



WESTERN ILLINOIS BANCSHARES INC.

# ANNUAL REPORT

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## WIBI PRESIDENT'S REPORT

In a way, I'm a strong believer in climate change. That doesn't mean I buy the idea that it's going to keep getting warmer if we don't change our ways. In Illinois the climate can, and often does, change dramatically in 24 hours. Our winter certainly didn't feel or appear to indicate a warming trend.

I grew up understanding that the weather was something beyond the reaches of human control. It and almost everything on this planet were controlled by the mischievous "Mother Nature." To please the politically correct, her name will probably soon need to be changed to "It."

Seeing that such a name change has yet to be demanded, I will continue to refer to her as the powerful woman in control of the weather. And, as we all know, she will never be described as being "Fair," nor does anyone with a brain expect her to be. Carry that thought a bit further and one might conclude that life isn't fair, despite what our "leaders" keep claiming they are striving to attain.

After years of study and experience, I have come to the conclusion that Mother Nature has always had man's best interests at heart. She also has come to realize that the human species is slow to learn and quickly forgets anything that might be considered unpleasant. For example, that water runs downhill, and when there is lots of it running downhill, floods will occur at the bottom.

Furthermore, I think that staid lady's more recent actions have been directed to influence those in power to act to revitalize the infrastructure that protects them and enables them to move themselves and the fruits of their labor from spot to spot. I cannot be other than sympathetic with her dismay that she will have to incur ever-increasing havoc to get them to act prudently and soon.

MN (don't you just love acronyms) is a big player throughout the region we serve. Her most direct impact falls on our farmers, but her actions affect every governmental unit and virtually every business and individual customer of the bank.

Quite simply, our mission is to help you mitigate her actions by providing insurance coverage to protect every risk she threatens, be it home, farm, business or person. We offer the financing needed to build and/or improve the structures we use for shelter, education, business and pleasure. Our wealth management division can help build the financial reserves that allow one to seek solace elsewhere when MN's local actions prove extreme.

I must thank all our customers, stockholders and staff for their support during 2018 and allowing me to, once again, be able to wear my bib overalls at the annual stockholders meeting to discuss another profitable year.

**AUGUSTIN S. HART III**

PRESIDENT, WESTERN ILLINOIS BANCSHARES, INC.

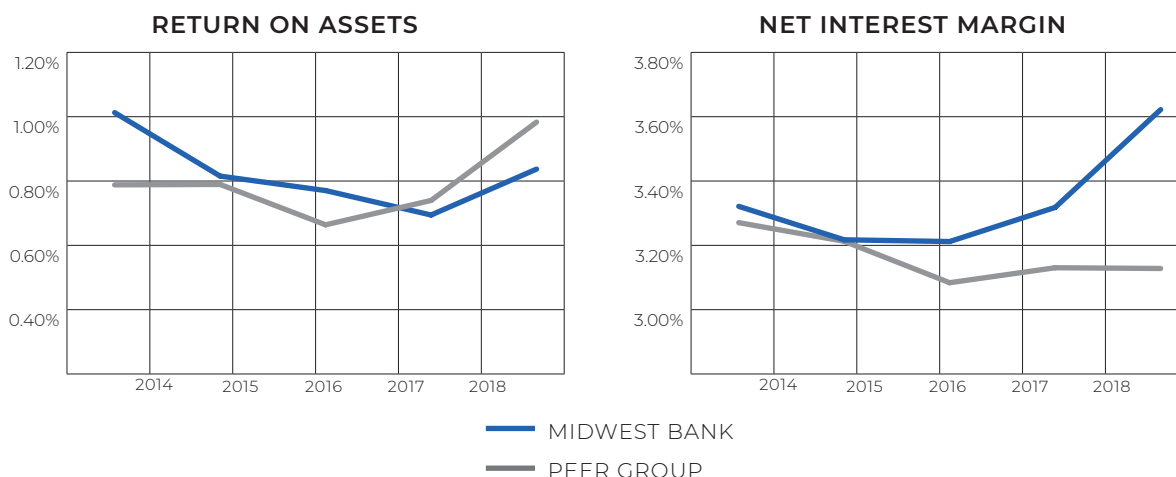
# MIDWEST BANK PRESIDENT'S REPORT

Dear Shareholder:

We have all heard the expression “nothing ventured, nothing gained”. 2019 was a year of many ventures, which we hope will bring financial gains in the future. In addition to the acquisition of Andalusia Community Bank and three insurance agencies, the bank embarked on a journey to improve our operating efficiency through much needed technology upgrades. I cannot say enough about the extraordinary effort from our staff to make all of this happen.

