



WESTERN ILLINOIS BANCSHARES INC.

ANNUAL REPORT

STRONG. HONEST. LOYAL.

WIBI PRESIDENT'S REPORT

First, I must extend my thanks to our stockholders for their continuing support, our staff for all they do and have done to contribute to our success, and our customers without whom we would not exist. It has been an interesting year to put it mildly. Only the very young don't realize that everything needed to maintain their daily existence is costing more. Inflation hurts everyone except those who print money.

As I age, I have come to realize that the benefit of getting older is that your perspective broadens from the understanding gained by having generally witnessed economic cycles of all sorts. I also know that the capacity of the brain's storage disc seems to shrink, or, at least, the ability to quickly access what is stored there diminishes.

Even with inflation, the local economy flourished during the past year. Farmers, despite the drastic increase in input costs, did well. Mother Nature has treated us quite well this winter and it appears that most of the moisture that fell during the winter months actually went into the ground instead of running off into the creeks and streams. Let's hope she continues her good manners.

Thankfully, it is unlikely that those who run our governments will ever gain control of nature, despite all their efforts to supposedly make things easier on her down the road. When one considers how poorly they manage what they do control, the forecast would not be pretty.

The only new piece of legislation I would propose would require that those in Congress would have to eliminate their own pension system, which also seems to be the one they fully fund, and join the Social Security System, with the added contingency that actions taken during their time in office could cause their monthly benefit to be reduced.

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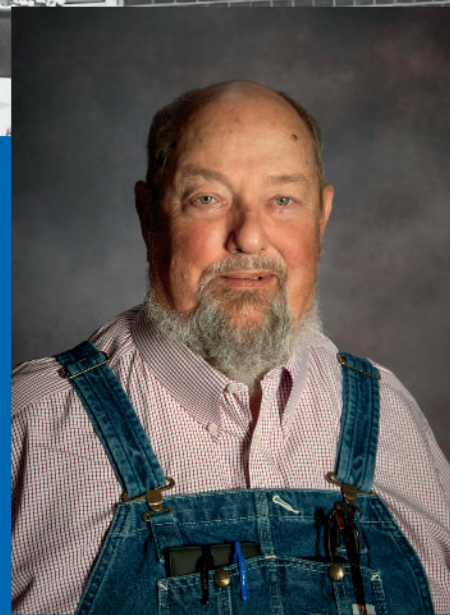
The recent failure of a few mismanaged and poorly regulated banks has created a confidence reduction in the banking system as a whole. I can assure you we do manage our risks daily to ensure that we will never fail.

Those failures have resulted in the government covering all the potential depositors' losses at those banks while claiming that it was done in such a way that will be of "no cost to the taxpayers." Please remember that any government spending is a cost to the taxpayers. Ultimately, all government funds have been and will ever be provided by those who pay taxes.

I continue to worry that those running our great nation are failing to upgrade their computers and operating systems while neglecting to add to their fast diminishing supply of weapons of war.

It is my hope that Mother Nature, the economy, and all of those with whom you deal and associate treat you well in 2023. Please let me know if I might be of help in improving your dealings with our bank or its subsidiaries.

Augustin S. Hart III
President, Western Illinois Bancshares, Inc.



MIDWEST BANK PRESIDENT'S REPORT

**INCREASE IN
ASSETS BY**

6.68%

**INCREASE IN
LOANS BY**

9.30%

**INCREASE IN
DEPOSITS BY**

10.84%

“ Despite some of the current headwinds, we feel we are “hitting on all cylinders” and ready to take advantage of opportunities for growth.

Dear Shareholder:

This past year marked my 40th year in banking and I have seen and experienced many things over this period of time, but until 2022 I had not seen interest rates increase by 4.00% in less than one year. While this has presented short-term challenges, overall, we remain optimistic.

One of my first educational opportunities in banking was learning about asset-liability management. In 1984, the bank I was with had just purchased their first computer – an IBM with dual floppy drives. Some of you may actually remember those. At that time, we were coming off an all-time high in interest rates, with prime rate reaching 21.50% in December of 1980. I'm confident some of you remember that. The new computer helped us create financial models to manage interest rate risk.

Today we are still using similar models to help us manage the bank and as you can imagine, they are much more sophisticated. Every quarter we conduct rate shocks of up to 4.00% to measure the effect it would have on both our balance sheet and income statements. While these forecasting tools have proven valuable in the current rate environment, we never expected a 4.00% rate shock in the real world!

