

**Peter F. Stanton**  
**Chairman and**  
**Chief Executive Officer**

January 26, 2017

Dear Shareholders:

2016 brought us a heavy dose of politics, some volatility in the capital markets and an excellent year for the Company with earnings cresting \$50 million. The first half of the year was dominated by the presidential primaries, and just as those were wrapping up, British citizens voted to leave the European Union worrying investors and helping to push interest rates to historic lows. In the midst of that news cycle there was serious talk of the potential for negative interest rates, which would definitely be uncharted territory for the financial industry. The year closed with the surprising presidential election results and a strong move upward in rates. While the rate environment ended 2016 roughly an eighth to a quarter point higher than the beginning of the year, there was quite a swing in both rates and sentiment throughout the year and that contributed to a challenging banking environment.

Despite the volatility and uncertainty of the operating environment, our business performed very well. Deposit growth was strong, increasing \$383 million, or 8.4 percent to \$4.9 billion, a new Company record. That strength continued a three-year run of growth that saw deposits increase over \$1.1 billion, an impressive accomplishment for a Bank devoted to organic growth and relationship banking. Growing deposits helped propel assets up \$364 million, or 6.9 percent to nearly \$5.7 billion, a company record. That funding also helped cover solid loan growth of \$228 million, or 6.4 percent to almost \$3.8 billion and supplemented the Bank's liquidity resources comprised of investable cash and securities.

The increase in short-term rates brought about by the Federal Reserve's 25 basis point rate move back in December of 2015 helped expand margins, which widened 11 basis points to 3.53 percent in 2016. Wider margins combined with a growing portfolio of loans and securities helped bolster net interest revenue, our primary source of earning power. Net interest revenue during the year totaled \$181.6 million, an increase of \$17.8 million, or 10.8 percent over 2015 totals. Growing the business also drove higher expenses, which increased \$8.1 million, or 5.7 percent year over year. Taken together, a significant increase in net interest revenue combined with a smaller increase in operating costs helped improve our Efficiency Ratio (expenses to revenues) to 64.1 percent, down from 65.6 percent in 2015.

For the year, Company earnings improved \$5.4 million, or 11.6 percent to \$51.7 million. Company earnings per share also improved nicely, increasing \$2.28, or 12.7 percent year-over-year to \$20.29. A growing book of business, wider margins and improved efficiency contributed to a 4 basis point increase in return on assets to 0.98 percent and a 41 basis point improvement in return on equity to 10.53 percent.

They say risk means that more things can happen than will happen, and that certainly seems true in today's uncertain world. Some of the best protection against unexpected events is a disciplined approach to banking and balance sheet strength. The credit performance of the Bank's loan portfolio has been very strong, with noncurrent loans and foreclosed real estate totaling just \$15 million, or 0.27 percent of assets. The Bank's allowance for loan loss position was substantial, ending the year at nearly \$86 million, or 2.27 percent of total loans. Liquidity resources were also substantial at year end, with a Liquidity Ratio (liquid assets to total liabilities) of 27.2 percent and no outstanding wholesale borrowings. Capital has always been an area of focus and the Company's capital position ended the year at \$496 million, up \$32 million, or 6.9 percent over 2015 levels. Our capital ratios remained significantly above regulatory minimums.

As we reflect on our performance, we are proud of all we accomplished in 2016. Earnings were strong, we maintained discipline in our balance sheet and we grew our business. As for the future, the change in administrations may present the potential for a real shift in governing policies, so planning for 2017 and beyond brings with it an extra dose of uncertainty. We look around us and see reasons to worry over things that might happen, but that always seems to be the case. And while our crystal ball may be cloudier than normal, we have the good fortune to work with high quality customers and operate in great markets. No matter what the future brings, we will remain focused on executing to our strategy of building long-term relationships with our valued customers.

