieved. Without a solid foundation, nothing sustainable can be built.”

As I write this, I cannot help but acknowledge what is going on in the world and how volatile things have become due first to the pandemic, then inflation and now a war. With this in mind I ask the question: Who do you consider as a trusted source for financial services in today's environment? I hope to share a new part of our story and provide some insight into this question.

Last year I spoke of a new beginning for our company as we started to realize success in achieving some of our strategic initiatives. The success was primarily a balance sheet with much less credit risk, as well as significant growth in our four non-interest income pillars. In addition, we could also see a solid foundation being formed.

This did not happen overnight and can be attributed to a lot of hard work in all areas. During 2021 we were able to achieve 100% of our risk management metrics for the first time ever! These were pretty lofty goals, and I am so proud of our team for what they have achieved. Without a solid foundation, nothing sustainable can be built.

As you are likely aware from our quarterly newsletters, 2021 was a record-breaking year financially. Our audited statements reflect consolidated net earnings of \$5,872,113 compared to \$3,199,753 in 2020 – an increase of 84%! Overall return on average common equity was 10.57% and we paid \$1,659,944 in common dividends to our shareholders, or approximately 28.3% of earnings. The numbers in this year's report can pretty much speak for themselves.

In addition to this success, we realized how important it is to keep to our community bank roots. Midwest Bank is known for our personal approach and building relationships with our customers and the communities we serve. In an effort to improve efficiency during the pandemic, we tried to add a level of automation to our phone system. We quickly recognized that our customers preferred a more personal connection. We have committed even more resources to taking a step back and providing a higher level of customer service in 2022. This is a key element in the next phase of our new beginning – technology.

Technology is our friend – but only when it works! We have all heard this many times and it is true. It is all good until we have a problem and then we want someone to rescue us. In 2022 we will be introducing several new bank services driven by technology and we could not be more excited. At the same time, we have learned that our support levels must keep pace with these services. We are committed to this from the Board level on down.

Many of the financial technology companies, commonly referred to as Fintechs, are building their businesses on forming relationships with community banks. Why would that be? It is clearly because they view us as being the trusted source for financial services. It is not the big banks and it is not other Fintechs. They need us to help build their businesses and we need them to remain competitive and to improve our operating efficiency. We will continue efforts to capitalize on these strategic partnerships.

As a community financial institution in rural western Illinois, we cannot forget who we are and how we got here. At the same time, we need to keep pace with the world and look to manage the risk of the ever-changing financial services market. This is not an easy task and would not be possible without our incredible team and the solid foundation they have built. Thanks to these efforts, we truly feel we are well positioned to be the trusted source for all of our customers' financial needs – both today and tomorrow.

Even with all of the uncertainty, we have a lot to be thankful for, including our record results in 2021. Please consider attending our annual meeting on Wednesday, April 27th to celebrate with us and learn more about our plans to address the new challenges for 2022. We look forward to seeing you there.

Christopher J. Gavin

President & CEO, Midwest Bank



BETTER TOGETHER



COMMUNITY

Western Illinois Bancshares, Inc. finds strength not only by being locally-owned and operated, but also by reinvesting in the communities they serve. Through a wide variety of sponsorships, donations and volunteerism, employees and board members strive to make a positive impact.

ANGEL TREE

Each year, bank and insurance employees assist local organizations with collecting and distributing angel tree gifts. In 2021, over 273 gifts were collected and delivered to 114 area families.

EDUCATION

As part of our ongoing priority to support local education, donations to area schools and affiliated programs in 2021 totaled over \$35,000.

VOLUNTEERISM

Employees spend countless hours donating their time as board members, coaches and volunteers. In 2021, employees participated in the Knox County IL CEO Entrepreneurship program where students were immersed in real life learning experiences.

FOOD INSECURITY

In an effort to assist with food insecurity, Midwest Bank made monetary donations to various food pantries totaling over \$3,500. Some of the recipients included Pay it Forward Food Pantry, FISH of Galesburg, East Peoria Food Pantry and Milan Christian Food Pantry.

