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WIBI PRESIDENT'S REPORT

2016 was a good year for our holding company, the bank, and the communities we serve but that doesn't mean it was an easy year. Our employees worked hard to meet the needs of our customers and did their best to provide great service while complying with the ever-increasing regulatory burdens the industry is laden with.

Our farmers had to produce record yields to keep their operations in the black. Local school boards and municipal governments had to streamline operations as budgets were sliced and costs, especially those for pensions, continued to rise. Those living on a fixed income continued to earn low returns on their savings.

All the while, those who run things in Springfield and Washington, D.C. continued to blame everyone but themselves for the mess that our state is in and the bureaucracies that have a stranglehold on our nation.

During the year, we upgraded internal operating systems to improve efficiency and meet the needs of our customers as a large number of them increase their reliance on the device that Alexander Graham Bell invented, but would not recognize in its present form. I know you can use your phone to board an aircraft, pay your bills and charge your dinner. I suspect it won't be long before it will drive your tractor or your car.

There are lots of people that remain convinced that November's election results weren't for real, but I expect they will figure it out pretty soon. I must admit to having had trouble recognizing what happened at the polls in 2008 and 2012.

I cannot help but feel encouraged that there is someone in the White House that wants to lower taxes, reduce regulations, and "Make America Great Again." He is learning slowly that change does not come quickly in our nation's capital. I hope he perseveres.

Medical costs in this country are outrageous. I feel much of the blame rests on the layers and layers of administrators involved in the process, not those who actually practice medicine, nor those who develop new drugs and medical devices.

I must thank our stockholders and staff for their continued support. If taxes are cut and regulations are reduced, all of us will benefit!



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



PRESIDENT'S REPORT

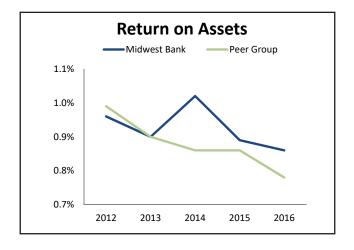
Dear Shareholder:

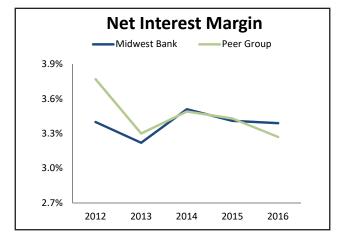
Consistency best describes Western Illinois Bancshares performance this past year. Despite some challenges with our local agricultural economy, we were able to again record above peer results.

In 2016 we had net earnings of \$3,537,102, or \$3.71 per share, representing our second highest per share annual return. This is an improvement over earnings of \$3,459,618 in 2015. Our overall return on common equity was 8.77% and we paid \$1,375,064 in common and preferred dividends to our shareholders.

The bank achieved a return on average assets of .86%, compared to our local peer group of 0.78%. Net interest margin, our largest source of revenue, decreased slightly from 3.41% to 3.39%, but higher than peer of 3.27%. Although credit quality metrics improved, they are below peer and will continue to be a major focus in 2017.







Here are some key highlights of this past year:

- Loan growth of close to 5% despite losing an experienced loan officer at the end of 2015. A great deal of credit goes to Matt Gillen and his team for their efforts in both retaining and adding new loan customers.
- The onboarding and merger of Chuck Hay Insurance into Porter Insurance, resulting in the Porter-Hay Insurance Agency. The combined new agency had a successful year and should continue to grow.
- A new Loan Production Office, with the addition of Michael Bartman as our Market President for the Peoria area. Mike brings with him over 15 years of commercial lending experience in this market.
- The introduction of numerous electronic banking products and features making us a community bank leader in providing these services.

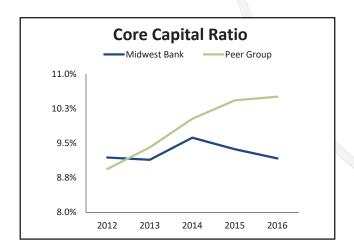
In addition to these items, we continue to execute our strategic plan in many other areas. Our efforts focus on striking a balance between current revenue and future growth. In a rapidly changing industry, we believe this approach is critical to the value of our company.

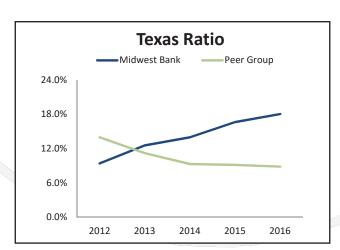
A key component of this value is building multiple and diverse revenue streams. This is not easy to do and does not happen overnight. We are fortunate to have a solid foundation in place for mortgage services, insurance, trust, wealth management, electronic banking and card services. These non-interest income sources are low in risk and will steadily build over time. This should prove positive for both earnings and the valuation of our company.

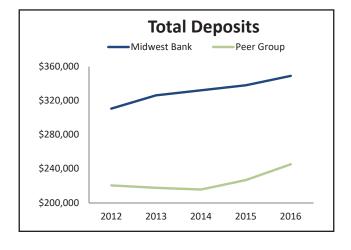
None of what we do would be possible without all of you – our shareholders. Your support has been even more consistent than our performance and it is greatly appreciated. We hope to continue to reward your support with our quarterly dividends, growth in stock value and liquidity when needed.

