



WESTERN ILLINOIS BANCSHARES INC.

Annual

Report 2017



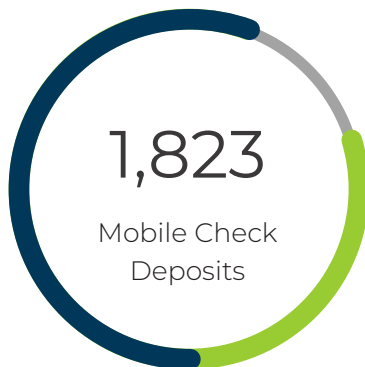
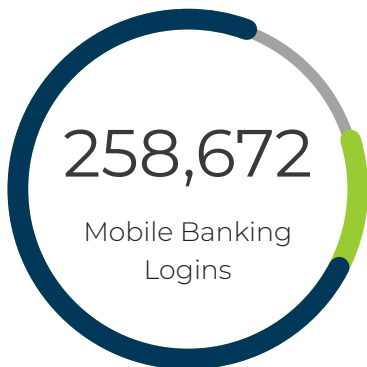
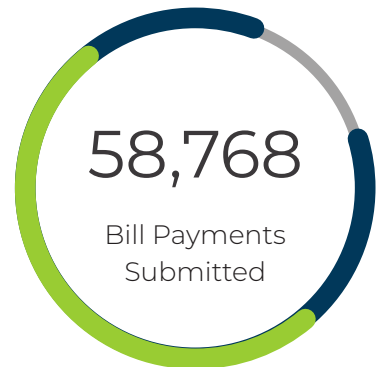
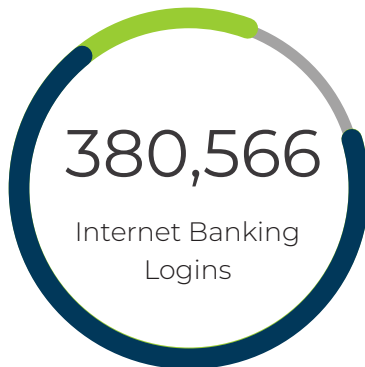
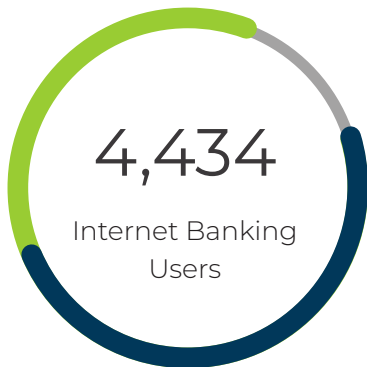
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WIBI President's Report

2017 was an interesting year. Mother Nature wreaked havoc in some parts and was extraordinarily gentle in others. Our area was treated well by her, especially those who make their living on the farm. A surprisingly cool August provided an unexpected yield boost for the corn crop and proved positive for the soybeans also.

Those great yields helped counter low grain prices, and turned almost sure operational losses into gains, bringing smiles to our farm customers and their bankers.

I cannot be as complimentary about those who supposedly work for us in Springfield or Washington. Compromise seems to be an unknown solution for those of both political parties.

As you know, Congress did manage to pass a bill in December that should reduce income taxes for many people and businesses. In theory, anything that gives government less to spend is a good thing, as is anything that puts more dollars in our pockets.

However, for all but those lucky enough to need to file only the most simplistic tax forms, the new rules add complexity to a process that is already incomprehensible to the average person.

While serving as an Army officer, years ago, I couldn't understand why the memos I issued to my troops weren't followed. A wise old sergeant asked me to identify the person I thought might be the stupidest in my command. I told him "Yastremski" was the dumbest.

Sarge told me to have Yastremski read my memo before I pinned it on the bulletin board and if he didn't understand what I wanted, it needed to be rewritten until he did. Yastremski needs to be sent to Washington.

I must thank our stockholders, directors, management and staff for their continued support and wish us all a bountiful 2018.

Agustin S. Hart III
President
Western Illinois Bancshares, Inc.

