

ANNUAL REPORT

2020



WESTERN ILLINOIS BANCSHARES INC.



**CELEBRATING 150 YEARS
STRONG. HONEST. LOYAL.**

Dear Shareholder:

As I write this on April 6, 2021, I must thank all of our customers, staff, stockholders and people in the communities we serve for their hard work, support, and resilience during the past year. Our world and yours has literally dealt with the Good, the Bad and the Ugly.

On the Good side, many have been forced to learn how to do their banking electronically. Most have become adept at ordering everything they need to sustain their daily lives with their cell phone or other electronic device. We, in our rural communities, have satisfied our appetites by ordering take-out meals in an effort to broaden our menus while helping local businesses stay alive.

We have learned to better appreciate those essential workers who had to risk exposure to Covid-19 so we could get our mail, medicines, groceries, etc.

When it comes to the Bad, one could fill a book. Education, at all levels, suffered enormously. Family and friends were forced to stay apart. Public transportation was greatly reduced and travel restrictions abounded.

Wearing a mask became mandatory. It often made it hard to recognize the mask wearer. For those of us with impaired hearing, it made it very hard to understand what the masked speaker was trying to say.

The Ugly includes the deaths attributed to Covid; the taking of personal freedom by those in government at all levels, and the media's increasing tendency to create the news rather than report it.

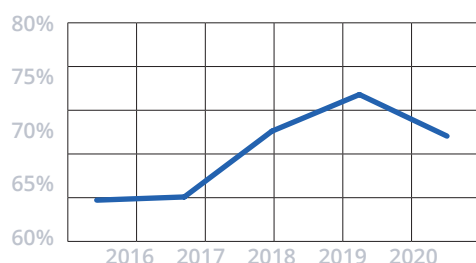
Back to Good news! Farmers are seeing better crop prices than they have in years. With the vaccination rate rising rapidly, herd immunity may be coming. Spring is here and the outside beckons.

Thank you for your support this past year. I hope we will be able to improve earnings in 2021 while meeting the banking, mortgage, insurance and wealth management needs of our customers and stockholders.

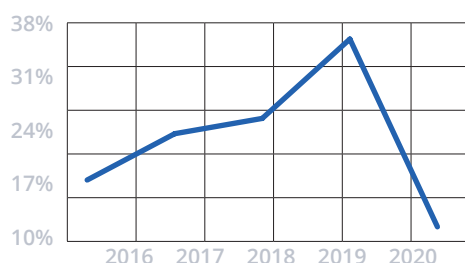
Augustin S Hart III

President, Western Illinois Bancshares, Inc.

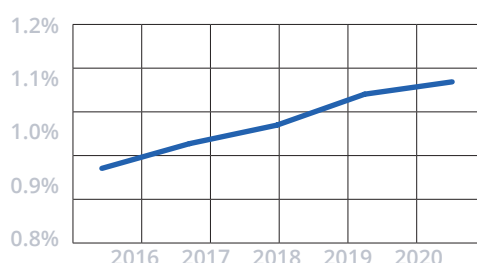
EFFICIENCY RATIO



TEXAS RATIO



NON-INTEREST INCOME TO AVG ASSETS





Dear Shareholder:

The Latin word De Novo means to start anew, a second time. Although Western Illinois Bancshares started in 2005 and was in banking terms considered to be a De Novo then, we are poised to start anew in 2021.

Our audited statements for 2020 reflect consolidated net earnings of \$3,199,753, compared to \$3,737,271 in 2019. The decline in our net earnings can be primarily attributed to an increase in our loan loss provision of \$650K and an increase in our tax provision of \$405.6K. Overall return on average common equity was 6.03% and we paid \$1,339,955 in common dividends to our shareholders, or approximately 41.5% of earnings.

