

2019  
+ + + Annual  
Report



WESTERN ILLINOIS BANCSHARES INC.

# IN MEMORIAM



## C. DEAN HENNENFENT

Dean Hennenfent served on the Western Illinois Bancshares Inc. and Midwest Bank Board of Directors from 1983-2019.

Dean enjoyed music, coyote hunting and fishing in his spare time, however, tending the farm was his main mission in life. He loved to be in the combine during harvest time and working ground, always leaving the land better than he had received it. Dean loved life and felt being a farmer was the best thing God had ever given him.



## RAYMOND E. DEFENBAUGH

Ray Defenbaugh served as Vice President of Western Illinois Bancshares Inc. and Chairman of the Midwest Bank Board of Directors from 1980-2020.

Prior to joining the board, Ray worked at Midwest Bank as a loan officer, farm manager and appraiser. He was also a founding member, President, CEO, Chairman and instrumental in the formation of Big River Resources, LLC.

In his spare time, Ray enjoyed spending time on the farm, attending family functions, hunting and frequenting pawn shops for "treasures." He was known to pick up many a hitchhiker, drive too fast, seldom be on time, and have a unique ability to talk to anyone.

**STRONG**

**HONEST**

**LOYAL**

# WIBI PRESIDENT'S REPORT

As I write this on March 23, 2020, I must thank all of our customers, staff, stockholders and people in the communities we serve for their help in allowing our banking company to grow in profitability and size from when we started in 2005. Specific thanks and appreciation must also be directed to Ray Defenbaugh and Dean Hennenfent who both passed since our last annual report was published. Their investment in dollars, time and wise counsel accounts for much of our success.

All of our lives and businesses have been hugely impacted this year by a worldwide virus known as Covid-19. We don't know when its threat will diminish, but we are committed to do our best to make our financial, insurance and wealth management services continue to serve our customers well.

Covid-19 undoubtedly threatens the health and wellbeing of many, but it also provides an opportunity to rethink how we as a nation operate. Government actions, here and abroad, needed to be taken to help limit its rapid spread and bolster medical response to its detection, treatment and cure.

President Trump's declaration of a national state of emergency was needed to emphasize the potential threat the virus represents to our populous, but it is also indicative of another threat to our nation's overall wellbeing. He had to take that action to allow for the temporary reduction and elimination of all the regulations that greatly hamper medical science, business and government itself.

What has followed is a near panic that has all but shuttered the economy, education, and daily life. It is demonstrative of the fact that we have allowed ourselves to become a nation of sheep, dependent almost entirely on governments, at one level or another, to solve all our problems, protect us, feed us, and tell us what we can and cannot do. Some might add that we have almost become reliant on government and the media to tell us how to think. Many in the world of politics think that's just dandy.

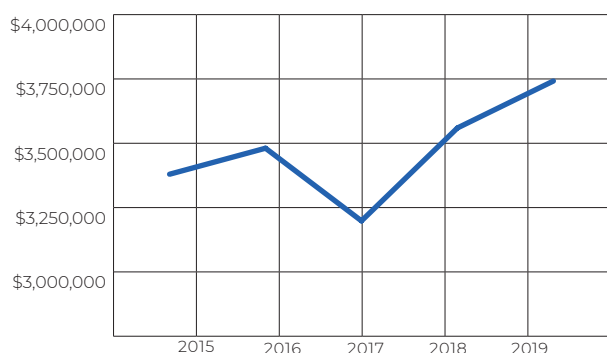
It's time to return to being responsible for our own actions and recognize that life has risks, is not fair, and success is dependent on good luck and hard work. To allow us to do so, we need to reopen businesses, schools, transportation and social gatherings. Perhaps we might be wise to keep most governmental bodies in quarantine, while reducing taxes, at every level by 50%. That would provide the greatest stimulus our nation has ever seen and cut government spending by an even greater percentage.

It is my sincere hope that the future looks brighter the day you read this than the media is portraying it today!

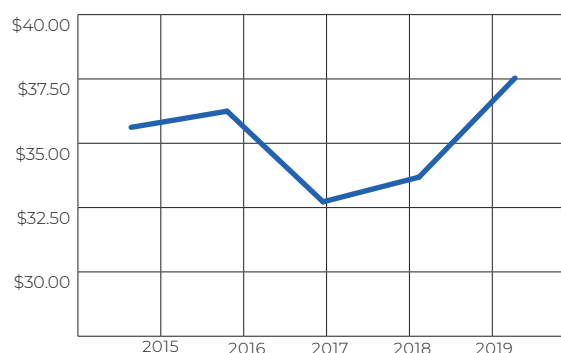
## AUGUSTIN S. HART III

PRESIDENT, WESTERN ILLINOIS BANCSHARES, INC.