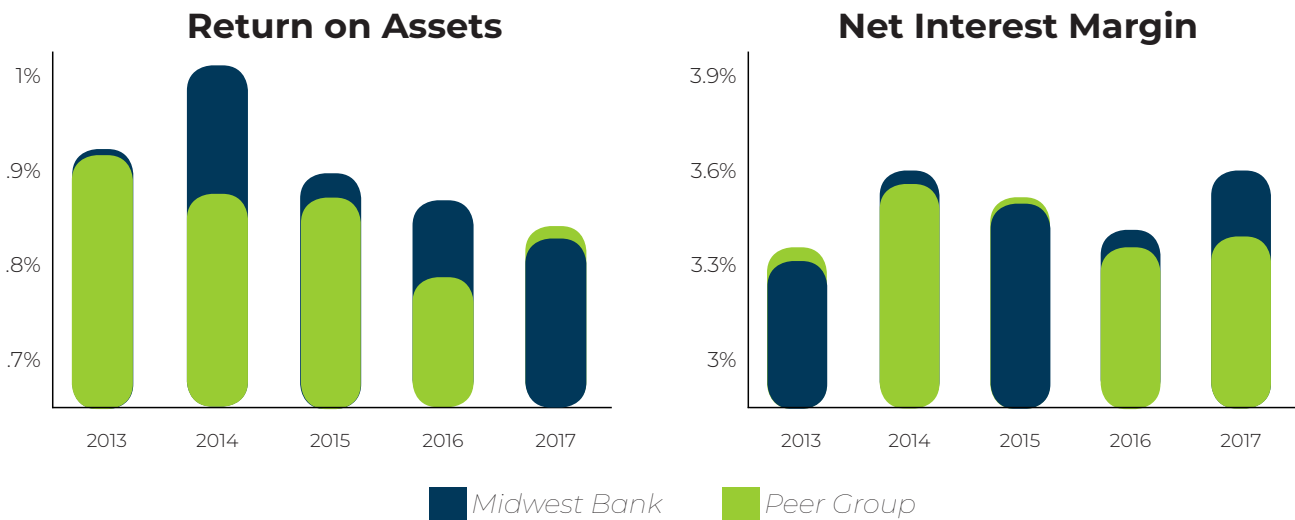
Midwest Bank President's Report

Dear Shareholder:

2017 was the tale of two different years. From January through October our company was on track for record earnings. That changed in November and December when we had an unexpected loan loss, followed by major tax reform legislation that led to year-end adjustments. While the former had a permanent impact on earnings and capital, the latter was only temporary and we are already seeing the positive impact of lower taxes in 2018.

For the year we had net earnings of \$3,320,616, which was down from 2016 earnings of \$3,537,102 and represents a decrease of 6.52%. Our overall return on common equity was 7.93% and we paid \$1,375,064 in common and preferred dividends to our shareholders.

The bank achieved a return on average assets of 0.81%, compared to our local peer group of 0.83% and our 2016 return of 0.86%. Net interest margin, the primary revenue engine of the bank, improved to 3.52% from 3.39% and compares favorably to peer at 3.33%. While we have been making progress on credit quality, this still remains a challenge, with our non-performing loans and charge-off ratios remaining higher than our peers.



Here are some key highlights of this past year:

- ✓ An engagement with Profit Resources, Inc. (PRI) to look for improvement opportunities in all areas of the bank. This was a very intensive process that we expect to pay significant dividends beginning in 2018.
- ✓ Further expansion of our electronic banking platform, along with a new direct contract with VISA for our debit and credit cards that will enhance or revenue by \$500K over the next ten years.
- ✓ Formation of a new division – Midwest Mortgage. This was done in conjunction with the implementation of a new automated mortgage platform and the introduction of new products.

- ✓ The strengthening and growth of our relationship with Monmouth College, making it our largest. The college is the most important institution in our home town and Warren County. During the year we were able to further assist them with their financial management and strategic initiatives.

In writing recent editions of this letters, I have come to realize that the message has remained the same – our continued focus on diversifying and growing our non-interest revenue. While this has been a longer-term strategy, we are beginning to reap the benefits. Once we are able to achieve our credit quality goals, the overall impact of this strategy on our earnings will become more apparent.

We expect 2018 to be a very exciting year. We recently announced our plans to open a new branch in East Peoria in March of 2019 and we hope soon to announce an expansion in the Quad City market. None of this would be possible without a lot of hard work by our management team. We truly have a great group that are very committed to the growth and success of Western Illinois Bancshares and I cannot thank them and our entire staff enough for their efforts.

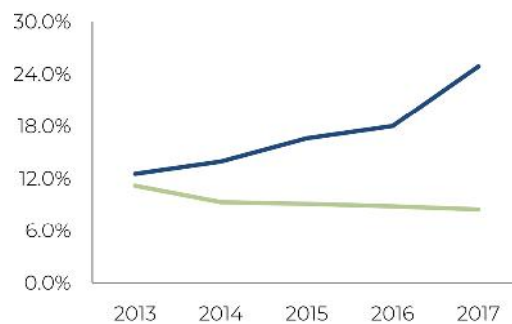
I also want to thank you, our Shareholders, for your support. We greatly appreciate the trust you place in us and we look forward to continuing our mission for your benefit and that of our employees and our communities.

