

Peter F. Stanton  
Chairman of the Board and  
Chief Executive Officer

July 19, 2019

Dear Shareholders:

The second quarter of 2019 was characterized by strong growth in loans, a big jump in bond valuations resulting from a continued decline in market interest rates, and a partial repositioning of the securities portfolio. That repositioning dampened second quarter earnings, but we believe it also reduced the Bank's interest rate risk profile as well, which seemed prudent given market conditions. We continue to refine our technology, systems and delivery strategy with greater clarity around a project roadmap going into the future. Much of that effort revolves around upgrading a number of key customer facing and product applications over the next year, or so, that we believe will support our competitive standing in the marketplace. Those software application conversions are typically high effort and time consuming projects to execute well, but are also crucial to our business.

During the second quarter, growth in customer funding of \$136 million helped drive asset growth of \$168 million, or 2.6 percent to nearly \$6.6 billion, a new Company record. Year-over-year assets grew \$336 million, or 5.4 percent. Loan growth was a prominent part of second quarter's story with loans increasing \$294 million, or 7.2 percent to nearly \$4.4 billion, also a record high for the Bank. Most of that growth came in commercial and industrial loans (up \$117 million), agricultural loans (up \$78 million) and non-owner occupied commercial real estate loans (up \$68 million).

Growth in shareholders' equity in the second quarter was substantial, up \$32 million, or 5.1 percent to nearly \$660 million, also a new Company record. That improvement in the Company's equity position was from a combination of solid earnings and improved bond valuations. The declining trend in market interest rates helped drive the value of our available for sale ("AFS") bonds higher, favorably impacting capital by \$18.4 million (after-tax) for the quarter. Year-over-year, shareholders' equity increased \$106 million, or 19.2 percent, of which \$36 million was attributable to improved AFS bond valuations. Overall, the year-over-year improvement in the Company's capital position was reflected in book value per share growth of \$41.50, or 19.3 percent to \$256.68.

The decline in market interest rates drove much of the improvement in the value of the Company's investment portfolio. Rates for U.S. Treasury securities maturing in five years declined 75 basis points over the first half of 2019 and portions of the yield curve were inverted at June 30<sup>th</sup> with the short end of the curve yielding 15 basis points more than a 10-year Treasury bond. An inverted yield curve has been a fairly reliable indicator historically of future economic trouble and so we have been taking steps to prepare for that possibility.

For some time now, we have been adding longer term, fixed rate loans to the balance sheet in order to build more stability into earnings should rates decline. Supporting that objective, over the past year, we used excess cash to grow the bond portfolio by \$390 million to nearly \$1.8 billion, with durations ranging from five to ten years into the future. In the most recent quarter, we also repositioned a portion of the bond portfolio by selling \$290 million of shorter maturity and lower yielding bonds, while purchasing \$375 million of longer maturity and higher yielding bonds. In the course of that repositioning, we incurred an overall pre-tax loss of \$2.0 million, which reduced noninterest revenue in the second quarter. While we prefer not to take losses, we believe reducing near-term reinvestment risk, extending asset duration and improving bond yields were important objectives to accomplish, especially if a difficult economic and rate environment are in our future. The longer term intent is to build greater stability into the Bank's future earnings generation capacity, and the cost of accomplishing that objective was a negative impact on the Company's second quarter's performance.

With that back-drop, earnings for the second quarter came in at \$19.3 million, down \$768,000, or 3.8 percent from year ago performance. The decline in performance was largely attributable to a decline in noninterest revenue of \$3.5 million to \$9.5 million. The decline in noninterest revenue from second quarter of 2018 to second quarter of 2019 was due to the \$2.0 million loss on the sale of bonds, lower mortgage banking revenue and a one-time gain on the sale of fixed assets in 2018.

Year-over-year net interest revenue for the quarter was up \$4.3 million, or 7.3 percent reflecting a modest amount of growth in earning assets, but of greater impact were higher earning asset yields. Earning asset yields were up across the board, with investible cash yields increasing 58 basis points, investment yields increasing 28 basis points and loan yields increasing 31 basis points. Higher earning asset yields, together with a more moderate increase in funding costs (up 17 basis points to 0.31 percent) helped drive net interest margin higher year-over-year by 26 basis points to 4.04 percent. We are gratified to see margin crest the 4.00 percent level, which we have not seen for eight years. Noninterest expense for the quarter came in at \$46.6 million, up \$2.8 million, or 6.4 percent from the second quarter of 2018.

The Bank's asset quality continues to be near historically low levels with noncurrent loans totaling \$19 million, or 0.43 percent of total loans. We have seen some increases in problem loans over the past year, and current levels are up from just under \$10 million one year ago, but at these minimal levels, a few problem loans can swing the numbers easily. The Bank's liquidity position remains substantial with roughly one third of the balance sheet in cash and securities, and no borrowings outstanding at this time. Capital levels remain significant and well above regulatory minimums. At the end of June, the Company's shareholders' equity as a percent of assets was 10.05 percent, up 117 basis points over year ago levels. Return on assets for the quarter came in at 1.22 percent, down 7 basis points from a year ago, while return on equity was solid at 12.11 percent, though still down 263 basis points from 2018 levels.