NET INCOME



BOOK VALUE PER SHARE



# MIDWEST BANK PRESIDENT'S REPORT

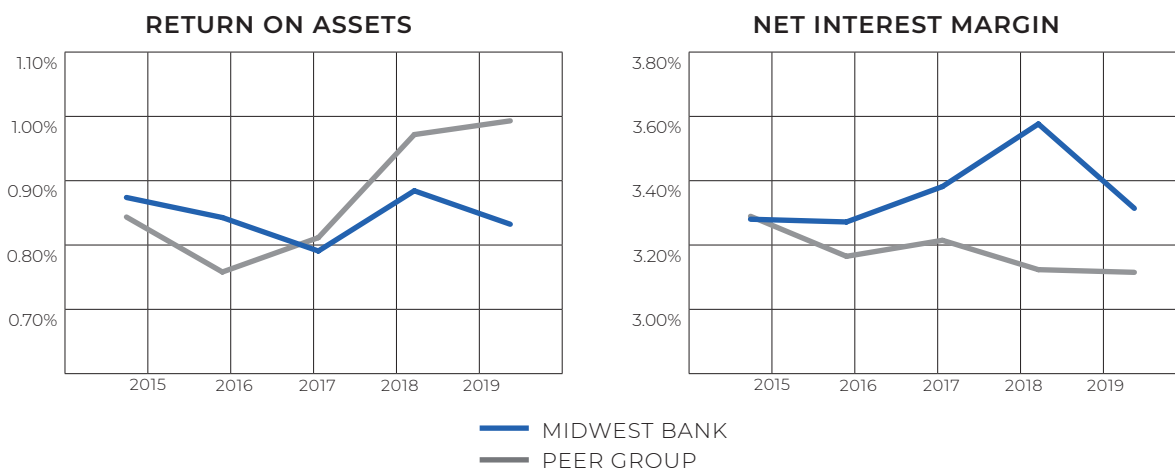
First and foremost, we hope all of you are healthy and doing your best to manage through these unprecedented times.

Late last year while visiting with one of our customers, I stated how glad I would be to put 2019 behind us. It was a very challenging year in a number of different ways, including the weather we had in the spring. His response to my statement somewhat surprised me. He stated that we may not have the same weather issues or other unfortunate things happen as they did in 2019, but there would probably be something else to take its place. I never imagined how true that could be.

Covid-19 has already caused many disruptions for all of us and will continue to do so. Thanks to our very dedicated staff, we are managing fairly well. While our lobbies are closed, we are meeting the needs of our customers through our drive-ups, electronic banking services, ATM's and occasional appointments. We will operate this way as long as needed and we may see some permanent changes to lobby hours as people become accustom to using alternative means of banking.

The past year we lost two very important people – Dean Hennenfent and Ray Defenbaugh. Both had been long-time Directors and members of our holding company board since our inception in 2005. Their contributions have been many and they will be greatly missed!

Despite the trials we faced in 2019, our company managed to have a good year financially. Our audited statements show net earnings were \$3,737,271, compared to \$3,597,448 in 2018. This represents an increase of 3.89%. Our overall return on average common equity was 7.48% and we paid \$1,340,455 in common dividends to our shareholders, or approximately 36% of earnings.