SCHOLARSHIP

Midwest Bank provides various scholarship opportunities for area high school students. The 2021 Karna Foster Scholarship recipient was Hannah Braun of Monmouth-Roseville School District.

HEALTHY LIVING

Over \$19,000 was given to local YMCAs and various youth sports programs to promote youth development and healthy living.

RELAY FOR LIFE

Through various fundraisers and monthly jean days, employees and bank contributions totaled over \$4,500 raised for the American Cancer Society Relay For Life.

WIBI BOARD OF DIRECTORS



Augustin S Hart III
Agribusiness & Insurance



Robert A Riley
Retired John Deere Dealer



Christopher J Gavin
*President & CEO
Midwest Bank*



Scott T Champion
Owner MCM Media



Alice J Defenbaugh
Beulah Land Farms, LLC



Andrew J Gianulis
*Retired John Deere
Executive*



Cristin D McGrath
CPA & Financial Controller



Mark J Sexton
*Bart Bank Group &
Attorney*

EXECUTIVE TEAM



Christopher J Gavin
President & CEO



Matthew O Gillen
*Executive VP &
Chief Credit Officer*



Aaron D Jensen
*Executive VP &
Chief Operations Officer*



Jennifer V Anderson
VP & Chief Financial Officer



Sara A Bockelman
VP & Chief Retail Officer



Chad W Morse
*President
Porter-Hay Insurance*

MIDWEST BANK BOARD OF DIRECTORS



Robert A Riley
Retired John Deere Dealer



Dr. Stephen A Johnson
Retired Dentist



Leslie G Allen
*Retired Executive VP
Midwest Bank*



Marvin H Dahlberg
Retired CPA & City Treasurer



Alice J Defenbaugh
Beulah Land Farms, LLC



Christopher J Gavin
*President & CEO
Midwest Bank*



Matthew O Gillen
Executive VP Midwest Bank



Augustin S Hart III
Agribusiness & Insurance



Aaron D Jensen
Executive VP Midwest Bank



Michael G Luna
*Former Owner/Operator
McDonalds*



Cristin D McGrath
CPA & Financial Controller



Brian J Neff
CPA, CMB & Co LLC



James R Purlee
Purlee Farms
**Moving to WIBI Board for 2022*



Louis G Schendl
Mesquite Capital/Captive
**New effective 2022*

HERE FOR THE FUTURE

Western Illinois Bancshares, Inc. continues to invest in multi-channel user experiences and technology to make it easier for customers to bank when they want and where they want.



REDESIGN OF ONLINE BANKING PLATFORM

With the launch of our enhanced Online Banking platform, users are able to personalize and reorder widgets to utilize the features they use most frequently. Widgets can be customized to provide direct access to more information.



UPGRADE OF MOBILE BANKING APP

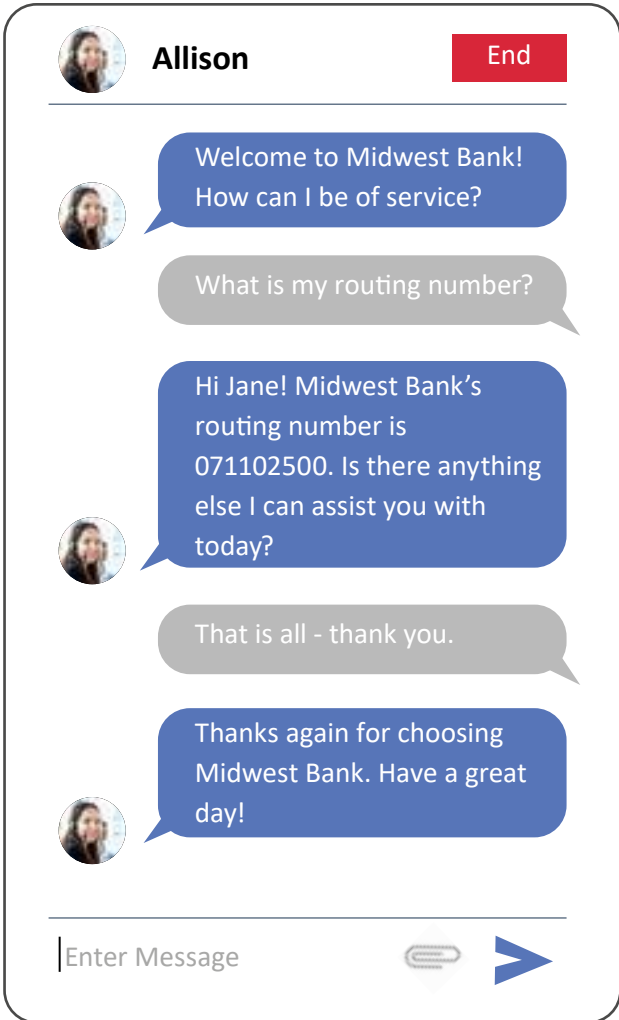
The new Mobile Banking App provides improved user experience and security features. Users have the ability to use biometric login, create fixed recurring transfers and utilize dynamic account detail fields.



