



NEWSLETTER

Western Illinois Bancshares Inc.

Dear Shareholder:

The new normal seems to be chaos and disruption of some sort. In the last three years it has been in the form of a pandemic, a glut of deposits, hyper-inflation, a historic rise in interest rates, a war in Europe, a shortage of deposits and now concerns about our banking system. But as I write this letter, our bank remains strong, the sun is shining, the crops are mostly planted and we have moisture in the ground. I choose to focus on the latter today.

During the first quarter we recorded earnings of \$1,040,845, compared to \$1,409,068 last quarter and \$1,102,845 for the first quarter of 2022. Earnings per share were \$0.78 for the period versus \$1.06 for last quarter and \$0.83 for the same quarter last year. We are off to a slower start to the year due to the rapid rise in our cost of funds. As referenced above, demand for deposits is very high.

Year-to-date the bank had a ROA of 0.75%, compared to our local peer group of 0.96%. The majority of our non-interest income is recognized in the second half of the year, which negatively affects this ratio for this period. Our net interest margin (NIM) was at 3.05% versus, 3.38% for our peers. Our Leverage (Capital) Ratio was at 9.14%, versus 10.00% for the group.

Average loans were up for the quarter and stood at \$355.5 million, versus \$341.6 million for the prior quarter and \$318.2 for the same period last year. We had another excellent quarter for loan growth, which will have a positive impact as the year progresses.

Investments were up slightly with an average of \$233.2 million, versus \$230.1 million for the prior quarter and \$257.9 million last year. The increase is due to less unrealized loss on the portfolio. We continue our strategy to use the future cashflows from our portfolio to fund loan growth.

Average deposits were up at \$542.9 million, compared to \$534.0 million last quarter and \$525.8 million for the same period last year. The increase is primarily in wholesale versus retail deposits. Our team has been working diligently to manage our cash position. This has included the use of multiple funding sources that help control funding costs and reduce interest rate risk.

Credit quality remains strong and metrics are in line with our goals. Non-accrual Loans to Loans were at 0.38%, and below peer of 0.63%. Charge-offs to Loans were at 0.05% for the quarter, versus peer of 0.00%. Loan loss reserve balance was at 1.21% of total loans, compared with our peers at 1.39%.



The most recent stock transaction was a block of 400 shares that traded at \$39.50 per share. If you have an interest in selling or buying, please contact Brooke Robinson (309-457-6284 / brooke.robinson@mbwi.com) or Chris (309-457-6227 / cgavin@mbwi.com) with the number of shares and the selling or offering price.

Best regards,
Gus & Chris

Western Illinois Bancshares, Inc. Financial Results			
	2023 1st Quarter	2023 Year-to-Date	2022 Year-to-Date
Earnings	\$1,040,845	\$1,040,845	\$1,102,845
Return on Common Equity	11.61%	11.61%	8.64%
Common Dividends Paid	\$664,978	\$664,978	\$332,489
Dividends per Share	\$0.50	\$0.50	\$0.25
Tangible Book Value per Share	\$14.87	\$14.87	\$21.84

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NEWSLETTER

Western Illinois Bancshares Inc.

Dear Shareholder:

In June of 2021 we were carrying close to \$50 million in extra liquidity from the pandemic stimulus money. At that time, we had three choices. We could hold on to the cash, work to increase loans, or add the funds to our investment portfolio. At the time, there was little return on holding cash and loans were difficult to find without increasing our risk, so we chose to invest the funds. This seemed very prudent at the time.

In hindsight, we wish we would have held onto the cash until rates had increased, but that is now water under the bridge. The good news is that the Fed is signaling an end to the interest rate hikes. In addition, our most recent projections indicate our margins will begin to improve by the middle of next year. Other than the current margin compression, the company remains strong in every respect.

During the first quarter we recorded earnings of \$964,176, compared to \$1,040,845 last quarter and \$1,308,456 for the second quarter of 2022. Earnings per share were \$0.72 for the period versus \$0.78 for last quarter and \$0.98 for the same quarter last year. As mentioned above, the lower earnings are due to margin compression. We do expect higher fee income and insurance revenue during the second half of the year.

Year-to-date the bank had a ROA of 0.72%, compared to our local peer group of 0.95%. Our net interest margin (NIM) was at 2.96% versus, 3.33% for our peers. Our Leverage (Capital) Ratio was at 9.14%, versus 10.13% for the group.