We are well-positioned to manage the banking risks that exist today. In addition to having better tools and a talented staff to use them, we are strong in all areas. This is especially true in the two most critical ones – credit quality and liquidity. Problems for banks most always start with bad loans and in the worst-case lead to a liquidity crisis like we have seen recently with several large banks. I can assure you that Midwest Bank and community banks as a whole are nothing like these banks.

Financially, 2022 was a transition year as stimulus payments had ended, and we began to feel the inflationary after effects. Our audited statements reflect consolidated net earnings of \$5,353,329 compared to \$5,872,113 in 2021, representing a decline of 8.83%. While year-over-year earnings per share were lower at \$4.02 versus \$4.40, we knew it would be a challenge replacing \$1.6MM PPP loan fees received in 2021.

During the year, we once again experienced significant growth. Assets went from \$638MM to \$680MM, for an increase of 6.68%. Loans increased by 9.30%, going from \$328MM to \$358MM. Last, deposits went from \$504MM to \$558MM, representing growth of 10.84%. Deposits is where we expect the biggest change in 2023, as organic growth will be difficult due to the high demand for deposits and a slowing economy.

Recently we have made the election with the Federal Reserve to switch from a Bank Holding Company to a Financial Holding Company (FHC). This move formalizes our existing business model and allows for more freedom to expand our financial services platform that already includes insurance and wealth management. These, along with mortgage services and credit cards, make up our four pillars of non-interest income.

Despite some of the current headwinds, we feel we are “hitting on all cylinders” and ready to take advantage of opportunities for growth. As an FHC, this growth can take place in a number of different forms – banking, insurance, wealth management and even accounting. We look forward to seeking out synergistic relationships that can create additional revenue for the company.

Nothing is impossible with a great team and we have just that. In addition to learning about asset-liability management during the last 40 years, I have also learned to recognize when something is extra-ordinary. I have recently told our staff that they are the best I have worked with. I hope that our future success proves me right.

Please consider attending our annual meeting. This year we are going to provide a virtual option for those of you who cannot attend in person, although attending in person can definitely be more fun! We plan to put more focus on the future and sharing some of our strategic goals for the company. Your attendance would be greatly appreciated.

Christopher J. Gavin
President & CEO, Midwest Bank



HERE FOR THE FUTURE

Midwest Bank continues to pursue innovative customer support solutions. We offer a variety of Electronic Banking products and ancillary services. All of these offerings are provided at no cost to our customers with multifactor authentication and added security features.

INTERNET BANKING

We have over 7,100 Internet Banking Customers utilizing our fast, simple and convenient way to control their finances.

MOBILE BANKING

Our Midwest Bank Mobile Banking app is available to download in the App Store and Google Play.

MY SPENDING

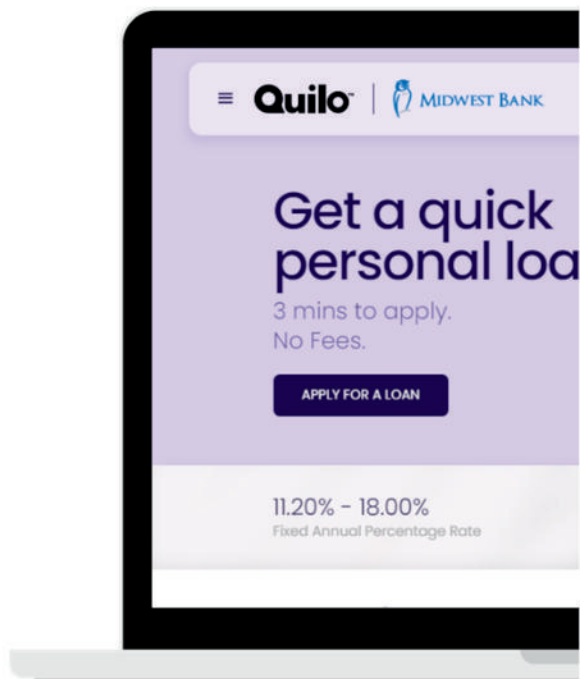
The My Spending feature allows customers to monitor spending and manage expenses.

BILL PAY

Bill Pay services provide a secure and easy way to receive, view and pay bills.