LAUNCH OF XPRESS LIVE DIGITAL CUSTOMER SERVICE

With the launch of Xpress Live, we now have the ability to communicate and engage with our customers via chat. We are able to better assist customers with the ability to co-browse and screen share.

	2020	2021	Y/Y INCREASE
MOBILE BANKING USERS	3,258	4,025	24%
INTERNET BANKING USERS	6,442	6,861	7%
MOBILE CHECK DEPOSITS PER MONTH	626	963	54%
DEBIT CARD VOLUME	\$72,967,947	\$86,990,550	20%
DEBIT CARD TRANSACTIONS	1,946,615	2,183,313	12%



“ This chat feature is really helpful. REALLY helpful.

“ I loved this, so easy!

“ I appreciate the simplicity...you made it very easily understood with chat.

“ It was nice to get a response to my questions right away.

The advertisement features a smartphone on the left displaying the Midwest Bank mobile app login screen. The screen shows the Midwest Bank logo, a "Welcome" message, and fields for "Account ID", "Password", "Remember Account ID", and "Use Face ID". A "Log In" button and a "Forgot Password" link are also visible. To the right of the phone, the text reads "MIDWEST BANK MOBILE BANKING APP AVAILABLE ANYTIME, ANYWHERE 24/7". At the bottom, there are two logos: "Available on the App Store" and "ANDROID APP ON Google Play".