Christopher J. Gavin
 President & CEO
 Midwest Bank

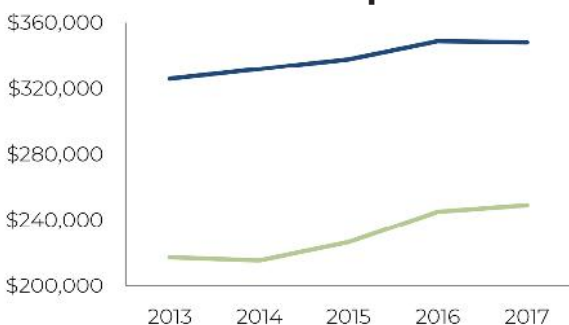
Core Capital Ratio



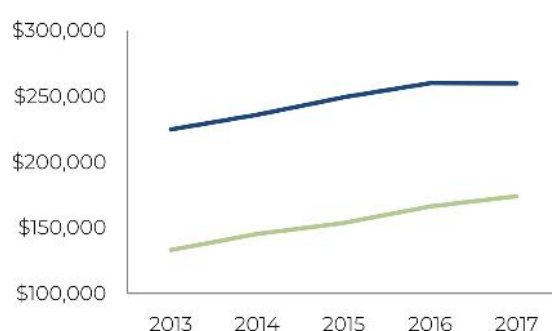
Texas Ratio



Total Deposits



Gross Loans





Connecting with our Communities

Midwest Bank believes in making the communities we serve a better place to live and work. Our employees serve as ambassadors of our brand both inside and outside of the bank. We strive to have a positive impact through community involvement both financially and philanthropically. Midwest Bank employees selflessly donate their time and talents as board members, youth coaches, civic organization members, volunteers and much more. We believe in connecting with our communities through a diverse array of programs. In 2017, Midwest's Bank donations and sponsorships totaled over \$242,000.

One organization that has touched many of our employees in one way or another is American Cancer Society Relay For Life. The money raised through Relay For Life events helps to fund life-saving cancer research, provide patient support services, and educate on prevention, detection and treatment programs. Our employees believe in the mission to save lives, celebrate life and lead the fight for a world without cancer. Through various fundraisers from cookouts to variety shows, our employees were able to raise over \$12,500 for Relay For Life in Knox, Warren and Henderson counties.

324

Christmas gifts were collected for Jamieson Center Angel Tree

\$7,200

was donated to local schools through our Chalk Up Money for Schools program

Employees raised
\$12,500
for American Cancer Society Relay For Life

Employee & bank contributions resulted in
\$10,822
for Warren County United Way

Provided
\$2,500
in college scholarships

Our Leaders

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
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, Owner/Operator of McDonalds, Monmouth and Aledo

Midwest Bank Executive Officers

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

Monmouth Locations

*Marcy Anderson, VP Information Services
*Sara Bockelman, VP Marketing & Public Relations
*Laurie Bodeen, Human Resources Officer
*Jackie Burnett, Internal Auditor
*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
Madison Coulter
Janet Current
Tracy Curry
Lisa Davis
Jaime DeCrane
Ashley Dye
Cala Earp
Paula Elliott
Annie Fancher
Veronica Finch
Violet Fleming
Connie Frakes
Patrick Gavin
Stefanie Gavin
Cassie Griffin
Jennifer Gullstrand
Teresa Harris
Haley Johnston

Diana Mackey
Courtney Michael
Becky Moore
Ondria Moulden
Michelle Nelson
Michelle Parish
Janice Poole
Erin Pullen
Brooke Robinson
Bethany Scanlan
Charmaine Shinn
Madison Turnquist
Janet Thomas
Debbie Von Kannon
Chelsea Voyles
Mary Walker
Tiffany Watkins
Dan Watson
Marge Winebright
Jessica Youngquist

Aledo Location

*Christy Shelton, Consumer Loan Officer
Lisa Hardin
Christine Long
Melonie McLaughlin

Galesburg Locations

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

Quad City Market

*Rick Lasek, VP & Market President

Peoria Market

*Rick Lasek, VP & Market President

Oquawka Location

*Lori Austin, AVP & Branch Manager
Molly Jones
Cheryl Newton
Robin Peel
Paula Spence
Lisa Thompson
Judy Zielkie

Wealth Management

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

Porter-Hay Insurance

*Chad Morse, President
*Cris Hunt, Vice President
*Larry Morse, Agent/Acquisitions
*Kent Porter, Ag Specialist
Jackie Cain
Carmen Crabtree
Julie Ericson
Lynn Gibbs
Tammy Hartman
Dan Ingersoll
Stacey Kendall
Heidi Lancaster
Jamie Martin
Debbie Meeker-King
Steve Mendonsa
Kristen Michael
Brooke Morales
Amy Ruhl