Financially, 2018 was a good year for the bank and our company. We had net shareholder earnings of \$3,597,448 which was up from 2017 earnings of \$3,320,616 and represents an increase of 8.34%. Our overall return on average common equity was 8.19% and we paid \$1,473,951 in common dividends to our shareholders, or approximately 41% of earnings.

The bank achieved a return on average assets of 0.90%, compared to our local peer group of 0.99% and our 2017 return of 0.81%. Net interest margin, the primary revenue engine of the bank, improved to 3.75% from 3.52% and compares favorably to peer at 3.22%. Progress continues to be made on improving credit quality, with all of our metrics trending in a positive direction.



Some key highlights of 2018 include:

- Acquisition of the \$40MM Andalusia Community Bank, with locations in Andalusia and Moline, Illinois. This acquisition brought with it an excellent staff, which will provide opportunities for growth in this larger market.
- Porter-Hay Insurance purchase of three agencies – James Agency in Oquawka, the Kiddoo Agency in Joy and the Orville Minteer Agency in Andalusia. All three of these agencies are complementary to our existing insurance operations and banking locations.
- New long-term contracts with our technology providers to improve our overall operating efficiency and to streamline the delivery of product and services to our customers. Full implementation will continue throughout 2019.
- Entered into a lease agreement for our newest location in East Peoria that opened in April of 2019.

As we continue to grow, it is very exciting to share our story in new communities. Our story is pretty simple, but we feel very effective in today's world. We value every single customer relationship and we strive to provide the best possible service. We do this by investing in the latest technology and backing it up with people who are the friends, neighbors and family of our customers.

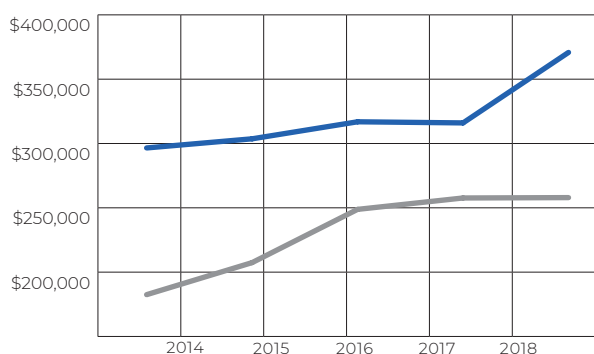
We expect 2019 to be another exciting year, but also a year for us to catch our breaths. We want to make sure we take enough time to do things the right way and keep our foundation strong.

Our stock continues to be strongly supported by our shareholders. We greatly appreciate the support and the trust you place in us, and we will continue our efforts to provide a solid return on your investment.