On behalf of our employees and clients, we appreciate your continued support. Our shareholders make possible all that we accomplish and all the good our customers do for their communities. If we can help you in anyway, please reach out to us. For additional pertinent information, please visit our Investor Relations webpage at [watrust.com/about/investor-relations](http://watrust.com/about/investor-relations).

Warm Regards,



Pete Stanton  
Chairman and CEO

Enclosure

# Summary Financial Statements and Selected Financial Highlights

(unaudited)

Fourth Quarter  
**2016**



**W.T.B. Financial Corporation**

[watrust.com](http://watrust.com)

**W.T.B. Financial Corporation**  
**Condensed Consolidated Statements of Financial Condition**  
**(unaudited)**

	<u>December 31,</u> <u>2016</u>	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<b>ASSETS</b>			
Cash and due from banks	\$ 97,412,042	\$ 87,706,427	\$ 79,795,019
Interest-bearing deposits with banks	326,001,529	299,272,101	438,603,226
Securities available for sale, at fair value	932,788,461	797,132,759	679,877,946
Securities held to maturity, at amortized cost	452,029,006	397,956,801	482,414,445
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	6,421,500	6,421,500	5,781,300
Loans receivable	3,785,076,118	3,738,649,010	3,556,598,459
Allowance for loan losses	(85,786,743)	(86,402,668)	(84,968,885)
Loans net of allowance for loan losses	3,699,289,375	3,652,246,342	3,471,629,574
Premises and equipment, net	42,986,615	45,961,657	44,659,499
Other real estate	870,500	1,195,827	355,500
Accrued interest receivable	17,061,492	12,856,003	13,682,150
Other assets	94,092,679	72,326,887	88,473,701
Total assets	<u>\$ 5,668,953,199</u>	<u>\$ 5,373,076,304</u>	<u>\$ 5,305,272,360</u>
<b>LIABILITIES</b>			
Deposits:			
Noninterest-bearing	\$ 2,028,445,434	\$ 1,875,780,403	\$ 1,825,070,343
Interest-bearing	2,895,244,374	2,764,388,621	2,715,477,707
Total deposits	4,923,689,808	4,640,169,024	4,540,548,050
Securities sold under agreements to repurchase	211,462,438	194,522,541	264,887,110
Accrued interest payable	439,921	426,756	526,585
Other liabilities	37,075,124	35,846,881	34,903,602
Total liabilities	5,172,667,291	4,870,965,202	4,840,865,347
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	28,542,925	27,917,793	29,879,574
Surplus	32,665,000	32,665,000	32,665,000
Undivided profits	471,885,130	461,525,859	427,792,790
	533,093,055	522,108,652	490,337,364
Accumulated other comprehensive loss	(36,807,147)	(19,997,550)	(25,930,351)
Total shareholders' equity	496,285,908	502,111,102	464,407,013
Total liabilities and shareholders' equity	<u>\$ 5,668,953,199</u>	<u>\$ 5,373,076,304</u>	<u>\$ 5,305,272,360</u>