Consolidated Balance Sheets

Assets	2017	2016
Cash and due from banks	6,137,826	6,690,369
Federal funds sold	2,591,000	6,025,000
Interest-bearing demand deposits in banks	<u>2,201,075</u>	<u>1,631,586</u>
Cash and cash equivalents	10,929,901	14,346,955
Interest-bearing time deposits in banks	5,229,000	5,478,000
Available-for-sale securities	142,707,682	142,048,299
Loans held for sale	1,827,039	1,651,960
Loans, net allows for loan losses of \$2,594,829 and \$3,153,932 at December 31 2017 and 2016	255,399,774	255,184,643
Premises and equipment, net of accumulated depreciation of \$4,329,219 and \$3,890,567 at December 31, 2017 and 2016	7,201,742	6,403,474
Federal Reserve and Federal Home Loan Bank stock	3063,470	3,317,220
Foreclosed assets held for sale, net	2,347,125	579,856
Cash surrender value of life insurance	11,549,649	11,245,178
Interest receivable	3,462,877	3,402,790
Deferred income taxes	800,161	924,789
Mortgage servicing rights	366,464	362,662
Goodwill and customer intangibles	14,130,251	14,051,199
Other	<u>1,716,738</u>	<u>1,888,746</u>
Total Assets	\$460,731,873	\$460,885,771
Liabilities & Stockholder's Equity		
Deposits		
Demand	37,034,893	34,057,857
Savings, NOW and money market	218,562,617	214,111,848
Time	75,256,770	80,362,485
Brokered Deposits	<u>17,259,000</u>	<u>20,361,974</u>
Total Deposits	348,113,280	348,894,164
Short-term borrowings	16,394,271	22,163,141
Subordinated debentures	9,279,000	9,279,000
Other borrowings	38,350,000	33,997,800
Interest payable	164,279	118,083
Other liabilities	<u>3,408,784</u>	<u>3,497,305</u>
Total liabilities	415,709,614	417,949,493
Stockholder's Equity		
Preferred stock, Series D, 10,000,000 shares without par authorized; \$1,000 liquidation preference: 2017-0 and 2016-77,207 shares issued and outstanding	----	7,720,700
Common stock, \$1 par value; authorized 10,000,000; 2017-1,339,955 and 2016-953,920 shares issued and outstanding	1,339,955	953,920
Additional paid-in capital	29,503,562	22,168,897
Retained earnings	14,776,230	12,709,549
Accumulated other comprehensive loss	<u>(597,488)</u>	<u>(616,788)</u>
Total stockholders' equity	45,022,259	42,936,278
Total liabilities and stockholder's equity	\$460,731,873	\$460,885,771

Statements of Income

	2017	2016
Interest and Dividend Income		
Loans, including fees	12,643,536	111,983,428
Debt securities		
Taxable	1,738,439	1,662,240
Tax-Exempt	1,202,441	1,182,654
Federal funds sold and other	140,232	130,212
Dividends	<u>109,139</u>	<u>112,933</u>
Total interest and dividend income	15,833,787	15,071,467
Interest Expense		
Deposits	2,044,807	1,922,960
Short-term borrowings	55,266	51,416
Subordinated debentures	329,818	282,513
Other borrowings	<u>554,208</u>	<u>577,533</u>
Total interest expense	2,984,099	2,834,422
Net Interest Income	12,849,688	12,237,045
Provision for Loan Losses	<u>1,000,000</u>	<u>800,000</u>
Net Interest Income After Provision for Loan Losses	11,849,688	11,437,045
Noninterest Income		
Fiduciary activities	342,147	313,821
Customer service fees	1,090,866	1,058,843
Insurance commissions and other	2,184,744	2,057,028
Increase in cash surrender value of life insurance	304,471	309,228
Net realized gains on sales of available-for-sale securities	136,145	68,739
Mortgage banking, net	389,463	473,398
Gain on sale of premises and equipment	2,272	----
Other	<u>425,171</u>	<u>310,960</u>
Total noninterest income	4,875,279	4,592,017
Noninterest Expense		
Salaries and employee benefits	7,314,635	6,749,441
Occupancy	902,743	866,567
Equipment	586,411	615,135
Professional fees	446,396	387,096
Marketing	137,074	145,047
Printing and office supplies	105,725	112,545
Foreclosed assets, net	121,356	49,939
Deposit insurance premiums	146,349	235,614
Other	<u>1,877,020</u>	<u>1,867,833</u>
Total noninterest expense	11,637,709	11,029,217
Income Before Income Taxes	5,087,258	4,999,845
Provision for Income Taxes	<u>1,766,642</u>	<u>1,462,743</u>
Net Income	\$3,320,616	\$3,537,102

Annual

Report 2017

CONTACT US

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