While our earnings performance in 2020 was lower than our target, we could not start anew until our problem loans were addressed. We charted a course several years ago to improve our credit quality and we were able to achieve this goal in 2020. This is evidenced in the Bank's Texas Ratio, which measures past due and non-performing loans against our Allowance for Loan Losses. Year-over-year this ratio improved significantly, dropping from 39.0% to 11.1%, which is now in line with our peers.

Another favorable and unexpected result in 2020 was the Bank's deposit growth. Due to the pandemic stimulus and some new larger customers, deposits grew 14.4%, going from \$393.2 million to \$449.6 million. This amounts to three to five years of deposit growth. While we expect a portion of these funds to be spent, a high percentage should become part of our core deposit base.

Although the Covid pandemic prevented our Directors and Management Team from gathering for formal strategic planning last year, we did not hit the pause button. Our team continued their work on our three focus areas: credit quality, operating efficiency and non-interest income. We will be holding a comprehensive planning session in April that will be considering the long-term business effects of the pandemic and the direction of a new administration in Washington.

During the first fifteen years of our existence, we have been gradually transitioning from a traditional community bank model to a financial services company. The traditional model is heavily reliant on net-interest margin that is driven by loan growth. While we continue to seek loan growth, we are less dependent than in the past and look to place a greater emphasis on quality. At the same time, work continues on building our four pillars of non-interest income: insurance, wealth management, mortgages and card services.

I am proud of our team's ability to turn challenges into opportunities. Their planning and hard work are the seeds that will lead to a bountiful harvest. This should soon be reflected in our numbers as we move further into the new year and begin anew.

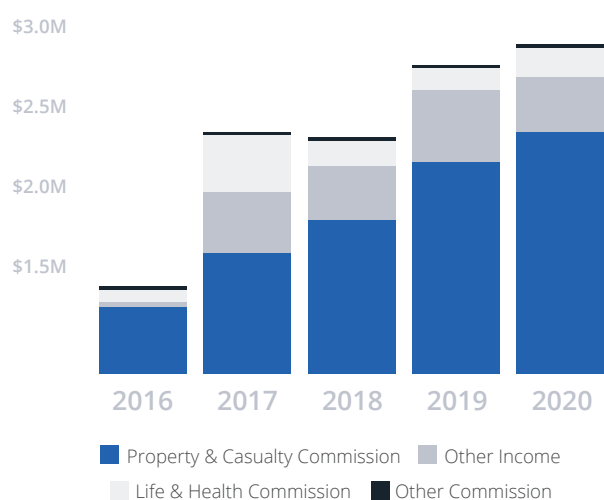
In writing this letter, I realized that for the most part it was business as usual for our company in 2020. Despite the pandemic, we were able to keep both the bank and insurance agency operating at a high level, while maintaining a safe environment for our staff. This would not have been possible without a tremendous effort by our team. Many of them went above and beyond to make this happen and we are very thankful for their dedication and hard work.

Thanks to all of you for your continued support!