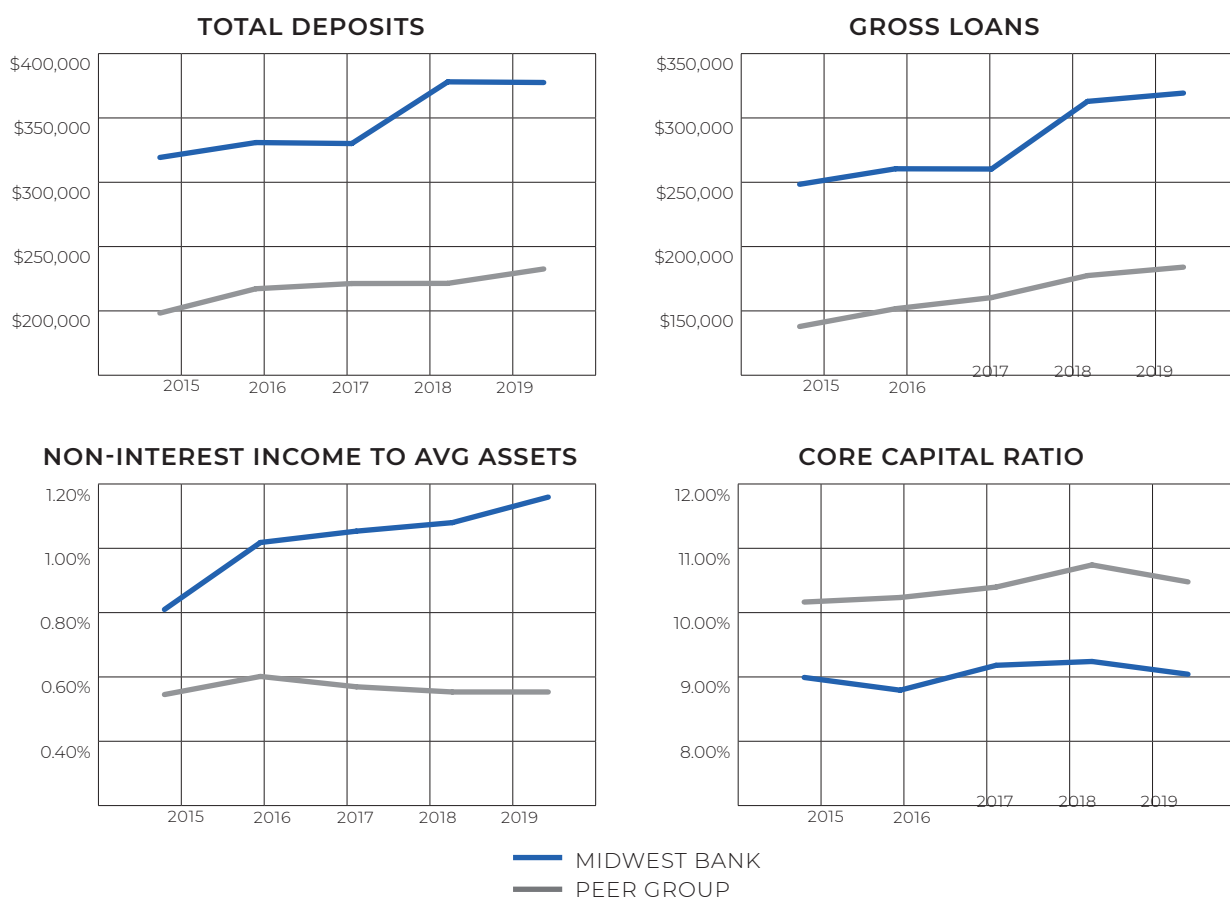
Some key highlights of 2019 include:

- Adoption of a new partially self-funded health insurance plan. Becoming a larger company has provided greater flexibility in the design of our benefit plans. This is resulting in significant savings and an integral part of improving our expense ratios.
- The addition of the historic Patton Block building, including our new deposit operations and electronic banking center on the second floor. Our new combined community room and training center is located on the upper level.
- Established market based organizational structure to improve the accountability, autonomy and competitiveness at each of our locations.

The current pandemic will continue to change our lives for the foreseeable future and likely bring significant challenges. In anticipation of this, we are focusing our efforts on strengthening our

liquidity, capital and loan loss reserves. This may reduce our earnings in the near term, but will hopefully prepare us for the potential problems caused by the economic slowdown.

Our strategy has been, and will continue to be, focusing on non-interest income, operating efficiency and less credit risk. It is taking us longer to solve our credit issues than we would like, but at the same time we have been able to produce consistent earnings, even with higher losses. We have additional opportunities to improve efficiencies and we expect our non-interest income to grow.



The customer that I was talking to last December was Ray Defenbaugh's son, Dan. As he pointed out, we never know what new challenge is just around the corner. I believe he was trying to tell us that sometimes we just get too wrapped up in this world. A positive lesson we can all learn from the pandemic is the value of faith, family and friends versus all the other things we worry about.

Midwest Bank has survived many trials during the past 150 years. Ray often mentioned how our bank was known as the "million-dollar bank" during the Great Depression. The actions that we are taking right now will determine how we will be remembered during this period in time.