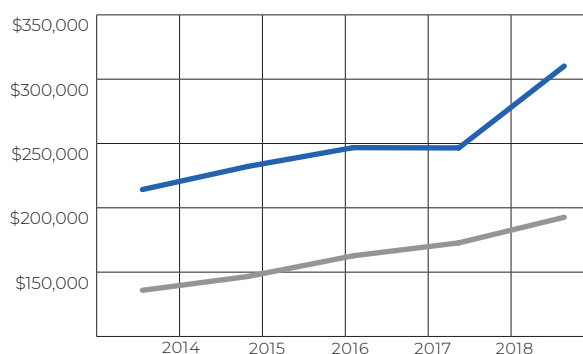
## CHRIS GAVIN

PRESIDENT & CEO, MIDWEST BANK

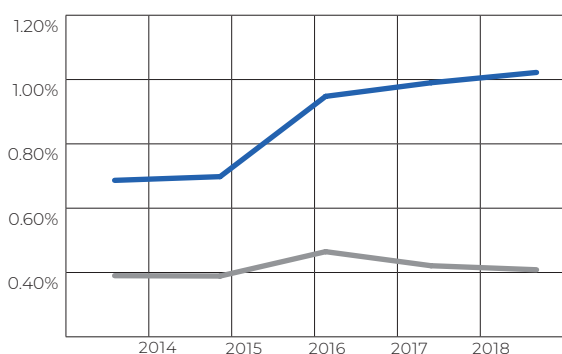
**TOTAL DEPOSITS**



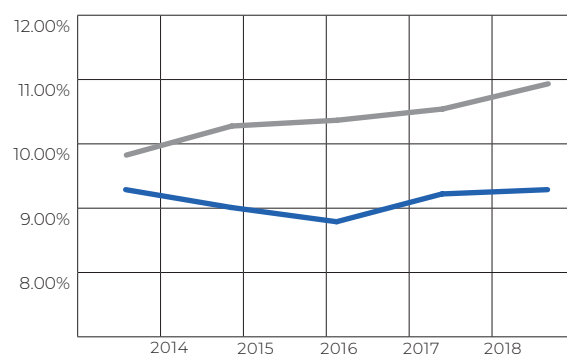
**GROSS LOANS**



**NON-INTEREST INCOME TO AVG ASSETS**



**CORE CAPITAL RATIO**



— MIDWEST BANK  
— PEER GROUP

## ELECTRONIC BANKING GROWTH

Midwest Bank experienced steady growth and adoption in our Electronic Banking offerings and ancillary services in 2018. We continue to integrate technology with the financial expertise of our employees to allow customers to handle their finances whenever and wherever is most convenient for them. Bringing the digital and physical banking experiences together increases flexibility and provides value for our shareholders, customers and employees.

Online and Mobile Banking will continue to grow in 2019 as we move into markets with a more diverse age group who demand these products and services.