**W.T.B. Financial Corporation**  
**Condensed Consolidated Statements of Income**  
**(unaudited)**

	Three Months Ended		
	December 31, 2016	September 30, 2016	December 31, 2015
<b>INTEREST REVENUE</b>			
Loans, including fees	\$ 41,345,217	\$ 41,345,340	\$ 38,499,523
Deposits with banks	559,085	301,612	371,303
Securities	6,024,178	5,621,597	4,416,324
Other interest and dividend income	14,355	17,235	8,217
Total interest revenue	<u>47,942,835</u>	<u>47,285,784</u>	<u>43,295,367</u>
<b>INTEREST EXPENSE</b>			
Deposits	961,173	944,399	933,640
Funds purchased and other borrowings	41,262	39,826	67,555
Total interest expense	<u>1,002,435</u>	<u>984,225</u>	<u>1,001,195</u>
Net interest revenue	<u>46,940,400</u>	<u>46,301,559</u>	<u>42,294,172</u>
Provision for loan losses	500,000	750,000	4
Net interest revenue after provision for loan losses	<u>46,440,400</u>	<u>45,551,559</u>	<u>42,294,168</u>
<b>NONINTEREST REVENUE</b>			
Fiduciary income	3,418,012	3,384,309	3,396,764
Mortgage banking revenue, net	2,664,520	2,280,700	1,408,917
Other fees on loans	328,052	360,708	286,003
Service charges, commissions and fees	5,615,405	5,947,212	5,738,534
Securities gains, net	34,218	-	605,669
Net gains on other real estate	4,615	350	13,019
Other income	332,417	738,260	3,066,849
Total noninterest revenue	<u>12,397,239</u>	<u>12,711,539</u>	<u>14,515,755</u>
<b>NONINTEREST EXPENSE</b>			
Salaries and benefits	23,650,768	23,492,252	20,319,939
Occupancy, furniture and equipment expense	3,821,015	3,592,681	3,745,691
Other expense	12,453,814	10,321,725	13,700,199
Total noninterest expense	<u>39,925,597</u>	<u>37,406,658</u>	<u>37,765,829</u>
Income before income taxes	<u>18,912,042</u>	<u>20,856,440</u>	<u>19,044,094</u>
Income taxes	6,649,816	7,286,344	5,697,762
<b>NET INCOME</b>	<u>\$ 12,262,226</u>	<u>\$ 13,570,096</u>	<u>\$ 13,346,332</u>
<b>NET INCOME</b>	<u>\$ 12,262,226</u>	<u>\$ 13,570,096</u>	<u>\$ 13,346,332</u>
Preferred stock dividends	-	-	-
<b>NET INCOME AVAILABLE TO COMMON SHAREHOLDERS</b>	<u>\$ 12,262,226</u>	<u>\$ 13,570,096</u>	<u>\$ 13,346,332</u>
<b>PER SHARE DATA</b>			
<b>Weighted average number of common stock shares outstanding</b>			
Basic	2,537,464	2,539,230	2,542,941
Diluted	2,545,025	2,563,225	2,567,734
<b>Earnings per common share (based on weighted average shares outstanding)</b>			
Basic	\$ 4.83	\$ 5.34	\$ 5.25
Diluted	\$ 4.82	\$ 5.29	\$ 5.20

**W.T.B. Financial Corporation**  
**Condensed Consolidated Statements of Income**  
**(unaudited)**

	Twelve Months Ended	
	December 31, 2016	December 31, 2015
<b>INTEREST REVENUE</b>		
Loans, including fees	\$ 161,242,023	\$ 151,464,308
Deposits with banks	1,446,623	989,400
Securities	22,681,831	15,752,583
Other interest and dividend income	129,549	31,418
Total interest revenue	185,500,026	168,237,709
<b>INTEREST EXPENSE</b>		
Deposits	3,745,998	4,200,538
Funds purchased and other borrowings	193,039	235,985
Total interest expense	3,939,037	4,436,523
Net interest revenue	181,560,989	163,801,186
Provision for loan losses	2,250,000	2,666,700
Net interest revenue after provision for loan losses	179,310,989	161,134,486
<b>NONINTEREST REVENUE</b>		
Fiduciary income	13,565,832	13,864,892
Mortgage banking revenue, net	8,253,908	5,751,736
Other fees on loans	1,124,701	1,221,989
Service charges, commissions and fees	22,913,567	22,702,331
Securities gains, net	1,000,753	605,669
Net gains on other real estate	56,418	742,204
Other income	1,626,011	3,968,336
Total noninterest revenue	48,541,190	48,857,157
<b>NONINTEREST EXPENSE</b>		
Salaries and benefits	90,690,127	81,887,841
Occupancy, furniture and equipment expense	14,280,994	13,741,148
Other expense	43,457,859	44,740,952
Total noninterest expense	148,428,980	140,369,941
Income before income taxes	79,423,199	69,621,702
Income taxes	27,696,541	23,261,988
<b>NET INCOME</b>	\$ 51,726,658	\$ 46,359,714
<b>NET INCOME</b>	\$ 51,726,658	\$ 46,359,714
Preferred stock dividends	-	(141,346)
<b>NET INCOME AVAILABLE TO COMMON SHAREHOLDERS</b>	\$ 51,726,658	\$ 46,218,368
<b>PER SHARE DATA</b>		
<b>Weighted average number of common stock shares outstanding</b>		
Basic	2,543,917	2,541,339
Diluted	2,549,894	2,566,077
<b>Earnings per common share (based on weighted average shares outstanding)</b>		
Basic	\$ 20.33	\$ 18.19
Diluted	\$ 20.29	\$ 18.01