Average loans were up for the quarter and stood at \$364.8 million, versus \$355.5 million for the prior quarter and \$323.9 million for the same period last year. We had another excellent quarter for loan growth, which will have a positive impact as the year progresses.

Investments were down with an average of \$227.3 million, versus \$233.2 million for the prior quarter. The decrease is due to cashflow from the portfolio not being reinvested and an increase in the unrealized loss on the portfolio. We continue our strategy to use the future cashflows from our portfolio to fund loan growth.

Average deposits were down at \$533.5 million, compared to \$542.9 million last quarter, but still up from the \$528.2 million for the same period last year. Our team continues to work diligently in both competing for local deposits and managing our overall cash position. This has included the use of multiple funding sources that help control funding costs and reduce interest rate risk.

Credit quality remains strong and metrics are in line with our goals. Non-accrual Loans to Loans were at 0.38%, and below peer of 0.60%. Charge-offs to Loans were at 0.08% for the quarter, versus peer of -0.02%. Loan loss reserve balance was at 1.17% of total loans, compared with our peers at 1.40%.

Our subsidiary, Porter-Hay Insurance, recently announced the purchase of two new agencies. The first is Insurance Exchange that was previously owned by Farmers State Bank of Western Illinois. Their operation will be moved to our Seminary Street offices in Galesburg. The second is the Ted Blaser Agency in Moline, Illinois. Ted will be moving into our bank's Moline facility. We are excited for both of these opportunities.

We had a large volume of 20,300 shares trade during the quarter. The range of sales were \$39.00 to \$41.50 per share. As always if you have an interest in selling or buying, please contact Brooke Robinson (309-457-6284 / brooke.robinson@mbwi.com) or Chris (309-457-6227 / cgavin@mbwi.com) with the number of shares and the selling or offering price.

Best regards,

Gus & Chris

**Western Illinois Bancshares, Inc.
Financial Results**

	2023 2nd Quarter	2023 Year-to-Date	2022 Year-to-Date
Earnings	\$946,176	\$2,005,021	\$2,411,302
Return on Common Equity	10.64%	11.15%	10.74%
Common Dividends Paid	\$332,489	\$997,466	\$664,978
Dividends per Share	\$0.25	\$0.75	\$0.50
Tangible Book Value per Share	\$14.32	\$14.32	\$11.91



NEWSLETTER

Western Illinois Bancshares Inc.

Dear Shareholder:

As we are writing this letter it is another beautiful fall day in Western Illinois. We truly have been blessed with a great harvest season. Not to say that a farmer would ever complain, but there has not been much to lament about this fall which is a great thing in our book. What is good for the farmer is good for Midwest Bank and for Porter-Hay Insurance!

The banking environment remains a bit more difficult and, as we mentioned last quarter, it is due to the narrowing of our net interest margin. Recent economic data is hopefully signaling the Fed that rates are high enough. Regardless of the interest rate cycle, we look to see improvement in our margins beginning later next year, as more of our assets reprice at higher rates.

During the quarter we recorded earnings of \$1,180,926, compared to \$964,176 last quarter and \$1,526,124 for the third quarter of 2022. Earnings per share were \$0.89 for the period versus \$0.72 for last quarter and \$1.15 for the same quarter last year. As mentioned above, the lower earnings are due to margin compression. This was somewhat offset by higher insurance revenue, which we also expect for the 4th quarter.

Year-to-date the bank had a ROA of 0.71%, compared to our local peer group of 0.92%. Our net interest margin (NIM) was at 2.91% versus, 3.32% for our peers. Our Leverage (Capital) Ratio was at 8.86%, versus 10.07% for the group.

Average loans were up for the quarter and stood at \$372.9 million, versus \$364.8 million for the prior quarter and \$331.2 million for the same period last year. We had another excellent quarter for loan growth, which will have a positive impact going forward.

Investments were down with an average of \$220.2 million, versus \$227.3 million for the prior quarter. The decrease is due to cashflow from the portfolio not being reinvested and an increase in the unrealized loss on the portfolio. We continue our strategy to use the future cashflows from our portfolio to fund loan growth.

Average deposits were down slightly at \$531.8 million, compared to \$533.5 million last quarter, but still up from the \$518.4 million for the same period last year. Our team continues to work diligently in both competing for local deposits and managing our overall cash position. This has included the use of multiple funding sources that help control funding costs and reduce interest rate risk.

Credit quality remains strong and metrics are in line with our goals. Non-accrual Loans to Loans were at 0.36%, and below peer of 0.69%. Charge-offs to Loans were at 0.05% for the quarter, versus peer of 0.05%. Loan loss reserve balance was at 1.15% of total loans, compared with our peers at 1.38%.