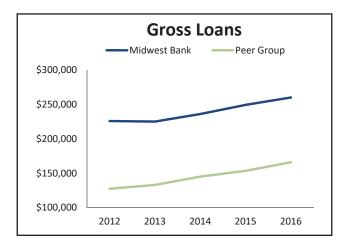
Chris

Christopher J. Gavin President & CEO









CONNECTING WITH OUR COMMUNITIES



- A \$20,000 donation was given to Discovery Depot Waves of the Future capital campaign raising funds for a new 750 square foot water exhibit gallery expansion to the existing children's museum
- Donations totaling over \$3,000 were given to multiple food pantries in the area including Pay it Forward Ministries, Henderson County Food Pantry, Family Outreach Community Center Pantry, FISH Food Pantry and the Mercer County Food Pantry
- Midwest Bank hosted it's third annual Random Acts of Kindness week in December and employees were out and about all week paying it forward with Random Acts of Kindness
- Lauren Sperry was the recipient of the \$1,000 Midwest Bank ACT Bootcamp Boss scholarship for her outstanding efforts in the Midwest Bank Bootcamp class
- Midwest Bank and employees contributed over \$16,500 to American Cancer Society Relay For Life through various events and fundraisers in Warren, Henderson, Knox and Mercer Counties
- Employee donations combined with the bank contribution resulted in over \$11,400 given to
 Warren County United Way
- Midwest Bank donated over \$15,000 in 2016 to area YMCAs strengthening communities by promoting youth development, healthy living and social responsibility
- Over 310 Christmas gifts, 60 blankets and 10 cases of fruit were purchased for community members for the Jamieson center Angel Tree
- More than \$9,000 was donated to local schools through our Chalk Up Money for Schools program in 2016 as part of our ongoing priority to support local education
- Midwest Bank partnered with Prairie Radio Communications to host the 12th annual spring and fall Ag Roundtables discussing local agriculture issues and their impact on our future
- Several bank employees devoted their time as Junior Achievement volunteers and the bank participated as a corporate sponsor
- Mallory Lafary and Allison Link were the two recipients of the Karna Foster Impact Scholarship recognizing high school seniors with a commitment to improving our communities through volunteerism and kidness
- Midwest Bank was a major chair sponsor for the 2nd annual Beards and Brews event hosted by Shave for the Brave Honor Flight of the Quad Cities raising \$28,000 for the Honor Flight of the Quad Cities

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
Robert C. Fick, President of Mel Foster, Quad City Market
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

*Debbie Anderson, BSA Officer & Audit Assistant

Monmouth Locations

*Marcy Anderson, VP Data Processing
*Sara Bockelman, VP Marketing & Public Relations
*Laurie Bodeen, Human Resources Officer
*Jackie Burnett, Internal Auditor
*Kathy Cavanaugh, VP Mortgage Lending
*Dina Chick, Bookkeeping Manager
*Brent Dugan, VP Consumer Banking
*Mary Dysert, Consumer Loan Officer
*Jackie Flater, VP Electronic Banking
*Rachel Gibson, Consumer Loan Officer
*Derrick Johnston, VP Credit Administration
*Justin Johnston, VP Ag & Commercial Lending
*Stephen Lanham, Network Operations
*Kim McKeown, Executive Secretary
*Kevin Murk, AVP Consumer Lending

Angie Alberts Jennifer Carlson Susan Chase Janet Current **Tracy Curry** Marnie Damewood Lisa Davis Jaime DeCrane **Amber Doss** Ashley Dye Polly Elliott **Annie Fancher** Violet Fleming **Connie Frakes** Patrick Gavin Stefanie Gavin Jay Grant Cassie Griffin Teresa Harris Haley Johnston

Cesar Aceves

Diana Mackey **Becky Moore** Ondria Moulden Michelle Nelson Michelle Parish Erin Pullen **Brooke Robinson** Bethany Scanlan Charmaine Shinn Paula Sims **Madison Turnquist** Janet Thomas Elisha Vancil Debbie Von Kannon Chelsea Voyles Mary Walker **Tiffany Watkins** Dan Watson Marge Winebright Jennifer Youngquist

Aledo Location

- * Rex Johnson, VP & Market President
- Christy Shelton, Consumer Loan Officer
 Christine Long
 Melonie McLaughlin
 Kathryn Ricke
 Judy Smith

Galesburg Locations

- * Lance Oetting, VP & Market President
- * Cindy Helvick, AVP & Branch Manager
- * Blake Rappenecker, AVP Lending

Tracy Brown

Cassie Stone

Tara Dean

Christy Flynn

Teresa Inness

Kelly Irwin

Rhonda Laake

Beau Lehnhausen

Jennifer McMurl

KayDee Nelson

Judi Sopher

Jackie Telander

Yahaira Torres

Amy Vancil

Quad City Location

* Rick Lasek, VP & Market President

Peoria Location

* Michael Bartman, 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, Trust Operations Officer Riley Cavanaugh Jodi Chandler Theresia Pettett