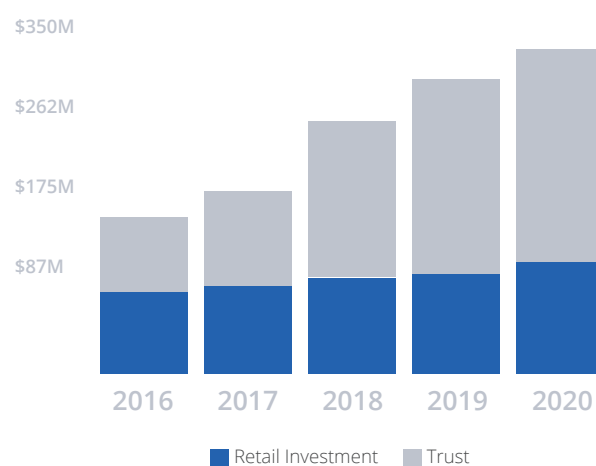
Christopher J Gavin

President & CEO, Midwest Bank

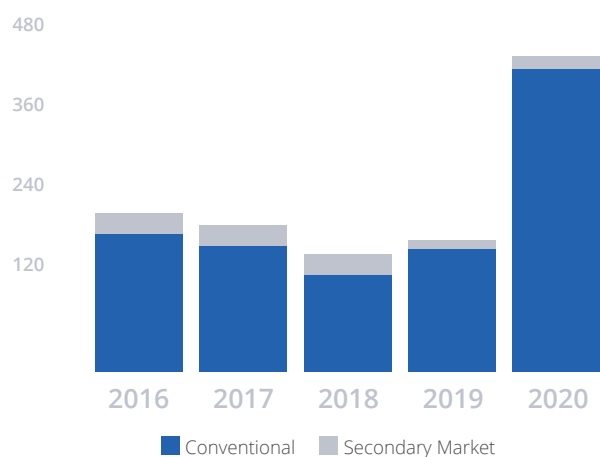
Porter-Hay Insurance



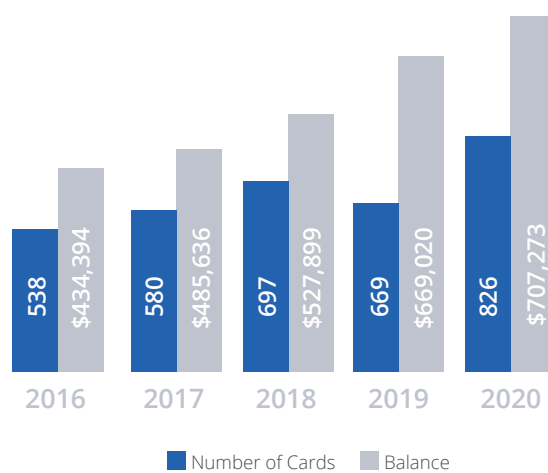
Wealth Management



Originated Mortgage Loans



Credit Card Program



COMMUNITY IMPACT

Western Illinois Bancshares, Inc. is committed to making a positive impact through community involvement both financially and philanthropically. Our team members serve as leaders across their communities volunteering as board members, coaches and mentors. Whether it is through Relay For Life, United Way, local Chambers or other organizations, our employees genuinely enjoy giving back to their communities. In a year that found our small businesses and non-profits with limited resources, we made over \$125,000 in contributions to our communities.



“Despite the pandemic, we were able to keep both the bank and insurance agency operating at a high level, while maintaining a safe environment for our staff. This would not have been possible without a tremendous effort by our team.”

"We are grateful for all of the many ways our hometown bank works with us."

-Small Business Customer



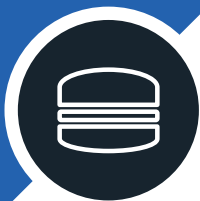
7TH ANNUAL RAK WEEK

Midwest Bank & Porter-Hay Insurance host an annual Random Acts of Kindness week each year in December. Our mission is to spread kindness in our communities and encourage others to pay it forward. Our employees enjoy participating every year and it inspires us all.



COVID ASSISTANCE

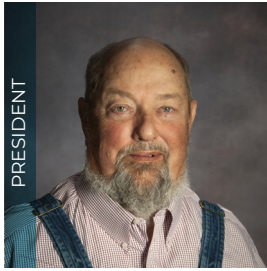
Through our partnership with Federal Home Loan Bank of Chicago, Midwest Bank received \$36,000 in COVID-19 Relief and Targeted Impact Fund Grants. Paired with additional funds from Midwest Bank, we were able to distribute \$41,000 to area small businesses and nonprofit organizations struggling to make ends meet.



LOCAL RESTAURANTS

In an effort to help support local restaurants, Midwest Bank and Porter-Hay Insurance purchased lunches for employees on Fridays throughout 2020 at all of our locations.