**W.T.B. Financial Corporation**  
**Selected Financial Highlights**  
**(unaudited)**

(dollars in thousands)

	<b>Quarters Ended</b>				
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
<b>SELECTED DATA</b>					
Interest-bearing deposits with banks	\$ 326,002	\$ 299,272	\$ 95,453	\$ 123,975	\$ 438,603
Securities	1,384,817	1,195,090	1,239,877	1,290,720	1,162,292
Total loans	3,785,076	3,738,649	3,687,401	3,548,741	3,556,598
Allowance for loan losses	85,787	86,403	85,378	84,399	84,969
Earning assets <sup>1</sup>	5,522,413	5,232,755	5,019,834	4,963,213	5,165,726
Total assets	5,668,953	5,373,076	5,172,344	5,089,008	5,305,272
Deposits	4,923,690	4,640,169	4,491,233	4,402,995	4,540,548
Interest-bearing liabilities	3,106,707	2,958,911	2,813,076	2,826,196	2,980,365
Common equity	496,286	502,111	494,836	480,920	464,407
Total shareholders' equity	496,286	502,111	494,836	480,920	464,407
Common equity to total assets	8.75%	9.34%	9.57%	9.45%	8.75%
Total equity to total assets	8.75%	9.34%	9.57%	9.45%	8.75%
Full-time equivalent employees	926	932	901	881	880

**ASSET QUALITY RATIOS**

Allowance for loan losses to total loans	2.27%	2.31%	2.32%	2.38%	2.39%
Allowance for loan losses to noncurrent loans	598%	562%	507%	457%	454%
Net charge-offs (recoveries) to total average loans	0.03%	-0.01%	-0.01%	0.03%	-0.01%
Noncurrent loans and ORE to assets	0.27%	0.31%	0.33%	0.37%	0.36%
Noncurrent loans, ORE and TDRs to assets	0.33%	0.37%	0.40%	0.63%	0.64%

(1) Includes only the amortized cost for securities. Includes non-accrual loans.

(dollars in thousands, except per share data)

	<b>Quarters Ended</b>			<b>% Change</b>	
	December 31, 2016	September 30, 2016	December 31, 2015	Sequential Quarter	Year over Year
<b>PERFORMANCE</b>					
Net interest revenue, fully tax-equivalent	\$ 47,254	\$ 46,639	\$ 42,658	1.3%	10.8%
Fully tax-equivalent adjustment	314	337	364	-6.8%	-13.7%
Net interest revenue	46,940	46,302	42,294	1.4%	11.0%
Provision for loan losses	500	750	-	-33.3%	NM
Net interest revenue after provision for loan losses	46,440	45,552	42,294	1.9%	9.8%
Noninterest revenue	12,397	12,712	14,516	-2.5%	-14.6%
Noninterest expense	39,925	37,408	37,766	6.7%	5.7%
Income before income taxes	18,912	20,856	19,044	-9.3%	-0.7%
Income taxes	6,650	7,286	5,698	-8.7%	16.7%
<b>Net income</b>	12,262	13,570	13,346	-9.6%	-8.1%
Preferred stock dividends	-	-	-	NM	NM
<b>Net income available to common shareholders</b>	\$ 12,262	\$ 13,570	\$ 13,346	-9.6%	-8.1%