### Internet Banking Users

2017 4,434

2018 5,295

### Mobile Banking Users

2017 1,901

2018 2,529

### E-Statement Users

2017 2,360

2018 3,735

Y/Y  
Mobile  
Accounts

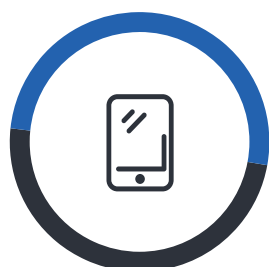
↑ 297%

Y/Y  
Mobile  
Logins

↑ 196%

Y/Y  
Mobile  
Payments

↑ 188%



Number of  
Mobile Check  
Deposits  
**5,729**



Funds Deposited  
through Mobile  
Check Deposit  
**\$5,206,611**

**\$54,057,000**



Total Debit  
Card Volume



**937,567**

Debit Card Signature  
Point of Sale Transactions



**669,801**

Debit Card PIN  
Point of Sale Transactions



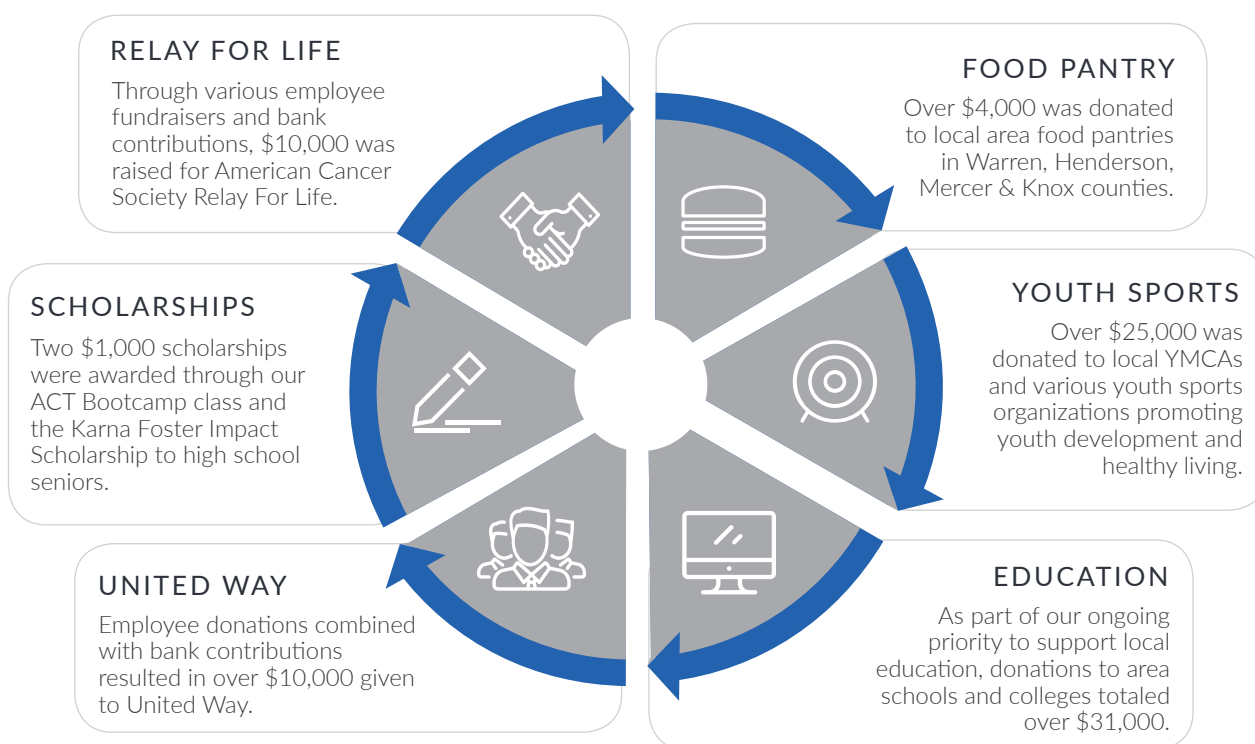
**1,607,368**

Total Debit Card  
Transactions

# COMMUNITY IMPACT

Midwest Bank finds strength not only by being locally-owned and operated, but also by reinvesting in the communities we serve. Through a wide variety of sponsorships, donations and fundraisers, we strive to make a positive impact both financially and philanthropically.

Employees donated countless hours serving as board members, coaches, teachers and volunteers. Throughout the years, one thing has remained constant - our commitment to our customers and the communities we serve. Monetary donations and sponsorships totaled over \$255,000 in 2018.



## OUR TEAM

### Western Illinois Bancshares, Inc. Directors

Augustin S. Hart III, President  
 Raymond E. Defenbaugh, Vice President  
 Christopher J. Gavin, Secretary & Treasurer  
 Scott T. Champion, Owner MCM Media  
 C. Dean Hennenfent, Agribusiness  
 Andrew J. Gianulis, Retired John Deere Executive  
 Robert A. Riley, Retired John Deere Dealer  
 Mark J. Sexton, Bart Bank Group, Attorney, St. Paul, MN

### Midwest Bank Directors

Raymond E. Defenbaugh, President & CEO of Big River Resources, Board Chairman  
 Robert A. Riley, Retired John Deere Dealer, Board Secretary  
 Leslie G. Allen, Retired Executive VP of Midwest Bank  
 Marvin Dahlberg, CPA & Treasurer for the City of Galesburg  
 Christopher J. Gavin, President & CEO of Midwest Bank  
 Augustin S. Hart III, Agribusiness and Insurance  
 C. Dean Hennenfent, Agribusiness  
 Dr. Stephen A. Johnson, Dentist  
 Michael G. Luna, Former Owner/Operator of McDonalds Monmouth & Aledo  
 Brian J. Neff, CPA, CMG & Co. LLC

### Midwest Bank Executive Officers

Christopher Gavin, President & Chief Executive Officer  
 Matt Gillen, Senior VP & Chief Credit Officer  
 Aaron Jensen, VP & Chief Operations Officer  
 Terri Hippen, VP Marketing & Human Resources

### Monmouth Locations

\*Marcy Anderson, VP Information Services  
 \*Jackie Beal, Internal Auditor  
 \*Sara Bockelman, VP Marketing  
 \*Kathy Cavanaugh, VP Mortgage Lending  
 \*Dina Chick, Deposit Operations Manager  
 \*Marnie Damewood, Retail Banking Officer  
 \*Brent Dugan, VP Consumer Banking  
 \*Mary Dysert, Consumer Loan Officer  
 \*Jackie Flater, VP Electronic Banking  
 \*Rachel Gibson, Consumer Loan Officer  
 \*Jay Grant, Information Technology Officer  
 \*Derrick Johnston, VP Credit Administration  
 \*Justin Johnston, VP Ag & Commercial Lending  
 \*Stephen Lanham, Network Operations  
 \*Kim McKeown, Executive Assistant  
 \*Kevin Murk, AVP Consumer Lending  
 \*Paula Sims, Bank Secrecy Officer

