



Investor News

200 East Broadway, Monmouth, IL 61462

August 2008

Dear Shareholder:

There are two different stories to tell about our results thus far in 2008. On one hand we have been experiencing excellent results in most every area of the bank, posting a record profit through the first six months. On the other hand, the situation with the real estate crisis has caused our investment portfolio to lose value.

Earnings for the quarter were \$629,365, or \$.64 per share. That compares with \$643,179 for the last quarter and \$525,793, or \$.52 a share for the second quarter of 2007. Year-to-date we have earned \$1,272,545, which is a 20 percent increase over last year's income of \$1,061,167. We continued to benefit from higher than anticipated loan and deposit balances during the quarter.

The banks net interest margin decreased slightly, going from 3.12% to 3.05% on a tax equivalent basis. The primary reason for the decline was an increase in our liquidity, i.e. more short-term investments at lower yields.

Loans grew from \$178,008,000 in March to \$186,469,000 at the end of June, for growth of 4.75% during the quarter. Year-over-year our loans grew by \$25,885,000, or 16.11%. This growth was spread across commercial, commercial real estate, agricultural and consumer real estate loans. While we expect continued strong demand for ag loans, growth in other sectors should slow down.

Credit quality remains sound with an allowance to non-performing loans of 581% and non-performing loans to gross loans of .19%. This compares, respectively, to 427% and .28% a year ago. Our loan loss allowance is at 1.12% of total loans. Net loan losses to date have been .02% of total loans.

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MBWI New Director

Mobile Banking
www.mbwi.com/mobile

MBWI Establishes
Carl Sandburg College
Scholarship

Employee
Promotions

Bank Promotion
"Big Ties"
to our Community!

Board of Directors

Augustin S. Hart III
Raymond E. Defenbaugh
Christopher J. Gavin
C. Dean Hennenfent
Dr. John B. Dooley
Mark J. Sexton
Robert A. Riley
Robert C. Fick
Scott T. Champion

Western Illinois Bancshares, Inc. Financial Results

	2nd Quarter	Year To Date
Earnings	\$629,365	\$1,272,545
Earnings Per Share	\$0.64	\$1.28
Annualized Return on Equity	9.70%	9.83%



Total deposits at the end of the quarter were \$245,456,000, compared to \$232,814,000 in March and \$202,201,000 a year ago. Year-over-year growth includes \$10 million in new core deposits.

Our May newsletter mentioned that we had a loss in the market value of our Freddie Mac preferred stock. We have a smaller holding of Fannie Mae preferred stock. Both entities have posted large losses and been castigated in the financial and public media, causing the value of their shares, both preferred and common, to be driven down sharply. While both Fannie and Freddie have cut their common stock dividends, to date we continue to receive the full preferred stock dividends.

Last month, the U.S. Treasury introduced a plan to provide financial support for both of them that was quickly approved by the House and Senate and signed into law. Although that action is positive for the long-term outlook for these agencies, it is unlikely the value of their securities will improve significantly in the near term. Therefore, we plan to take impairment charges against these securities during the next six months. While the specific amounts and timing of these charges has not been determined, we expect it to have a significant impact on our earnings for the remainder of 2008 and the first half of 2009.

During the next several months we will be making numerous improvements in how we deliver some of our services. First, we are installing a real time interface for our ATM network. Second, we are updating our Internet banking product, adding a live interface, an improved bill pay system and mobile banking. These changes will not only provide more accurate and timely information for our customers; they will also reduce the risk of fraud.

We are pleased to announce the addition of David Erickson to our Bank Board. The recent press release is included in this newsletter.

Sincerely,

Gus and Chris

New Board Member at Midwest Bank



Christopher J. Gavin, President & CEO of Midwest Bank of Western Illinois announced that David C. Erickson has joined the bank's board of directors.

Erickson is a native of Altona, Illinois where he and his wife Nancy raise corn and soybeans in Knox and Henry counties. They have one son, Adam. Dave graduated from Western Illinois University with a B. S. in Agricultural Education and taught high school and junior college before farming full-time.

David has been active in the Knox County Farm Bureau and has served on the Illinois Farm Bureau Statewide Education Task Force and as a spokesperson for the Illinois START proposal. He served on Governor Ryan's 2002 Farm Bill Task force. In 2003, Prairie Farmer Magazine and Farm Progress Publications named David a Master Farmer.

He is a past director and two year President of the Illinois Soybean Association where he also served as Governmental Affairs Chairman for three years. Dave has served as Vice-President, first Vice-President, and President & Chairman of the Board of the American Soybean Association. He's also a member of the National Corn Growers Association.

David is currently a member of the Knox County Zoning Board of Appeals, a director on the Knox County Farm Bureau Board, Chairman of the Galesburg Cottage Hospital Board, member of Congressman Ray LaHood's Agricultural Advisory Committee and serves on Governor Blagojevich's Agricultural Advisory Council on farms and farm families. He and his family are active members of the Immanuel Lutheran Church in Altona.



We are pleased to announce a new service
“Mobile Banking”
www.mbwi.com/mobile

This additional banking solution gives our customers instant connectivity to their accounts right from their fingertips using a web-enabled cell phone or other mobile device with a web browser capable of viewing secure websites.

Once the existing Internet Banking user logs into the site, they will have immediate access to their account balances, account details and history and can transfer between their accounts.

The Mobile Banking pages are streamlined and designed for mobile browser access.

To get started, the customer will simply log into www.mbwi.com/mobile with the Access ID and Passcode that they use when accessing their account online, no other enrollment requirements are necessary.