Porter-Hay Insurance

Kent Porter, Co-President Larry Morse, Co-President Cris Hunt, Vice President Chad Morse, Vice President Jackie Cain Carmen Crabtree Jeremy Eagle Julie Ericson Lynn Gibbs Tammy Hartman Dan Ingersoll Stacey Kendall Heidi Lancaster Debbie Meeker-King Steve Mendonsa Bill Mergenthal Kristen Michael Amy Ruhl

CONSOLIDATED BALANCE SHEETS

Assets	2016	2015
Cash and due from banks	\$6,690,369	\$6,685,887
Federal funds sold	6,025,000	6,247,000
Interest-bearing demand deposits in banks	1,631,586	772,161
Cash and cash equivalents	14,346,955	13,705,048
Interest-bearing time deposits in banks	5,478,000	5,826,000
Available-for-sale securities	142,048,299	139,563,185
Loans held for sale	1,651,960	2,355,029
Loans, net of allowance for loan losses of \$3,153,932 and \$3,290,468 at December 31, 2016 and 2015	255,184,643	243,591,619
Premises and equipment, net of accumulated depreciation of \$3,980,567 and \$3,240,713 at December 31, 2016 and 2015	6,403,474	6,694,379
Federal Reserve and Federal Home Loan Bank stock	3,317,220	3,317,220
Foreclosed assets held for sale, net	579,856	596,839
Cash surrender value of life insurance	11,245,178	10,935,951
Interest receivable	3,402,790	3,397,938
Deferred income taxes	924,789	271,773
Mortgage servicing rights	362,662	323,879
Goodwill and customer intangibles	14,051,199	14,277,612
Other	1,888,746	964,473
Total Assets	460,885,771	445,820,945
Liabilities		
Demand deposits	\$34,057,857	\$36,163,706
Savings, NOW and money market deposits	214,111,848	200,218,882
Time deposits	80,362,485	87,127,714
Brokered deposits	20,361,974	14,223,934
Total deposits	348,894,164	337,734,236
Short-term borrowings	22,163,141	18,126,379
Subordinated debentures	9,279,000	9,279,000
Other borrowings	33,997,800	35,147,800
Interest payable	118,083	118,933
Other liabilities	3,497,305	3,046,335
Total liabilities	417,949,493	403,452,683
Preferred stock, 10,000,000 shares without par authorized; \$1,000 liquidation preference: Series D - 77,207 shares issued and outstanding	7,720,700	7,720,700
Common stock, \$1 par value; authorized 10,000,000, 953,920 shares	953,920	953,920
issued and outstanding		
Additional paid-in capital	22,168,897	22,168,897
Retained earnings	12,709,549	10,511,964
Accumulated other comprehensive income (loss)	(616,788)	1,012,781
Total stockholders' equity	42,936,278	42,368,262
Total liabilities and stockholders' equity	\$460,885,771	\$445,820,945

STATEMENTS OF INCOME

Interest and Dividend Income	2016	2015
Loans, including fees	\$11,983,428	\$11,451,854
Taxable debt securities	1,662,240	1,694,912
Tax-exempt debt securities	1,182,654	1,216,747
Federal funds sold and other	130,212	96,098
Dividends	112,933	89,267
Total interest and dividend income	\$15,071,467	\$14,548,878
Interest Expense		
Deposits	1,922,960	1,763,809
Short-term borrowings	51,416	55,254
Subordinated debentures	282,513	415,816
Other borrowings	577,533	604,256
Total interest expense	\$2,834,422	\$2,839,135
Net Interest Income	12,237,045	11,709,743
Provision for Loan Losses	800,000	650,000
Net Interest Income After Provision for Loan Losses	11,437,045	11,059,743
Noninterest Income		
Fiduciary activities	313,821	321,486
Customer service fees	1,058,843	997,254
Insurance commissions and other	2,057,028	1,178,044
Increase in cash surrender value of life insurance	309,228	302,193
Net realized gains on sales of available-for-sale securities	68,739	241,904
Mortgage banking, net	473,398	440,096
Gain on sale of premises and equipment	_	(16,803)
Other	310,960	261,100
Total noninterest income	\$4,592,017	\$3,725,274
Noninterest Expense		
Salaries and employee benefits	6,749,441	6,089,328
Occupancy	866,567	846,060
Equipment	615,135	633,081
Professional fees	387,096	398,896
Marketing	145,047	143,590
Printing and office supplies	112,545	106,826
Foreclosed assets, net	49,939	108,860
Deposit insurance premiums	235,614	262,265
Other	1,867,833	1,377,483
Total noninterest expense	\$11,029,217	\$9,966,389
Income Before Income Taxes	4,999,845	4,818,628
Provision for Income Taxes	1,462,743	1,359,010
Net Income	\$3,537,102	\$3,459,618

