



2023 ANNUAL REPORT



www.westernilbancshares.com

WESTERN
ILLINOIS BANCSHARES, INC



ABOUT US

Western Illinois Bancshares, Inc. is the holding company for Midwest Bank and Porter-Hay Insurance. Headquartered in Monmouth, Illinois, the holding company and its Board of Directors are devoted to driving financial stability, growth and community development.

OUR MISSION

To be the trusted financial partner for our employees, shareholders, customers and communities – the foundation of our success.

BOARD OF DIRECTORS

Augustin S. Hart III, Chairman
Robert A. Riley, Vice Chairman
Christopher J. Gavin, President
Scott T. Champion
Alice J. Defenbaugh
Andrew J. Gianulis
Cristin D. McGrath
James R. Purlee
Mark J. Sexton



**2023 Monmouth Area
Chamber of Commerce**

Large Business of the Year



**2023 Community's Choice
Awards Best of Galesburg**

Best Bank
Best Mortgage Lender
Best Investment Firm
Best Insurance Agent

DEAR SHAREHOLDERS,

Many thanks must go out to our stockholders, employees and customers for their continued strong support during 2023, which proved to be a tough year in the financial services industry.

Interest rates continued to rise while inflation remained subdued. However, the effect of earlier years' inflation affected everyone's pocketbooks significantly. The bank and our holding company were not exempt.

Our interest income rose by about 28%, while our interest expense soared by approximately 166%. The need to help our employees keep up with inflation caused overall wages to rise by 15%, and the deposit insurance costs rose by 74%.

Keeping those figures in mind, it is easy to understand why our net earnings dropped compared to 2022. It was only the hard work and diligence of our employees, the support of our stockholders and the loyalty of our customers that made us successful in 2023.

Government, especially at national and state levels, is the only true beneficiary of inflation. Most of the taxes we all pay are not adjusted for inflation and, therefore, take an ever-bigger bite from the cash we have to spend.

The agricultural economy had a tough year, except for those in the cattle business, who were due some profit. Mother Nature did her best to put crop yields in doubt but was thwarted by genetics which provided surprisingly good yields.

Unfortunately, many of our grain farmers, including myself, didn't take advantage of selling opportunities and continue to hold grain that is not appreciating in quality or price.

Nature's matron has certainly provided an unusual year-to-date and I have little doubt that she will continue to remind us of who is ultimately in control during the remainder of 2024.

The rest of the year will continue to see the expansion of bureaucracy in government, medical services and almost every walk of life. Some of that may be affected by election results in November.

It is my hope that you will feel free to call on me and the staff of both the bank and holding company should you need help with your financial or insurance needs.



A handwritten signature in black ink that reads "A. S. Hart III" with a stylized flourish at the end.

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

DEAR SHAREHOLDERS,

Coming into 2023, we knew there would be challenges due to interest rate margins and competition for deposits. While the current conditions have been frustrating at times, we continued to look for the silver linings. I am reminded of the story about the optimistic young boy who was put into a room full of horse manure. He did not get discouraged, because he was just sure there was a pony in there somewhere.

We also remain optimistic despite the disappointment in last year's financial results. Our balance sheet is now well-positioned for the rate cycle, and we remain strong in the critical areas that we can control. This is especially true of our credit quality. In addition, Porter-Hay Insurance and our Wealth Management division continue to grow, increasing our non-interest income. All of this contributes to a positive outlook for the company.

Looking back at the year, I am most proud of our team for meeting all of the daily challenges and simultaneously moving us forward on our many initiatives. While we have always looked for ways to continually improve and grow, we can start to see positive changes in our culture. This includes the increased focus on our efficiency and performance – one of the silver linings from last year.

Improving performance is not possible unless you have some way to measure it. For several years, we have been tracking each of our markets separately for performance. This past year, we added detailed financial reporting for both Midwest Mortgage and Midwest Bank Wealth Management and plan to do the same with our credit card program in 2024. We are confident these efforts will improve our profitability.

As announced in December, Aaron Jensen was appointed as the 18th President of Midwest Bank in its 153-year history. As President, Aaron will oversee the strategic direction of Midwest Bank, working closely with the executive team to drive innovation, enhance customer experience and strengthen the bank's overall position. I am very proud of Aaron's prior accomplishments and excited for him to take hold of the reins.

I will remain the Chief Executive Officer of Midwest Bank and will also serve as President of Western Illinois Bancshares, Inc. As President of the Board, I will be focusing on external growth for the company. Gus has been elevated from Board President to Board Chairman.