Mobile Banking is secure, all the existing FundsXpress fxSecurity features are applied at login, including dual authentication where appropriate. Note: The **first few times** the customer uses the Mobile Banking service, they may need to answer their Security Verification Question for security purposes.

View Account Balances
Receive Account Details
View Account History
Transfer between Accounts

Mobile Banking : www.mbwi.com/mobile

Account Balances: View the current balance for all online accounts

Account History: View the activity in your online account for the past 30 days

Account Details: View details of your online accounts. The information displayed depends on the type of account being viewed.

Transaction Detail: View the details of any transaction processed in the past 30 days.

Transfers: Transfer funds between enabled online accounts. Transfers initiated through Mobile Banking, before our 2 p.m. cut-off, are processed that same day. A confirmation screen will appear with the final transfer details.

Midwest Bank Establishes Endowment With Carl Sandburg College



Midwest Bank Establishes Endowment

Midwest Bank of Western Illinois has established an emerging endowment with the Carl Sandburg College Foundation. Bank representatives presented the Foundation with a check for \$1,000 to establish the endowment. Once the endowment is fully funded at \$10,000, the interest will be used to provide scholarships to deserving CSC students.

Pictured: Karna Foster, MBWI Public Relations and CSC Foundation Board of Directors; Mark Stansell, CSC Foundation Board President; Terri Hippen, MBWI Vice President; Greg Davis, MBWI VP and CSC Foundation Board of Directors, Cindy Helvick, MBWI AVP and Gena Alcorn, CSC Foundation Director.



“Big Ties” to our Community!

We are introducing a new promotion at the bank called...

“Big Ties” to our Community.

Be on the lookout for our billboards and newspaper ads.

Have some fun playing “Give A Hoot!”

Come in and pick up your Owl Cling and play...

- 1** Display the owl cling on your vehicle (left back window)
- 2** Listen for our radio commercials and watch the newspaper
- 3** If you hear or see your license plate number, contact us and you’ll win a gift card ranging from \$25 to \$50!

Promotions at Midwest Bank

“We are very pleased to promote all of these employees. These women are important members of our team! Their roles will expand as our bank continues to grow”, Chris Gavin stated.



Amanda Louck-Campbell was promoted to Assistant Vice President and Comptroller. Amanda joined the bank in May of 1999 and has worked in the Operations Department since April of 2003. She is responsible for the banks quarterly FDIC reporting, preparing and monitoring the bank’s annual budget, controlling expenses and assisting with the banks investment portfolio. Amanda earned a BA in Accounting from Monmouth College and an MBA in Accounting from the University of Phoenix. Amanda has been a member of the Warren County YMCA Board of Directors since 2006. Amanda and her husband J. R. reside in Monmouth and have a son A. J. age one.

Faye Eckhardt was promoted to Assistant Vice President and Branch Manager of the Aledo office. Her background includes both retail and lending. Faye is responsible for consumer and mortgage lending in addition to managing the retail staff. She has an Associates Degree in Accounting from Blackhawk College. Faye is active in the Aledo Chamber of Commerce, the Voices of Praise Choir and the Mercer County Relay for Life. She and her husband Gary reside in Aledo and have a daughter Megan and two granddaughters.



Laurie Perez was promoted to Assistant Branch Manager of the West Main Street office in Galesburg. She began working for the bank in July of 1996 when we opened our first office in Galesburg. The branch has since grown to \$40MM in assets. Laurie has worked in the teller line and also the new accounts area, previously serving as Senior Personal Banker. Her new duties will include overseeing the daily operation and staff of the West Main Street office. Laurie attended Galesburg High School and resides in Galesburg with her two daughters, Jessica and Tiffany.



Laurie Bodeen was promoted to Human Resources Officer. Laurie began her career with the bank in October of 1977. Prior to joining Midwest, she worked for First City Bank in Houston, Texas. She has experience in many departments, including Bookkeeping, Data Processing, Operations, and was the Executive Assistant to the President and CEO. Laurie's human resources responsibilities include payroll and benefit administration. She has been active in the Warren County Cancer Society and the Humane Society. Laurie and her husband Jack reside in Berwick and have two grown children, Jennifer and Mike.

Linda Reaves was promoted to Personal Banking Officer. She began working for the Bank of Oquawka in February of 1972. Midwest Bank purchased the Oquawka office in September of 1994. She served as personal secretary to the bank president, H. D. Wilcox. She also worked in the following departments: proof, bookkeeping teller and new accounts. Linda is a life-long resident of Oquawka and has been active in the Henderson County Humane Society, Henderson County Relay for Life and the Carl Sandburg College Advisory Board. She and her husband Dennis have two grown daughters, Rhiannon and Ashley.



Ann McCreight was promoted to Executive Secretary of Midwest Bank and recording secretary of its holding company, Western Illinois Bancshares, Inc. She joined the bank in November of 1998 and was formerly the Administrative Assistant to the Ag and Consumer Lending Officers. Her background includes attending Carl Sandburg College, majoring in Secretarial Science, working for Spoon River FS, Hancock County FS and Chem-Gro Soil Service. Ann resides in Galesburg and has one son, Grant. She enjoys gardening in her free time.

Clarissa Hunt was promoted to Vice President of Operations for Porter Insurance Agency. She has been a licensed insurance producer in all lines of insurance since 1996. Her duties include overseeing the daily activities of the agency in addition to quality control. Clarissa has worked for Porter Insurance since 1990 and is a graduate of Alexis High School. She is a member of the North Henderson United Methodist Church and Chapter "G" of the PEO. Clarissa and her husband Mike reside in rural Galesburg and have two grown children.