FINANCIAL HIGHLIGHTS

NET INCOME

\$5.8MM

TOTAL ASSETS

\$637.7MM

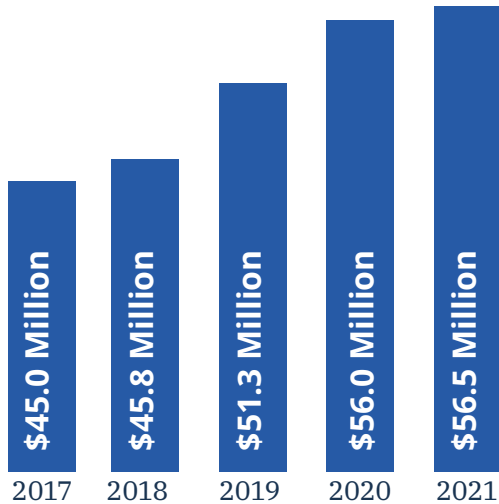
DIVIDEND PER SHARE

\$1.25

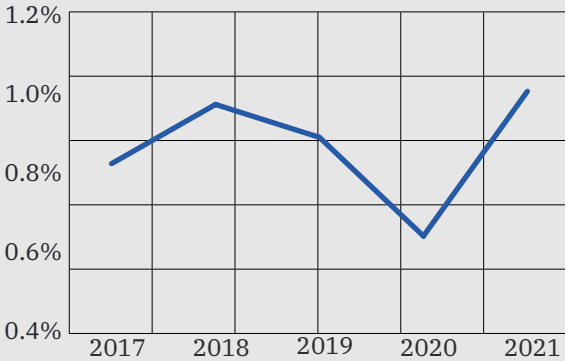
EARNINGS PER SHARE

\$4.42

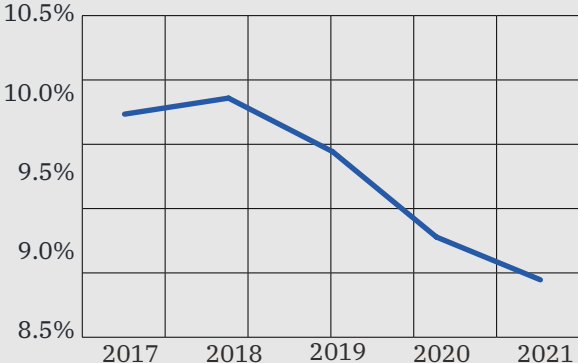
STOCKHOLDER'S EQUITY



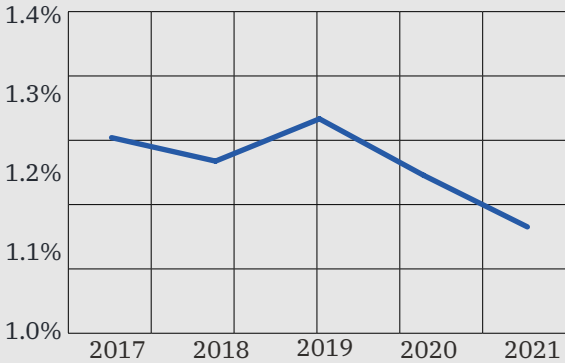
RETURN ON ASSETS



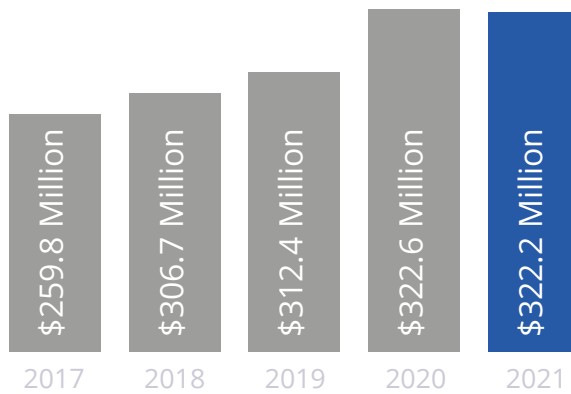
CORE CAPITAL RATIO



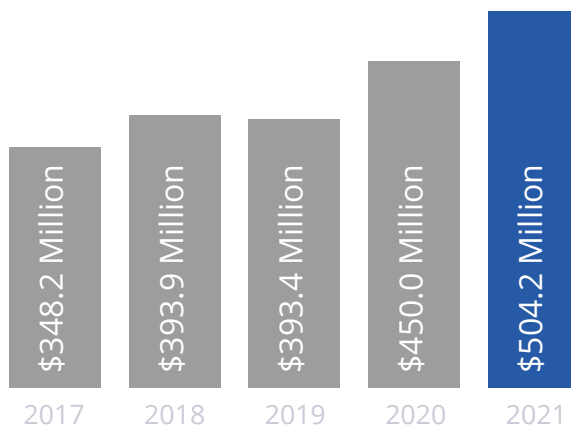
NII INCOME TO AVG ASSETS



GROSS LOANS



TOTAL DEPOSITS



BOOK VALUE PER SHARE



CONSOLIDATED BALANCE SHEET

Assets	2021	2020
Cash and due from banks	5,025,306	11,679,957
Federal funds sold	1,399,000	1,538,000
Interest-bearing demand deposits in banks	<u>955,740</u>	<u>1,719,749</u>
Cash and cash equivalents	7,380,046	14,937,706
Interest-bearing time deposits in banks	1,236,976	2,972,764
Available-for-sale debt securities	253,519,011	203,569,241
Loans held for sale	173,018	670,844
Loans, net allowance for loan losses of \$4,301,533 and \$3,847,229 at December 31, 2021 and 2020	327,952,483	318,120,608
Premises and equipment, net of accumulated depreciation of \$6,191,983 and \$5,830,805 at December 31, 2021 and 2020	6,822,249	7,114,320
Federal Reserve and Federal Home Loan Bank stock	2,853,020	2,868,020
Foreclosed assets held for sale, net	12,000	917,399
Cash surrender value of life insurance	14,152,543	12,438,968
Interest receivable	4,306,644	4,624,854
Mortgage servicing rights	503,330	395,591
Goodwill	14,160,039	14,160,039
Intangibles	2,741,168	2,462,433
Other	<u>1,909,380</u>	<u>2,274,045</u>
Total Assets	\$637,721,907	\$587,526,832
Liabilities & Stockholder's Equity		
Demand Deposits	58,590,606	52,920,799
Savings, NOW and Money Market Deposits	355,951,274	286,355,157
Time Deposits	79,693,392	92,302,327
Brokered Deposits	<u>9,971,000</u>	<u>18,057,000</u>
Total Deposits	504,206,272	449,635,283
Short-term borrowings	22,868,920	22,542,858
Subordinated debentures	9,279,000	9,279,000
Other borrowings	40,377,500	45,185,000
Interest payable	149,465	163,258
Deferred income taxes	673,471	1,760,745
Other liabilities	<u>3,663,233</u>	<u>2,875,661</u>
Total liabilities	581,217,861	531,441,805