While still in the early stages of building our financial holding company model, we are discovering numerous growth opportunities.

The growth opportunities include prospects in banking, insurance, wealth management and accounting. To best allocate our resources, we will analyze both the economic returns and relationship synergies as we move forward.

We greatly appreciate the support we have received from our shareholders this past year. Even though it has been a challenging year for banking, our stock has performed relatively well and we have been able to provide liquidity through our matching service for buyers and sellers.

Please let us thank you by attending our annual shareholder meeting this year. Our annual meeting is a great way to learn more about our strategic direction, growth initiatives and some of the other silver linings from 2023. We hope to see you there!



A handwritten signature in black ink that reads "Christopher J. Gavin".

Christopher J. Gavin
President
Western Illinois Bancshares, Inc.



COMMUNITY IMPACT

In the past year, Western Illinois Bancshares, Inc. has continued to prioritize and enhance community impact initiatives, recognizing the importance of being a responsible corporate citizen. Through various programs, partnerships, and donations, we have made significant strides in positively influencing the communities we serve.

Various donations towards food security, healthcare access, cultural programs and community engagement have made meaningful contributions to improving the quality of life for community members. One organization that our employees partner with each year is the American Cancer Society. Through bake sales, cookouts, trivia nights and jean days, our employees rallied together to raise awareness and make a positive impact in the fight against cancer. In 2023, our Relay For Life teams raised and donated over \$7,900.



\$182,873

**TOTAL CONTRIBUTIONS AND
SPONSORSHIPS IN 2023**

EMPLOYEE GIFT MATCHING PROGRAM

Our employee gift matching program encourages staff to contribute to charitable causes by matching their donations dollar-for-dollar up to \$500 per year. This initiative not only supports our employees' philanthropic endeavors, but also strengthens our company's commitment to social responsibility.

Our employees are committed to giving back to the community and volunteering is an integral part of our corporate culture. Each calendar year, every employee is granted eight paid volunteer hours to utilize at a local nonprofit during work hours. Through various volunteer programs, our team members have donated countless hours of their time.



EDUCATION

Many employees dedicated their time to education and mentorship-related initiatives, contributing to a passion for education and academic achievement in our communities.



YOUTH SPORTS

Volunteering with youth sports programs provides a fulfilling opportunity to positively impact the lives of young athletes and promote a healthy and active lifestyle.



FOOD INSECURITY

In an effort to alleviate food insecurity, team members volunteered their time at several local food pantries, organizing donations, and distributing food to those in need.



COMMUNITY SERVICES

By dedicating their time and expertise as board members, our volunteers have empowered community members and organizations to improve their financial stability and build brighter futures.



1,178
HOURS
TOTAL EMPLOYEE
VOLUNTEER HOURS

YEAR IN REVIEW

GROWING WEALTH

\$125.4MM

ASSETS UNDER MANAGEMENT

RETENTION NUMBERS ABOVE
INDUSTRY LEADERS AT



97.52%

\$15MM

AVERAGE NEW ASSET GROWTH
PER YEAR SINCE 2018

GROWING E-BANKING

9,758

MOBILE CHECK DEPOSITS

↑14.3%

MOBILE BANKING USERS

1,675

MY CREDIT SCORE USERS

“

...We have put our trust in the hands of the Midwest Bank Wealth Management team of Adam, Eric and Jodi to handle our financial needs and would gladly recommend their services to anyone.”

-RUSSELL S.



GROWING ENTREPRENEURS

kidCEO

BY MIDWEST BANK

KidCEO is a new program that offers children in our community the opportunity to learn entrepreneurial skills. Participants are provided with the necessary supplies for each project, and the results have been inspiring! Throughout the year, children aged 6-12 were able to operate a lemonade stand, build and design birdhouses to raise money for a non-profit, and provide gift-wrapping services during the holiday season.

Follow us on Facebook to stay updated on our next KidCEO project!



“

...Highly recommend banking with Midwest Bank! They always have treats for my dog, which she expects. She thinks that's the only reason we go there.”

-SHASTA S.

“ —

I give Midwest Mortgage 5 stars! Blake and his whole team are top-notch and kept me informed every step of the way. Christy Flynn was awesome as well! I thank them for all they do.