WESTERN ILLINOIS BANCSHARES, INC BOARD OF DIRECTORS



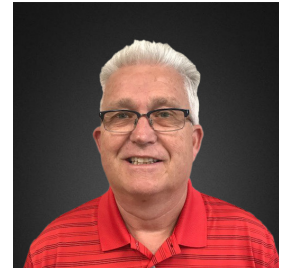
Augustin S Hart III
Agribusiness & Insurance



Robert A Riley
Retired John Deere Dealer



Christopher J Gavin
President & CEO Midwest Bank



Scott T Champion
Owner MCM Media



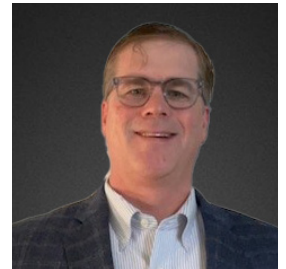
Alice J Defenbaugh
Beulah Land Farms, LLC



Andrew J Gianulis
Retired John Deere Executive



Cristin D McGrath
CPA & Financial Controller



Mark J Sexton
Bart Bank Group & Attorney

EXECUTIVE TEAM



Christopher J Gavin
President & CEO



Matt O Gillen
Executive VP & Chief Credit Officer



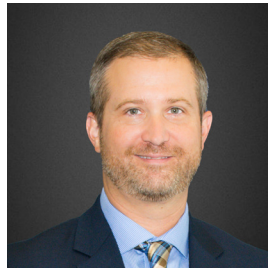
Aaron D Jensen
Executive VP & Chief Operations Officer



Jennifer V Anderson
VP & Chief Financial Officer



Sara A Bockelman
VP & Chief Retail Officer



Chad W Morse
President Porter-Hay Insurance

MIDWEST BANK BOARD OF DIRECTORS



Robert A Riley
Retired John Deere Dealer



Dr. Stephen A Johnson
Retired Dentist



Leslie G Allen
*Retired Executive VP
Midwest Bank*



Marvin H Dahlberg
Retired CPA & City Treasurer



Alice J Defenbaugh
Beulah Land Farms, LLC



Christopher J Gavin
*President & CEO Midwest
Bank*



Matt O Gillen
Executive VP Midwest Bank



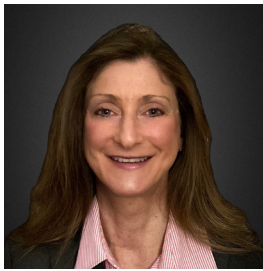
Augustin S Hart III
Agribusiness & Insurance



Aaron D Jensen
Executive VP Midwest Bank



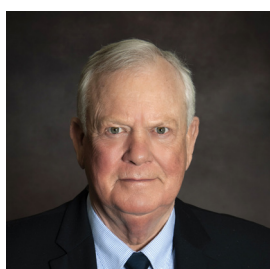
Michael G Luna
*Former Owner/Operator
McDonalds*