Common stock, \$1 par value; authorized 10,000,000 shares; 1,329,955 and 1,339,955 shares issued and outstanding at December 31, 2021 and 2020	1,329,955	1,339,955
Additional paid-in capital	29,283,562	29,503,562
Retained earnings	25,511,181	21,299,012
Accumulated other comprehensive loss	379,348	3,942,498
Total Stockholder's Equity	<u>56,504,046</u>	<u>56,085,027</u>
Total Liabilities and Stockholder's Equity	\$637,721,907	\$587,526,832

STATEMENTS OF INCOME

	2021	2020
Interest and dividend Income:		
Loans, including fees	15,501,405	15,629,954
Debt securities		
Taxable	2,109,871	1,780,114
Tax-exempt	1,688,995	1,463,130
Federal funds sold and other	64,669	122,021
Dividends	<u>156,343</u>	<u>177,069</u>
Total interest and dividend income	19,521,283	19,172,288
Interest expense:		
Deposits	2,236,342	3,134,469
Short-term borrowings	419,417	259,803
Subordinated debentures	57,370	169,330
Other borrowings	<u>562,039</u>	<u>865,913</u>
Total interest expense	3,275,168	4,429,515
Net interest income	16,246,115	14,742,773
Provision for loan losses	<u>820,000</u>	<u>2,500,000</u>
Net interest income after provision for loan losses	15,426,115	12,242,773
Non-interest income:		
Fiduciary activities	456,827	420,838
Customer service fees	1,345,850	1,347,314
Insurance commissions	3,185,677	2,844,328
Increase in cash surrender value of life insurance	286,236	290,786
Net realized gains on sales of available-for-sale debt securities	55,782	366,006
Mortgage banking, net	931,874	1,166,558
Gain on sale of premises and equipment	5,339	(51,932)
Other	<u>543,234</u>	<u>288,498</u>
Total non-interest income	6,810,819	6,672,396
Non-interest expense:		
Salaries and employee benefits	9,158,610	8,960,437
Occupancy	1,099,185	1,139,196
Equipment	669,803	857,739
Professional fees	379,278	343,581
Marketing	159,491	150,197
Printing and office supplies	85,292	113,646
Foreclosed assets, net	622	428,858
Deposit insurance premiums	153,732	157,929
Other	<u>2,926,208</u>	<u>2,789,233</u>
Total non-interest expense	14,632,221	14,940,816
Income before income taxes	7,604,713	3,974,353
Provision for income taxes	<u>1,732,600</u>	<u>774,600</u>
Net Income	\$5,872,113	\$3,199,753



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