**PER COMMON SHARE**

Net income available to common shareholders (basic)	\$ 4.83	\$ 5.34	\$ 5.25	-9.6%	-8.0%
Net income available to common shareholders (diluted)	4.82	5.29	5.20	-8.9%	-7.3%
Common cash dividends	0.75	0.75	0.68	0.0%	10.3%
Common shareholders' equity	193.66	196.04	180.79	-1.2%	7.1%

NM = not meaningful

**W.T.B. Financial Corporation**  
**Selected Financial Highlights (continued)**  
**(unaudited)**

	<b>Quarters Ended</b>			<b>% Change</b>	
	December 31, 2016	September 30, 2016	December 31, 2015	Sequential Quarter	Year over Year
<b>PERFORMANCE RATIOS</b>					
Return on average assets	0.88%	1.02%	1.01%	-0.14%	-0.13%
Return on average shareholders' equity	9.68%	10.83%	11.56%	-1.15%	-1.88%
Margin on average earning assets <sup>1</sup>	3.45%	3.60%	3.33%	-0.15%	0.12%
Noninterest expense to average assets	2.85%	2.81%	2.87%	0.04%	-0.02%
Noninterest revenue to average assets	0.89%	0.95%	1.10%	-0.06%	-0.21%
Efficiency ratio	66.9%	63.0%	66.1%	3.9%	0.8%
Common cash dividends to net income	15.52%	14.02%	12.96%	1.50%	2.56%
Preferred cash dividends to net income	0.00%	0.00%	0.00%	0.00%	0.00%
Total cash dividends to net income	15.52%	14.02%	12.96%	1.50%	2.56%

(1) Tax exempt interest has been adjusted to a taxable equivalent basis using a 35% tax rate.

(dollars in thousands, except per share data)

	<b>Twelve Months Ended</b>		<b>% Change</b>
	December 31, 2016	December 31, 2015	Year over Year
<b>PERFORMANCE</b>			
Net interest revenue, fully tax-equivalent	\$ 182,948	\$ 165,150	10.8%
Fully tax-equivalent adjustment	1,387	1,349	2.8%
Net interest revenue	181,561	163,801	10.8%
Provision for loan losses	2,250	2,667	-15.6%
Net interest revenue after provision for loan losses	179,311	161,134	11.3%
Noninterest revenue	48,541	48,858	-0.6%
Noninterest expense	148,429	140,370	5.7%
Income before income taxes	79,423	69,622	14.1%
Income taxes	27,696	23,262	19.1%
<b>Net income</b>	51,727	46,360	11.6%
Preferred stock dividends	-	142	-100.0%
<b>Net income available to common shareholders</b>	\$ 51,727	\$ 46,218	11.9%

**PER COMMON SHARE**

Net income available to common shareholders (basic)	\$ 20.33	\$ 18.19	11.8%
Net income available to common shareholders (diluted)	20.29	18.01	12.7%
Common cash dividends	3.00	2.72	10.3%
Common shareholders' equity	193.66	180.79	7.1%

**PERFORMANCE RATIOS**

Return on average assets	0.98%	0.94%	0.04%
Return on average shareholders' equity	10.53%	10.12%	0.41%
Margin on average earning assets <sup>1</sup>	3.53%	3.42%	0.11%
Noninterest expense to average assets	2.81%	2.83%	-0.02%
Noninterest revenue to average assets	0.92%	0.99%	-0.07%
Efficiency ratio	64.1%	65.6%	-1.5%
Common cash dividends to net income	14.76%	14.92%	-0.16%
Preferred cash dividends to net income	0.00%	0.30%	-0.30%
Total cash dividends to net income	14.76%	15.22%	-0.46%

(1) Tax exempt interest has been adjusted to a taxable equivalent basis using a 35% tax rate.