

Q1
2021



WESTERN ILLINOIS BANCSHARES, INC

Dear Shareholder:

We are off and running in 2021, with the first quarter in the books. It is great that things are somewhat feeling normal again as we approach summer.

During the first quarter we recorded earnings of \$1,152,136, compared to \$965,733 for the first quarter of 2020. Earnings per share were \$0.86 for the period versus \$0.72 for last year. This was a record quarter for the company. While net interest margins are compressed due to the low rates, PPP loan fees and lower loan loss provisions have more than offset the margin reduction.

For comparison purposes, we have developed a new peer group to use going forward. There are 18 banks in this group that are mostly similar in size, asset mix and number of locations. This group performs higher than our previous peer group, which was based solely on banks in our market areas. In essence, we have raised the bar for our performance goals.

Bank Name	City	State
Bank & Trust Co.	Litchfield	IL
Bank of Pontiac	Pontiac	IL
BankOrion	Orion	IL
Citizens Community Bank	Mascoutah	IL
Citizens National Bank	Albion	IL
Community State Bank	Rock Falls	IL
CBI Bank & Trust (includes F&M Galesburg)	Muscatine	IA
First Savings Bank	Robinson	IL
First Trust Bank of Illinois	Kankakee	IL
Fortress Bank	Peoria	IL
Hickory Point Bank and Trust	Decatur	IL
MidAmerica National Bank	Canton	IL
Peoples National Bank	Kewanee	IL
Sauk Valley Bank & Trust Co.	Sterling	IL
The First National Bank	Ottawa	IL
The FNB Community Bank	Vandalia	IL
The Havana National Bank	Havana	IL
The Peoples State Bank	Newton	IL

Year-to-date the bank had a ROA of 0.79%, compared to our local peer group of 1.05%. Our net interest margin (NIM) was at 2.89% versus, 3.15% for our peers. Our Leverage (Capital) Ratio was at 8.86%, versus 9.90% for the group.

Loans were up for the quarter and stood at \$331.8 million, versus \$322.6 million for the prior quarter. Overall loan demand has slowed due to Covid-19 effects on the economy and the liquidity created by stimulus. The increase for the quarter can be attributed to Paycheck Protection Program (PPP) loans during the quarter.

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Total investments were up significantly at \$223.6 million, versus \$206.6 million for the prior quarter and \$148.6 million year-over-year. It continues to be a challenge for banks to keep pace with deposit growth. Our strategy is to build on our investment portfolio for now, with the expectation of funding loan growth as demand increases.

Total deposits were also up significantly at \$484.8 million, compared to \$450.9 million last quarter and \$388.0 million for the same period last year. This represents an unprecedented 25% annual growth rate! The question that we are struggling with is how long will these deposits be retained. Will they be spent as the economy continues to improve post Covid?

Credit quality is much improved. Non-accrual Loans to Loans were at 1.08%, and below peer of 1.10%. Charge-offs to Loans were at -0.08% for the quarter, versus peer of 0.04%. Recoveries actually exceeded charge-offs during the quarter. Loan loss reserve balance was at 1.23% of total loans, compared with our peers at 1.40%.

The most recent common stock trade was 4,000 shares at \$32.00 per share. If you have an interest in selling or buying, please contact Kim (309-457-6267 / kim@mbwi.com) or Chris (309-457-6227 / cgavin@mbwi.com) with the number of shares and the selling or offering price.

We are excited to be hosting our annual shareholder meeting in person on May 26th and look forward to seeing many of you there.

Best regards,

Gus & Chris

Western Illinois Bancshares, Inc. Financial Results			
	2021 1st Quarter	2021 Year-to-Date	2020 Year-to-Date
Earnings	\$ 1,152,136	\$ 1,152,136	\$ 965,733
Return on Common Equity	8.30%	8.30%	7.72%
Common Dividends Paid	\$ 334,989	\$ 334,989	\$ 334,989
Dividends per Share	\$ 0.25	\$ 0.25	\$ 0.25
Tangible Book Value per Share	\$ 27.24	\$ 27.24	\$ 24.06