This too will pass and eventually the world will begin to seem normal once again. Regardless, we recognize the need to be prepared for what might come next. Community banks are shining right now for their commitment. At Midwest Bank, we are committed to providing strength and stability for our employees, shareholders and the communities we serve for many more years to come.

**CHRISTOPHER J. GAVIN**  
PRESIDENT & CEO, MIDWEST BANK.



# OUR TEAM

## WESTERN ILLINOIS BANCSHARES, INC. DIRECTORS

Augustin S. Hart III, President  
Christopher J. Gavin, Secretary & Treasurer  
Scott T. Champion, Owner MCM Media  
Alice J. Defenbaugh, Beulah Land Farms LLC  
Andrew J. Gianulis, Retired John Deere Executive  
Cristin D. McGrath, CPA  
Robert A. Riley, Retired John Deere Dealer  
Mark J. Sexton, Bart Bank Group, Attorney, St. Paul, MN

## MIDWEST BANK DIRECTORS

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

## MIDWEST BANK EXECUTIVE OFFICERS

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

## MONMOUTH LOCATIONS

\*Marcy Anderson, VP Information Services  
\*Jackie Beal, Internal Auditor  
\*Sara Bockelman, VP Marketing & Retail  
\*Kathy Cavanaugh, VP Mortgage Lending  
\*Riley Cavanaugh, Accounting Officer  
\*Tamra Chandler, Community Banker  
\*Dina Chick, Deposit Operations Manager  
\*Brent Dugan, VP Consumer Banking  
\*Mary Dysert, Consumer Loan Officer  
\*Jackie Flater, VP Electronic Banking  
\*Violet Fleming, Loan Operations Officer  
\*Patrick Gavin, Accounting Officer  
\*Jay Grant, Information Technology Officer  
\*Derrick Johnston, VP Credit Administration  
\*Justin Johnston, VP Ag & Commercial Lending  
\*Stephen Lanham, Network Operations  
\*Kim McKeown, AVP Human Resources  
\*Kevin Murk, AVP Consumer Lending  
\*Paula Sims, Bank Secrecy Officer

Angie Alberts  
Taylor Bloomgren  
Stephanie Burris  
Jennifer Carlson  
Susan Chase  
Aubrey Cook  
Tracy Curry  
Ashley Dye  
Annie Fancher  
Alondra Flores  
Connie Frakes  
Stefanie Gavin  
Jennifer Gullstrand  
April Hays  
Haley Johnston  
Andrew Lewis  
Diana Mackey  
Cortney Michael  
Ondria Moulden

Michelle Nelson  
Allison Pemberton  
Janice Poole  
Brooke Robinson  
Brianne Sage  
Mackenzie Schleich  
Charmaine Shinn  
Monica Soliz  
Mary Walker  
Tiffany Watkins  
Marge Winebright

## ALEDO LOCATION

\*Eric Coulter, VP of Ag & Commercial Lending  
\*Christy Shelton, Community Banker  
Ashley Clark  
Madison Coulter  
Britney Harrison  
Christine Long  
Melonie McLaughlin

## GALESBURG LOCATIONS

\*Lance Oetting, VP & Market President  
\*Christy Flynn, Community Banker  
\*Rachel Gibson, Consumer Loan Officer  
\*Cindy Helvick, AVP & Community Banker  
\*Blake Rappenecker, AVP Lending  
Brooke Anderson  
Tracy Brown  
Julie Deadmond  
Kelly Hensley  
Teresa Inness  
Renee Jenkins  
Rhonda Laake  
Beau Lehnhausen  
Kelly Lohrenz  
Jennifer McMurl  
Judi Sopher  
Cody Spurrier  
Jackie Telander

## QUAD CITY MARKET

\*Mike Bell, VP & Market President  
\*Wendy Cantu, AVP Card Services  
\*Kelley Jackson, Community Banker  
\*Tim Martig, VP Lending  
Deb Eberts  
Shelby Finley  
Pam Forest  
Barbara Myers  
Gio Ramirez  
Connie Slayden

## PEORIA MARKET

\*Michael Bartman, VP & Market President  
\*Dan Smith, AVP & Community Banker  
Lea Baer  
Colten Kahler  
Alex Temple

## OQUAWKA LOCATION

\*Lori Austin, AVP & Community Banker  
Shannon Bigger  
Teresa Harris  
Molly Jones  
Cheryl Newton  
Robin Peel  
Lisa Thompson