Cristin D McGrath
CPA & Financial Controller

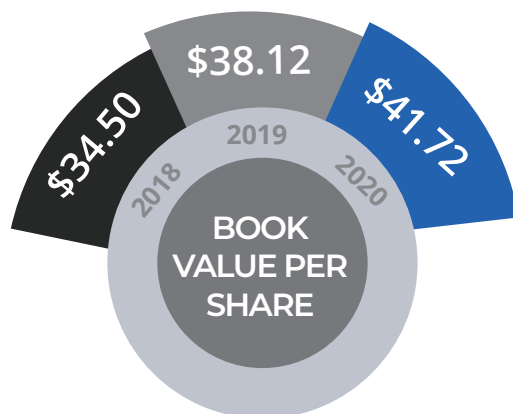


Brian J Neff
CPA, CMB & Co LLC

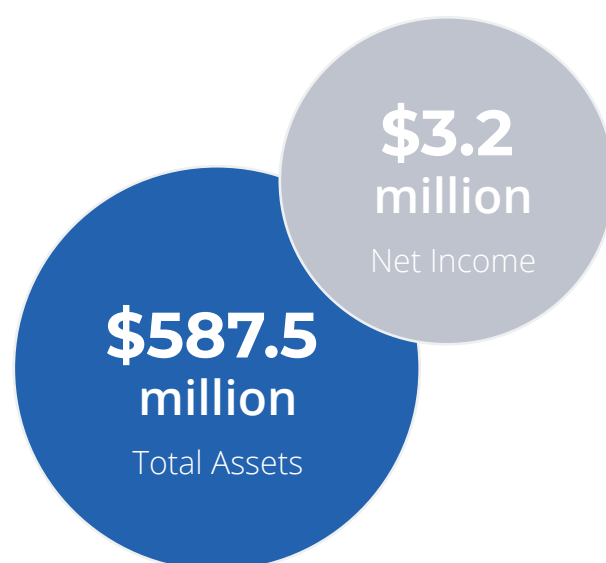
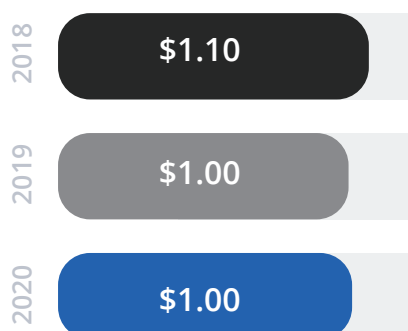