We had 17,500 shares trade during the quarter. The range of sales were \$37.50 to \$39.10 per share. As always if you have an interest in selling or buying, please contact Brooke Robinson (309-457-6284 / brooke.robinson@mbwi.com) or Chris (309-457-6227 / cgavin@mbwi.com) with the number of shares and the selling, or offering price.

We wish you and your families the very best during the upcoming holiday season!

Best regards,

Gus & Chris

Western Illinois Bancshares, Inc. Financial Results

	2023 3rd Quarter	2023 Year-to-Date	2022 Year-to-Date
Earnings	\$1,180,926	\$3,185,947	\$3,937,426
Return on Common Equity	13.77%	12.11%	12.74%
Common Dividends Paid	\$333,114	\$1,330,580	\$997,467
Dividends per Share	\$0.25	\$1.00	\$0.75
Tangible Book Value per Share	\$13.32	\$13.32	\$10.04



NEWSLETTER

Western Illinois Bancshares Inc.

Dear Shareholder:

We hope all of you are having a good start to the new year. For the company, 2023 is now in the books and we are looking forward to better results in 2024. It is beginning to sound like a broken record, but margins continue to be a challenge for us. However, we are starting to see improvements that should continue each quarter as we move forward.

During the fourth quarter, we recorded earnings of \$619,574 compared to \$1,180,926 last quarter and \$1,409,068 for the fourth quarter of 2022. Earnings per share were \$0.47 for the period versus \$0.89 for last quarter and \$1.06 for the same quarter last year. Year-to-date earnings were \$3,805,521 versus \$5,346,494 for 2022. Earnings per share were at \$2.86 versus \$4.02 a year ago.

Year-to-date Midwest Bank had a ROA of 0.64%, compared to our local peer group of 0.89%. Our net interest margin (NIM) was at 2.85% versus 3.29% for our peers. Our Leverage (Capital) Ratio was at 9.13% versus 10.09% for the group. Strategic initiatives to position our balance sheet for the expected declining rate environment have been made to enhance our overall profitability.

Average loans were up for the quarter and stood at \$377.2 million versus \$372.9 million for the prior quarter and \$341.6 million for the same period last year. We had another excellent quarter for loan growth, which will have a positive impact going forward.

Investments were down with an average of \$207.6 million versus \$220.2 million for the prior quarter and \$230.1 for the same period last year. The decrease is due to cashflow from the portfolio not being reinvested and an increase in the unrealized loss on the portfolio. We continue our strategy to use the future cashflows from our portfolio to fund loan growth.

Average deposits were down at \$521.3 million compared to \$531.8 million last quarter and from the \$534.0 million for the same period last year. Our team continues to work diligently in both competing for local deposits and managing our overall cash position. This has included the use of multiple funding sources that help control funding costs and reduce interest rate risk.

Credit quality remains strong and metrics are in line with our goals. Non-accrual Loans to Loans were at 0.31% and below peer of 0.54%. Charge-offs to Loans were at 0.05% for the quarter versus peer of 0.06%. Loan loss reserve balance was at 1.13% of total loans compared with our peers at 1.34%.

Porter-Hay Insurance recently announced the acquisition of North-And Company located in Galva, Illinois. They offer both crop insurance and grain marketing advisory services and are led by David North and Jim Anderson. We are excited to have them as part of agricultural insurance team.

We had 100 shares trade during the quarter at \$37.50 per share. As always if you have an interest in selling or buying, please contact Brooke Robinson (309-457-6284 / brooke.robinson@mbwi.com) or Chris (309-457-6227 / cgavin@mbwi.com) with the number of shares and the selling or offering price.

Please mark your calendars for our annual shareholder meeting and reception, which is to be held April 24th. Invitations, including additional details and proxies, will be sent out later next month. We look forward sharing our strategic and growth initiatives with you at this event.

Best regards,

Gus & Chris

Western Illinois Bancshares, Inc. Financial Results

	2023 4th Quarter	2023 Year-to-Date	2022 Year-to-Date
Earnings	\$619,574	\$3,805,521	\$5,346,494
Return on Common Equity	6.82%	10.49%	14.86%
Common Dividends Paid	\$332,114	\$1,662,694	\$1,329,955
Dividends per Share	\$0.25	\$1.25	\$1.00
Tangible Book Value per Share	\$19.69	\$19.69	\$14.12