## WEALTH MANAGEMENT

\*Dan Ashton, AVP Trust Administration  
\*Adam Carlson, Financial Advisor  
\*Jodi Chandler, Investment Services Manager  
\*Elizabeth Hulsizer, Trust Officer  
Laurie Bodeen  
Eric Grant  
Theresia Pettett

## PORTER-HAY INSURANCE

\*Chad Morse, President  
\*Cris Hunt, Vice President  
\*Kyle Johnson, Vice President  
Jackie Cain  
Derek Clayton  
Carmen Crabtree  
Angela Garza  
Lynn Gibbs  
Cecilia Greenlief  
Shayla Hallam  
Brenda Holford  
Brandy Johnson  
Barb Kiddoo  
Heidi Lancaster  
Debbie Meeker-King  
Kristen Michael  
Brooke Morales  
Chris Rooth  
Amy Ruhl  
Bethany Scanlan  
Susan Wynn

*\* denotes bank officer*



# COMMUNITY IMPACT



Western Illinois Bancshares, Inc. finds strength in being locally-owned and operated. Through an array of sponsorships, donations and fundraisers, we strive to reinvest in the communities we serve.

In addition to the countless hours employees donated serving as board members, coaches, teachers and volunteers, monetary donations and sponsorships totaled over \$127,000. A few highlights include:

- Through various fundraisers and contributions, over \$13,500 was raised for American Cancer Society Relay for Life.
- Over \$28,000 was given to local YMCAs and various youth sports organizations to promote youth development and healthy living.
- As part of our ongoing priority to support local education, donations to area schools and affiliated programs totaled over \$33,000.





# ELECTRONIC BANKING

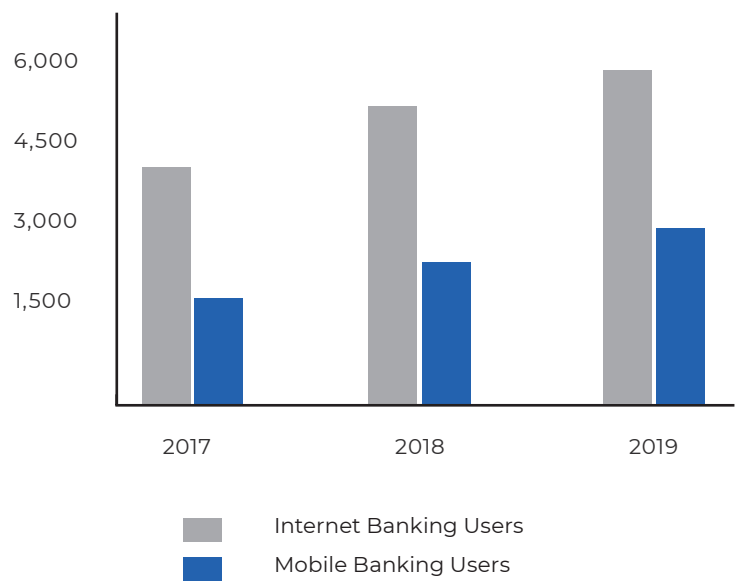
As we continue to integrate technology with the financial expertise of our employees, we experienced steady growth and adoption of our electronic banking products in 2019.

## LAUNCH OF MOBILE & WEARABLE WALLET

Mobile wallets offer increased security and are safer to use than swiping a physical debit or credit card. With a digital wallet, every single transaction is heavily encrypted and the data transmitted does not contain the actual card or account numbers.

When a digital wallet is set up, the account information is not stored on the device. Each card is assigned a virtual card number that replaces sensitive card information in a transaction that is only associated with the digital wallet and mobile device that is used. All mobile wallet transactions require enhanced authentication; the verification that the consumer sets up, fingerprint scan, facial scan or passcode.