Jim R Purlee
Purlee Farms

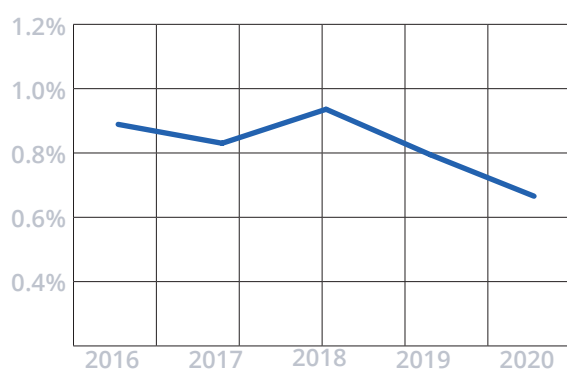
FINANCIAL HIGHLIGHTS



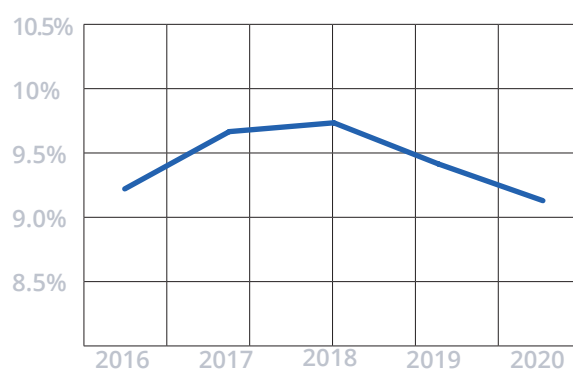
DIVIDEND PER SHARE

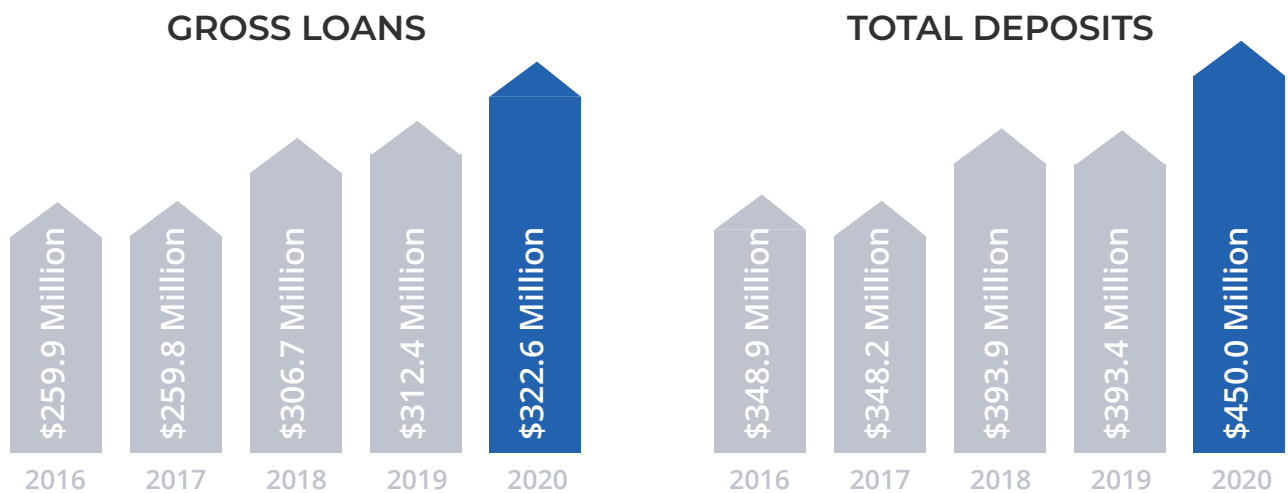


RETURN ON ASSETS

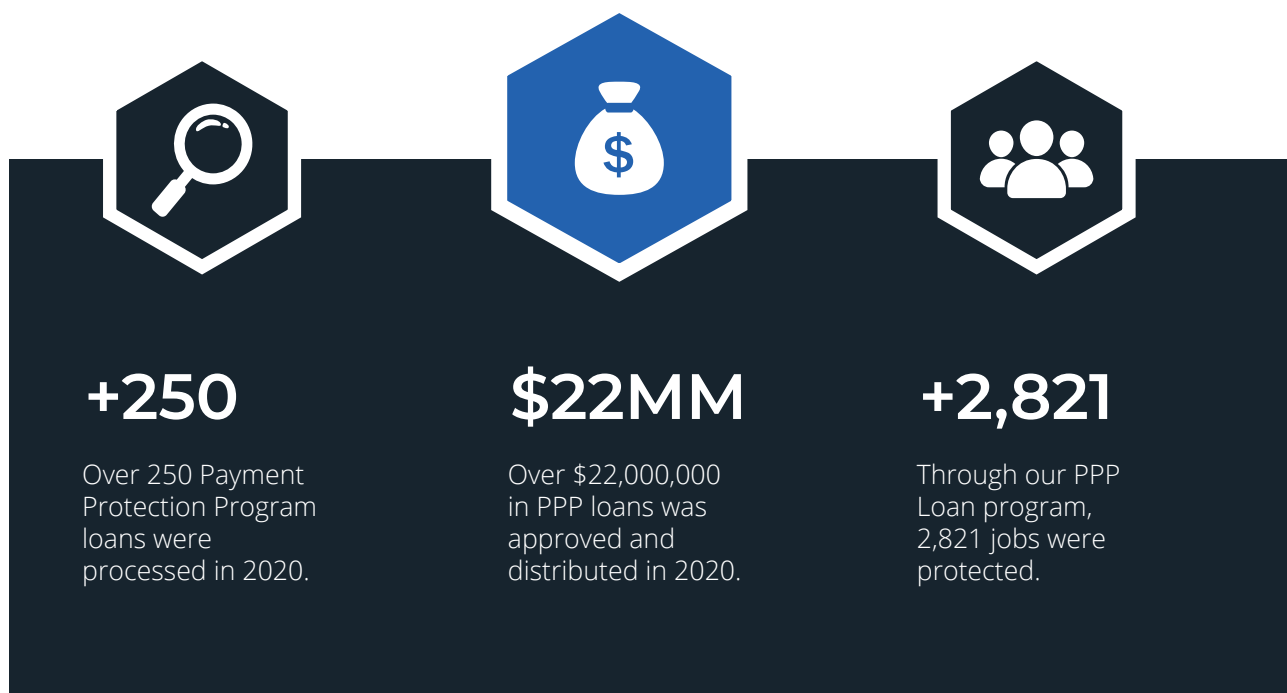


CORE CAPITAL RATIO





Payment Protection Program



ELECTRONIC BANKING

Midwest Bank continued to operate throughout branch lobby closures in order to protect our team members and customers. We implemented a drive-thru banking model with appointment only lobby service. Our Electronic Banking channels were leveraged to communicate and serve our customers. We saw an increase of both enrollment and usage throughout 2020.