Angie Alberts  
 Stephanie Burris  
 Jennifer Carlson  
 Susan Chase  
 Aubrey Cook  
 Tracy Curry  
 Lisa Davis  
 Ashley Dye  
 Cala Earp  
 Polly Elliott  
 Annie Fancher  
 Violet Fleming  
 Connie Frakes  
 Patrick Gavin  
 Stefanie Gavin  
 Jennifer Gullstrand  
 April Hays  
 Haley Johnston

Diana Mackey  
 Courtney Michael  
 Ondria Moulden  
 Michelle Nelson  
 Janice Poole  
 Erin Pullen  
 Brooke Robinson  
 Brianne Sage  
 Mackenzie Schleich  
 Charmaine Shinn  
 Monica Soliz  
 Madison Turnquist  
 Janet Thomas  
 Mary Walker  
 Tiffany Watkins  
 Dan Watson  
 Marge Winebright  
 Jessica Youngquist

**Aledo Location**

\*Eric Coulter, VP & Market President  
 \*Christy Shelton, Consumer Loan Officer  
 Ashley Clark  
 Madison Coulter  
 Lisa Hardin  
 Christine Long  
 Melonie McLaughlin

**Galesburg Locations**

\*Lance Oetting, VP & Market President  
 \*Christy Flynn, Branch Manager  
 \*Rachel Gibson, Consumer Loan Officer  
 \*Cindy Helvick, AVP & Branch Manager  
 \*Blake Rappenecker, AVP Lending  
 Brooke Anderson  
 Tracy Brown  
 Kelly Hensley  
 Teresa Inness  
 Nathan Laake  
 Rhonda Laake  
 Beau Lehnhausen  
 Kelly Lohrenz  
 Teresa McClay  
 Jennifer McMurl  
 KayDee Nelson  
 Judi Sopher  
 Jackie Telander  
 Amy Vancil

**Quad City Market**

\*Mike Bell, VP & Market President  
 \*Wendy Cantu, Deposit Operations Manager  
 \*Kelley Jackson, Branch Manager  
 \*Tim Martig, VP Lending  
 Lisa Davis  
 Deb Eberts  
 Pam Forest  
 Samantha Hunter  
 Barbara Myers  
 Gio Ramirez  
 Connie Slayden

**Oquawka Location**

\*Lori Austin, AVP & Branch Manager  
 Teresa Harris  
 Molly Jones  
 Cheryl Newton  
 Robin Peel  
 Lisa Thompson  
 Judy Zielkie

**Peoria Market**

\*Michael Bartman, VP & Market President  
 \*Dan Smith, Branch Manager  
 Lea Baer  
 Alex Temple

**Wealth Management**

\*Dan Ashton, AVP Trust Administration  
 \*Adam Carlson, Financial Advisor  
 Eric Grant  
 Laurie Bodeen  
 Riley Cavanaugh  
 Jodi Chandler  
 Theresia Pettett

**Porter-Hay Insurance**

\*Chad Morse, President  
 \*Cris Hunt, Vice President  
 \*Kyle Johnson, Vice President  
 \*Larry Morse, Agent/ Acquisitions  
 \*Kent Porter, Ag Specialist  
 Jackie Cain  
 Carmen Crabtree  
 Lynn Gibbs  
 Shayla Hallam  
 Brenda Holford  
 Brandy Johnson  
 Barb Kiddoo  
 Heidi Lancaster  
 Jamie Martin  
 Debbie Meeker-King  
 Kristen Michael  
 Brooke Morales  
 Chris Rooth  
 Amy Ruhl  
 Bethany Scanlan  
 Sara Vancil  
 Susan Wynn