## INCREASE IN INTERNET & MOBILE BANKING USERS



## DEBIT CARD VOLUME

21%

Total debit card volume increased to \$65,296,266

## DEBIT CARD TRANSACTIONS

17%

Total debit card transactions for 2019 were 1,878,418

513

Average Number of Mobile Check Deposits per Month

4,322

E-Statement Users

# CONSOLIDATED BALANCE SHEETS

Assets	2019	2018
Cash and due from banks	7,020,159	9,655,336
Federal funds sold	14,621,000	2,470,000
Interest-bearing demand deposits in banks	<u>885,961</u>	<u>1,556,673</u>
Cash and cash equivalents	22,527,120	13,682,009
Interest-bearing time deposits in banks	2,965,552	5,697,340
Available-for-sale debt securities	140,077,644	142,463,566
Loans held for sale	265,536	3,047,621
Loans, net allowance of loan losses of \$3,962,319 and \$2,997,631 at December 31, 2019 and 2018	308,199,364	300,397,878
Premises and equipment, net of accumulated depreciation of \$5,374,978 and \$4,946,954 at December 31, 2019 and 2018	7,625,535	7,174,768
Federal Reserve and Federal Home Loan Bank stock	2,640,670	2,309,720
Foreclosed assets held for sale, net	2,119,511	2,077,125
Cash surrender value of life insurance	12,148,182	11,849,696
Interest receivable	3,823,004	4,087,563
Deferred income taxes	-	1,388,691
Mortgage servicing rights	417,559	376,837
Goodwill	14,160,039	14,160,039
Intangibles	2,744,715	2,506,348
Other	<u>2,827,300</u>	<u>1,995,963</u>
<b>Total Assets</b>	<b>\$522,541,731</b>	<b>\$513,215,164</b>
<b>Liabilities &amp; Stockholder's Equity</b>		
Demand Deposits	39,866,328	50,823,392
Savings, NOW and money market Deposits	250,461,710	242,898,527
Time Deposits	81,002,496	77,146,923
Brokered Deposits	<u>21,827,000</u>	<u>22,685,000</u>
<b>Total Deposits</b>	<b>393,157,534</b>	<b>393,553,842</b>
Short-term borrowings	26,877,571	25,780,284
Subordinated debentures	9,279,000	9,279,000
Other borrowings	37,790,000	34,585,000
Interest payable	255,703	213,948
Deferred income taxes	889,033	-
Other liabilities	<u>3,002,285</u>	<u>3,959,194</u>
<b>Total liabilities</b>	<b>471,251,126</b>	<b>467,371,268</b>
<b>Stockholder's Equity</b>		
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	19,439,214	16,916,602
Accumulated other comprehensive income (loss)	1,007,874	(1,916,223)
<b>Total Stockholder's Equity</b>	<b><u>51,290,605</u></b>	<b><u>45,843,896</u></b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>522,541,731</b>	<b>\$513,215,164</b>

# STATEMENTS OF INCOME

	2019	2018
Interest and dividend Income		
Loans, including fees	16,000,382	13,582,912
Debt securities		
Taxable	2,103,319	2,154,962
Tax-exempt	1,386,953	1,240,155
Federal funds sold and other	227,874	164,430
Dividends	<u>140,675</u>	<u>117,738</u>
Total interest and dividend income	19,859,203	17,260,197
Interest expense		
Deposits	3,659,840	2,493,337
Short-term borrowings	283,366	153,948
Subordinated debentures	334,584	364,767
Other borrowings	<u>974,687</u>	<u>678,836</u>
Total interest expense	5,252,477	3,690,888
Net interest income	14,606,726	13,569,309
Provision for loan losses	<u>1,850,000</u>	<u>880,000</u>
Net interest income after provision for loan losses	12,756,726	12,689,309
Non-interest income		
Fiduciary activities	422,646	371,499
Customer service fees	1,419,845	1,285,274
Insurance commissions	2,861,263	2,281,167
Increase in cash surrender value of life insurance	298,486	300,047
Net realized gains on sales of available-for-sale securities	824,781	13,329
Mortgage banking, net	631,985	520,213
Gain (loss) on sale of premises and equipment	(19,511)	6,104
Other	<u>157,626</u>	<u>94,623</u>
Total non-interest income	6,597,121	4,872,256
Non-interest expense		
Salaries and employee benefits	8,716,020	7,851,498
Occupancy	1,147,916	942,952
Equipment	729,185	888,765
Professional fees	574,603	767,609
Marketing	160,734	154,786
Printing and office supplies	114,225	90,648
Foreclosed assets, net	873,969	(15,503)
Deposit insurance premiums	70,134	147,230
Other	<u>2,860,770</u>	<u>2,265,426</u>
Total non-interest expense	15,247,556	13,093,411
Income before income taxes	4,106,291	4,468,154
Provision for income taxes	<u>369,020</u>	<u>870,706</u>
Net Income	\$3,737,271	\$3,597,448

## CONTACT US

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