3,258

Mobile Banking Users



6,442

Internet Banking Users



35

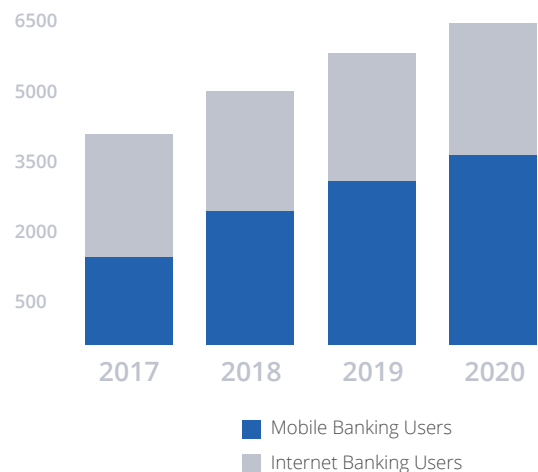
Remote Deposit Capture Locations



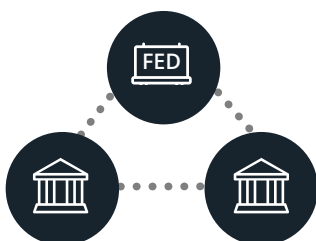
626

Average number of Mobile Check Deposits per month

Internet & Mobile Users



	2019	2020	Y/Y INCREASE
Debit Card Volume	\$65,296,266	\$72,967,947	11.7%
Debit Card Transactions	1,878,418	1,946,615	3.5%



ACH Originators:

49
















Average Monthly Transactions:

7,071

Average Monthly Volume:

\$32,669,245

LOCATIONS

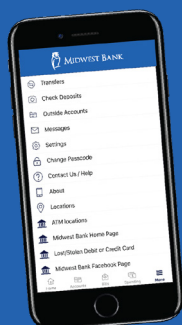
200 E Broadway, Monmouth IL	 
506 Schuyler St, Oquawka IL	 
2558 N Seminary St, Galesburg IL	 
612 W Main St, Galesburg IL	
200 SE 13th Ave Ct, Aledo IL	 
601 8th St E, Andalusia IL	 
3907 16th St, Moline IL	
300 E Washington St, Peoria IL	
137 S Main St, Alexis IL	
314 Main St, Galva IL	