\* denotes bank officer

# CONSOLIDATED BALANCE SHEETS

Assets	2018	2017
Cash and due from banks	9,655,336	6,137,826
Federal funds sold	2,470,000	2,591,000
Interest-bearing demand deposits in banks	<u>1,556,673</u>	<u>2,201,075</u>
Cash and cash equivalents	13,682,009	10,929,901
Interest-bearing time deposits in banks	5,697,340	5,229,000
Available-for-sale securities	142,463,566	142,707,682
Loans held for sale	3,047,621	1,827,039
Loans, net allowance for loan losses of \$2,997,631 and \$2,594,829 at December 31, 2018 and 2017	300,397,878	255,399,774
Premises and equipment, net of accumulated depreciation of \$4,946,954 and \$4,329,219 at December 31, 2018 and 2017	7,174,768	7,201,742
Federal Reserve and Federal Home Loan Bank stock	2,309,720	3,063,470
Foreclosed assets held for sale, net	2,077,125	2,347,125
Cash surrender value of life insurance	11,849,696	11,549,649
Interest receivable	4,087,563	3,462,877
Deferred income taxes	1,388,691	800,161
Mortgage servicing rights	376,837	366,464
Goodwill	14,160,039	12,974,487
Intangibles	2,506,348	1,155,764
Other	<u>1,995,963</u>	<u>1,716,738</u>
<b>Total Assets</b>	<b>\$513,215,164</b>	<b>\$460,731,873</b>
<b>Liabilities &amp; Stockholder's Equity</b>		
Deposits		
Demands	50,823,392	37,034,893
Savings, NOW and money market	242,898,527	218,562,617
Time	77,146,923	75,256,770
Brokered Deposits	<u>22,685,000</u>	<u>17,259,000</u>
Total Deposits	393,553,842	348,113,280
Short-term borrowings	25,780,284	16,394,271
Subordinated debentures	9,279,000	9,279,000
Other borrowings	34,585,000	38,350,000
Interest payable	213,948	164,279
Other liabilities	<u>3,959,194</u>	<u>3,408,784</u>
Total liabilities	467,371,268	415,709,614
Stockholder's Equity		
Common stock, \$1 par value; authorized 10,000,000; 1,339,955 shares issued and outstanding	1,339,955	1,339,955
Additional paid-in capital	29,503,562	29,503,562
Retained earnings	16,916,602	14,776,230
Accumulated other comprehensive loss	(1,916,223)	(597,488)
Total Stockholder's Equity	<u>45,843,896</u>	<u>45,022,259</u>
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$513,215,164</b>	<b>\$460,731,873</b>

# STATEMENTS OF INCOME

	2018	2017
Interest and dividend Income		
Loans, including fees	13,582,912	12,643,536
Debt securities		
Taxable	2,154,962	1,738,439
Tax-exempt	1,240,155	1,202,441
Federal funds sold and other	164,430	140,232
Dividends	<u>117,738</u>	<u>109,139</u>
Total interest and dividend income	17,260,197	15,833,787
Interest expense		
Deposits	2,493,337	2,044,807
Short-term borrowings	153,948	55,266
Subordinated debentures	364,767	329,818
Other borrowings	<u>678,836</u>	<u>554,208</u>
Total interest expense	3,690,888	2,984,099
Net interest income	13,569,309	12,849,688
Provision for loan losses	<u>880,000</u>	<u>1,000,000</u>
Net interest income after provision for loan losses	12,689,309	11,849,688
Non-interest income		
Fiduciary activities	371,499	342,147
Customer service fees	1,285,274	1,090,866
Insurance commissions and other	2,281,167	2,184,744
Increase in cash surrender value of life insurance	300,047	304,471
Net realized gains on sales of available-for-sale securities	13,329	136,145
Mortgage banking, net	520,213	389,463
Gain on sale of premises and equipment	6,104	2,272
Other	<u>94,623</u>	<u>425,171</u>
Total non-interest income	4,872,256	4,875,279
Non-interest expense		
Salaries and employee benefits	7,851,498	7,314,635
Occupancy	942,952	902,743
Equipment	888,765	586,411
Professional fees	767,609	446,396
Marketing	154,786	137,074
Printing and office supplies	90,648	105,725
Foreclosed assets, net	(15,503)	121,356
Deposit insurance premiums	147,230	146,349
Other	<u>2,265,426</u>	<u>1,877,020</u>
Total non-interest expense	13,093,411	11,637,709
Income before income taxes	4,468,154	5,087,258
Provision for income taxes	<u>870,706</u>	<u>1,766,642</u>
Net Income	\$3,597,448	\$3,320,616

## CONTACT US

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200 East Broadway  
Monmouth, IL 61462



309.734.2265  
888.309.2265



[www.mbwi.com](http://www.mbwi.com)  
[www.porterhayinsurance.com](http://www.porterhayinsurance.com)