MOBILE CHECK DEPOSIT

Customers can deposit checks without having to visit one of our locations through the Mobile App.





+ MY CREDIT SCORE

My Credit Score provides customers with instant access to the factors impacting their credit score and educational tools to help demystify how credit scores are calculated.

+ DIGITAL CUSTOMER SERVICE

Chat assistance on our website allows for a wide variety of customer support options from a simple chat to a full engagement through co-browsing.

+ CARD PROGRAMS

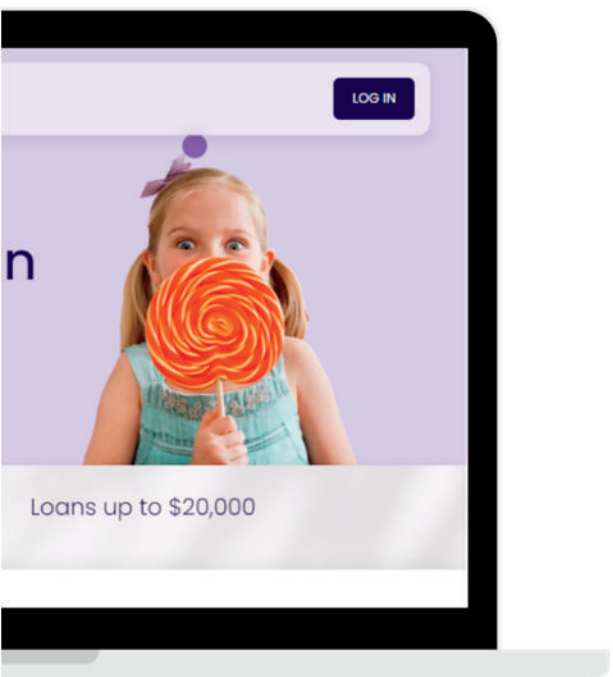
Midwest Bank has instant issue debit cards and a robust credit card program for both consumers and businesses.

+ MOBILE WALLET

Mobile Wallets offer increased security and are safer to use than swiping a physical card.

+ QUILO

Quilo is a new 24/7 digital loan platform that can provide quick, unsecured personal loans in a matter of minutes.



BETTER TOGETHER

Western Illinois Bancshares, Inc. is locally owned and operated and takes pride in reinvesting in the communities we serve. Through a wide variety of sponsorships, donations and fundraisers, employees and board members strive to make a positive impact both financially and philanthropically.

Founded in 1870, one thing has remained constant – our commitment to our customers and the communities we serve.



FINANCIAL HIGHLIGHTS

Key Ratios	2022	2021	2020	2019	2018
Return on Average Assets	0.93%	0.99%	0.67%	0.78%	0.90%
Return on Average Equity	10.62%	8.64%	5.47%	6.40%	7.53%
Average Equity to Average Assets	7.69%	11.38%	12.27%	12.38%	11.72%
Net Interest Margin	2.96%	2.97%	3.13%	3.36%	3.65%
Efficiency	65.90%	62.10%	68.60%	72.00%	69.00%
Tier 1 Leverage	9.21%	8.94%	9.09%	9.34%	9.62%
Tier 1 Risk-Based Capital	14.96%	15.46%	16.02%	14.14%	14.01%
Nonperforming Loans/Total Loans	0.36%	1.40%	1.17%	3.98%	1.74%
Allowance for Loan Losses/Total Loans	1.17%	1.29%	1.19%	1.27%	0.98%
Net Charge-Offs/Average Loans	0.10%	0.11%	0.82%	0.29%	0.17%
Texas Ratio	4.63%	10.04%	11.09%	38.97%	27.19%



PORTER-HAY INSURANCE

Property Casualty
Commission income up
over 10% and 291 new
customers were written



WEALTH MANAGEMENT

2022 was a record year
with over \$22MM in new
assets and 63 new clients



ORIGINATED MORTGAGE LOANS

226 new loans and over
\$25MM in total origination



CREDIT CARD PROGRAM

The Credit Card division
reached over \$5MM in
annual spending and 222
new card holders