Midwest Bank Location



Porter-Hay Insurance Location



MIDWEST BANK MOBILE BANKING APP

AVAILABLE ANYTIME, ANYWHERE 24/7



Available on the
App Store



ANDROID APP ON
Google Play

CONSOLIDATED BALANCE SHEETS

Assets	2020	2019
Cash and due from banks	11,679,957	7,020,159
Federal funds sold	1,538,000	14,621,000
Interest-bearing demand deposits in banks	<u>1,719,749</u>	<u>885,961</u>
Cash and cash equivalents	14,937,706	22,527,120
Interest-bearing time deposits in banks	2,972,764	2,965,552
Available-for-sale debt securities	203,569,241	140,077,644
Loans held for sale	670,844	265,536
Loans, net allowance for loan losses of \$3,847,229 and \$3,962,319 at December 31, 2020 and 2019	318,120,608	308,199,364
Premises and equipment, net of accumulated depreciation of \$5,830,805 and \$5,374,978 at December 31, 2020 and 2019	7,114,320	7,625,535
Federal Reserve and Federal Home Loan Bank stock	2,868,020	2,640,670
Foreclosed assets held for sale, net	917,399	2,119,511
Cash surrender value of life insurance	12,438,968	12,148,182
Interest receivable	4,624,854	3,823,004
Mortgage servicing rights	395,591	417,559
Goodwill	14,160,039	14,160,039
Intangibles	2,462,433	2,744,715
Other	<u>2,274,045</u>	<u>2,827,300</u>
Total Assets	<u>\$587,526,832</u>	<u>\$522,541,731</u>
Liabilities & Stockholder's Equity		
Demand Deposits	52,920,799	39,866,328
Savings, NOW and money market Deposits	286,355,157	250,461,710
Time Deposits	92,302,327	81,002,496
Brokered Deposits	<u>18,057,000</u>	<u>21,827,000</u>
Total Deposits	449,635,283	393,157,534
Short-term borrowings	22,542,858	26,877,571
Subordinated debentures	9,279,000	9,279,000
Other borrowings	45,185,000	37,790,000
Interest payable	163,258	255,703
Deferred income taxes	1,760,745	889,033
Other liabilities	<u>2,875,661</u>	<u>3,002,285</u>
Total liabilities	531,441,805	471,251,126
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	21,299,012	19,439,214
Accumulated other comprehensive loss	3,942,498	1,007,874
Total Stockholder's Equity	<u>56,085,027</u>	<u>51,290,605</u>
Total Liabilities and Stockholder's Equity	<u>\$587,526,832</u>	<u>\$522,541,731</u>

STATEMENTS OF INCOME

	2020	2019
Interest and dividend Income:		
Loans, including fees	15,629,954	16,000,382
Debt securities		
Taxable	1,780,114	2,103,319
Tax-exempt	1,463,130	1,386,953
Federal funds sold and other	122,021	227,874
Dividends	<u>177,069</u>	<u>140,675</u>
Total interest and dividend income	19,172,288	19,859,203
Interest expense:		
Deposits	3,134,469	3,659,840
Short-term borrowings	259,803	283,366
Subordinated debentures	169,330	334,584
Other borrowings	<u>865,913</u>	<u>974,687</u>
Total interest expense	4,429,515	5,252,477
Net interest income	14,742,773	14,606,726
Provision for loan losses	<u>2,500,000</u>	<u>1,850,000</u>
Net interest income after provision for loan losses	12,242,773	12,756,726
Non-interest income:		
Fiduciary activities	420,838	422,646
Customer service fees	1,347,314	1,419,845
Insurance commissions	2,844,328	2,861,263
Increase in cash surrender value of life insurance	290,786	298,486
Net realized gains on sales of available-for-sale debt securities	366,006	824,781
Mortgage banking, net	1,166,558	631,985
Gain on sale of premises and equipment	(51,932)	(19,511)
Other	<u>288,498</u>	<u>157,626</u>
Total non-interest income	6,672,396	6,597,121
Non-interest expense:		
Salaries and employee benefits	8,960,437	8,716,020
Occupancy	1,139,196	1,147,916
Equipment	857,739	729,185
Professional fees	343,581	574,603
Marketing	150,197	160,734
Printing and office supplies	113,646	114,225
Foreclosed assets, net	428,858	873,969
Deposit insurance premiums	157,929	70,134
Other	<u>2,789,233</u>	<u>2,860,770</u>
Total non-interest expense	14,940,816	15,247,556
Income before income taxes	3,974,353	4,106,291
Provision for income taxes	<u>774,600</u>	<u>369,020</u>
Net Income	<u>\$3,199,753</u>	<u>\$3,737,271</u>

CONTACT US:

200 E Broadway
Monmouth, IL 61462

309.734.2265
888.309.2265

www.mbwi.com
www.porterhayinsurance.com
www.mbwealthservices.com

MEMBER FDIC