-CHARLES P. ★★★★★

GROWING AGRICULTURE

85 OPERATING LOANS
at a Reduced Interest Rate Totaling



\$10MM
Through the
STATE OF ILLINOIS LINK DEPOSIT PROGRAM

\$1.33MM

in New Ag Loans to Young Farmers Utilizing the
FSA BEGINNING FARMER PROGRAM

516 meals

Delivered to Customers During Harvest Through Our



FEED THE FARMER PROGRAM

GROWING HOMEOWNERSHIP

\$21.1MM
TOTAL MORTGAGE VOLUME

136
LOANS ORIGINATED



\$88M

PROVIDED THROUGH FHLB DOWN PAYMENT PLUS GRANT

GROWING LOCAL BUSINESS

\$231.3MM

TOTAL REMOTE DEPOSIT VOLUME

\$523.9MM

TOTAL CASH MANAGEMENT VOLUME

GROWING CREDIT

\$987.3M

TOTAL PORTFOLIO BALANCES



56,938

TRANSACTIONS

“ —

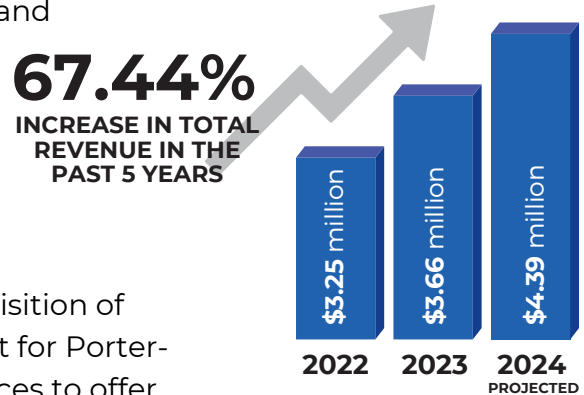
If you are looking for top-notch service and advice, this is your place. We have had help with commercial, car and home loans. No one can top their service. They make you feel like family. Our community is lucky to have a bank like this one.

-K.W.

PORTER-HAY INSURANCE

In 2023, the insurance industry faced severe challenges with escalating loss ratios leading to unprecedented rate hikes and coverage changes. Reinsurance rates soared and many insurers experienced financial downgrades. Carrier moratoriums in the Midwest left agencies struggling for markets. Despite these difficulties, PHI's staff persevered by maintaining operations and meeting demand for quoting new business.

While industry stabilization is forecast for later this year or early 2025, our team remains dedicated to supporting current customers and achieving new business milestones.



In February, we announced our most recent acquisition of North-And Co., marking a significant achievement for Porter-Hay Insurance in combining expertise and resources to offer enhanced agricultural risk management solutions. Agribusiness continues to be a priority for the agency, and the expansion allows us to combine our crop insurance expertise with commodities brokerage services. Porter-Hay Insurance aims to empower clients to make informed decisions, optimize their market positions and ultimately enhance the overall resilience of their agricultural operations. We look forward to working with Dave North and Jim Anderson and getting more information about this new service out to our clients.



Chad Morse

Chad Morse
President
Porter-Hay Insurance

“

This is a wonderful and caring company that helps people instead of taking advantage of them. Keep up the good work!

-TREVOR V.



FINANCIAL HIGHLIGHTS

Selected Consolidated Financial Data

YEAR ENDED DECEMBER 31,

Income Statement Data	2023	2022
Interest Income	\$25,925,925	\$20,325,319
Interest Expense	10,429,219	3,921,561
Net Interest Income	15,496,706	16,403,758
Provision for Credit Losses	369,499	275,000
Non-Interest Income	7,473,935	6,382,982
Non-Interest Expense	17,715,402	15,652,211
Pre-Tax Earnings	4,885,740	6,859,529
Income Tax Expense	1,109,150	1,506,200
Net Income	3,776,590	5,353,329

Per Common Share Data

Earnings per Share	2.84	4.03
Tangible Book Value per Share	17.74	14.25
Book Value per Share	30.41	26.74
Shares Outstanding	1,328,455	1,329,955

Balance Sheet Data

Total Assets	674,610,773	680,474,532
Total Investment Securities	216,488,068	235,109,275
Total Loans	385,074,127	362,715,277
Allowance for Credit Losses	4,350,536	4,247,168
Net Loans	380,723,591	358,468,109
Total Deposits	529,219,873	558,881,185
Total Stockholders' Equity	40,395,177	35,567,054
Loan to Deposit Ratio	71.94%	64.14%

Average Ratios

Return on Average Assets	0.64%	0.93%
Return on Average Stockholders' Equity	8.33%	10.62%
Net Interest Margin	2.85%	3.06%

Asset Quality Ratios

Net Charge-Offs/Total Loans	0.05%	0.10%
Non-Performing Loans/Total Loans	0.31%	0.36%
Allowance for Credit Losses/Total Loans	1.13%	1.17%



www.mbwi.com
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