CONSOLIDATED BALANCE SHEET

Assets	2022	2021
Cash and due from banks	16,786,981	5,025,306
Federal funds sold	373,000	1,399,000
Interest-bearing demand deposits in banks	10,355,494	955,740
Cash and cash equivalents	27,515,475	7,380,046
Interest-bearing time deposits in banks	746,188	1,236,976
Available-for-sale debt securities	234,533,677	253,519,011
Held to maturity debt securities	575,598	-
Loans held for sale	32,399	173,018
Loans, net of allowance for loan losses of \$4,247,168 and \$4,301,533 at December 31, 2022 and 2021	358,468,109	327,952,483
Premises and equipment, net of accumulated depreciation of \$5,653,706 and \$6,191,983 at December 31, 2022 and 2021	6,673,737	6,822,249
Federal Reserve and Federal Home Loan Bank stock	2,900,683	2,853,020
Foreclosed assets held for sale, net	-	12,000
Cash surrender value of life insurance	14,408,478	14,152,543
Interest receivable	5,118,670	4,306,644
Mortgage servicing rights	515,160	503,330
Goodwill	14,160,039	14,160,039
Intangibles	2,456,938	2,741,168
Deferred tax asset	9,754,439	-
Other	2,614,942	1,909,380
Total Assets	\$680,474,532	\$637,721,907
Liabilities and Stockholder's Equity	2022	2021
Demand Deposits	69,249,953	58,590,606
Savings, NOW and money market	372,096,910	355,951,274
Time	83,130,322	79,693,392
Brokered deposits	34,404,000	9,971,000
Total deposits	558,881,185	504,206,272
Short-term borrowings	37,399,102	22,868,920
Subordinated debentures	9,279,000	9,279,000
Other borrowings	35,217,500	40,377,500
Interest payable	137,771	149,465
Deferred income taxes	-	673,471
Other liabilities	3,992,920	3,663,233
Total liabilities	644,907,478	581,217,861
Common stock, \$1 par value; authorized 10,000,000 shares; issued and outstanding 2022 and 2021-1,329,955 shares	1,329,955	1,329,955
Additional paid-in capital	29,283,562	29,283,562
Retained earnings	29,534,555	25,511,181
Accumulated other comprehensive income (loss)	(24,581,018)	379,348
Total stockholders' equity	35,567,054	56,504,046
Total Liabilities and Stockholders' Equity	\$680,474,532	\$637,721,907

STATEMENTS OF INCOME

	2022	2021
Interest and Dividend Income		
Loans, including fees	15,227,566	15,501,405
Debt securities		
Taxable	2,849,476	2,109,871
Tax-exempt	1,987,171	1,688,995
Federal funds sold and other	93,308	64,669
Dividends	167,798	156,343
Total interest and dividend income	20,325,319	19,521,283
Interest Expense		
Deposits	2,260,358	2,236,342
Short-term borrowings	570,773	419,417
Subordinated debentures	533,537	57,370
Other borrowings	556,893	562,039
Total interest expense	3,921,561	3,275,168
Net Interest Income	16,403,758	16,246,115
Provision for Loan Losses	275,000	820,000
Net Interest Income After Provision for Loan Losses	16,128,758	15,426,115
Noninterest Income		
Fiduciary activities	460,236	456,827
Customer service fees	1,340,753	1,345,850
Insurance commissions	3,326,449	3,185,677
Increase in cash surrender value of life insurance	288,419	286,236
Net realized gains on sales of available-for-sale debt securities	-	55,782
Mortgage banking, net	573,065	931,874
Gain on sale of premises and equipment	6,357	5,339
Other	387,703	543,234
Total noninterest income	6,382,982	6,810,819
Noninterest Expense		
Salaries and employee benefits	9,886,425	9,158,610
Occupancy	1,119,180	1,099,185
Equipment	663,176	669,803
Professional fees	426,927	379,278
Marketing	167,723	159,491
Printing and office supplies	69,722	85,292
Foreclosed assets, net	10,218	622
Deposit insurance premiums	181,348	153,732
Other	3,127,492	2,926,208
Total noninterest expense	15,652,211	14,632,221
Income Before Income Taxes	6,859,529	7,604,713
Provision for Income Taxes	1,506,200	1,732,600
Net Income	\$5,353,329	\$5,872,113

CONTACT US



309.734.2265
888.309.2265



www.mbwi.com
www.porterhayinsurance.com
www.mbwealthservices.com



200 E. Broadway
Monmouth, IL 61462



WESTERN ILLINOIS BANCSHARES INC.

MEMBER FDIC