We are executing to our plan, remaining focused on transforming our systems, growing our book of business, serving our clients' financial needs, and continuing to perform at solid levels. Given our operating results and balance sheet position, we were active purchasers of Company Class B common stock. During the second quarter, share repurchases totaled \$1.3 million, while year-to-date, share repurchases have totaled \$2.6 million. At the end of the second quarter, there was approximately \$9.2 million of the \$10 million of share repurchase authorization made available last April, if we choose to use it, in the future. The extent to which the Company purchases shares and the timing of any such purchases will depend upon a variety of factors, including market conditions and relevant corporate considerations. The share repurchase program will be conducted in a manner intended to comply with the safe harbor provisions of Rule 10b-18 under the Securities and Exchange Act of 1934 and may be suspended or terminated at any time by the Company's Board of Directors without prior notice. We will report back to you periodically on our progress under this authorization.

The second quarter continued a solid start to 2019 and we are positioning the Company to adapt to a changing world. We very much appreciate the hard work and contributions of our employees, the loyalty of our customers and the support of our shareholders. Please let us know if we can help you in anyway. For additional pertinent information, please also visit our Investor Relations webpage at [watrust.com/about/investor-relations](http://watrust.com/about/investor-relations).

Warm Regards,



Pete Stanton  
Chairman of the Board and CEO

Enclosure



W.T.B. Financial Corporation

**Summary Financial Statements and  
Selected Financial Highlights**

**Q2 2019**

(unaudited)

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

	June 30, 2019	March 31, 2019	June 30, 2018
<b>ASSETS</b>			
Cash and due from banks	\$ 115,834,959	\$ 90,732,820	\$ 91,719,702
Fed funds sold and resale agreements	100,000	-	260,000
Interest-bearing deposits with banks	207,117,564	467,225,647	647,779,104
Securities available for sale, at fair value	1,211,836,979	1,123,829,993	918,574,189
Securities held to maturity, at amortized cost	540,440,597	543,065,327	444,468,041
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	7,911,600	7,911,600	7,540,600
Loans receivable	4,394,500,010	4,100,672,229	4,079,035,309
Allowance for loan losses	(94,348,856)	(92,975,393)	(89,235,844)
Loans net of allowance for loan losses	4,300,151,154	4,007,696,836	3,989,799,465
Premises and equipment, net	79,519,299	55,620,373	52,509,834
Accrued interest receivable	23,756,764	20,997,962	19,971,546
Other assets	75,245,498	76,438,339	53,107,007
Total assets	\$ 6,561,914,414	\$ 6,393,518,897	\$ 6,225,729,488
<b>LIABILITIES</b>			
Deposits:			
Noninterest-bearing	\$ 2,348,097,509	\$ 2,309,745,996	\$ 2,332,047,750
Interest-bearing	3,172,732,740	3,143,077,484	3,048,015,739
Total deposits	5,520,830,249	5,452,823,480	5,380,063,489
Securities sold under agreements to repurchase	312,853,976	244,902,546	252,277,496
Accrued interest payable	1,928,865	2,227,949	1,088,826
Other liabilities	66,771,056	66,319,669	39,174,290
Total liabilities	5,902,384,146	5,766,273,644	5,672,604,101
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	31,207,193	31,435,951	30,999,729
Surplus	32,665,000	32,665,000	32,665,000
Undivided profits	614,946,149	600,119,242	546,170,793
	678,818,342	664,220,193	609,835,522
Less treasury stock, at cost	(604,789)	-	-
	678,213,553	664,220,193	609,835,522
Accumulated other comprehensive loss	(18,683,285)	(36,974,940)	(56,710,135)
Total shareholders' equity	659,530,268	627,245,253	553,125,387
Total liabilities and shareholders' equity	\$ 6,561,914,414	\$ 6,393,518,897	\$ 6,225,729,488

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

	Three Months Ended		
	June 30, 2019	March 31, 2019	June 30, 2018
<b>INTEREST REVENUE</b>			
Loans, including fees	\$ 55,667,285	\$ 52,814,234	\$ 49,791,801
Deposits with banks	1,559,670	3,979,401	3,370,875
Securities	9,760,037	8,925,358	7,029,829
Other interest and dividend income	71,951	79,642	40,734
Total interest revenue	<u>67,058,943</u>	<u>65,798,635</u>	<u>60,233,239</u>
<b>INTEREST EXPENSE</b>			
Deposits	4,208,480	4,102,466	2,160,120
Funds purchased and other borrowings	571,854	270,589	45,396
Total interest expense	<u>4,780,334</u>	<u>4,373,055</u>	<u>2,205,516</u>
Net interest revenue	<u>62,278,609</u>	<u>61,425,580</u>	<u>58,027,723</u>
Provision for loan losses	400,000	800,000	1,300,000
Net interest revenue after provision for loan losses	<u>61,878,609</u>	<u>60,625,580</u>	<u>56,727,723</u>
<b>NONINTEREST REVENUE</b>			
Fiduciary income	4,562,568	4,205,554	4,254,429
Investment services fees	856,299	749,045	754,595
Bank and credit card fees, net	2,775,591	2,774,343	3,195,654
Mortgage banking revenue, net	890,094	760,468	1,594,033
Other fees on loans	262,658	285,849	251,418
Service charges on deposits	1,672,263	1,786,636	1,658,094
Other income	<u>(1,562,803)</u>	<u>243,476</u>	<u>1,244,439</u>
Total noninterest revenue	<u>9,456,670</u>	<u>10,805,371</u>	<u>12,952,662</u>
<b>NONINTEREST EXPENSE</b>			
Salaries and benefits	29,204,810	28,223,646	26,443,428
Occupancy, furniture and equipment expense	3,832,792	4,324,427	4,833,479
Other expense	<u>13,548,445</u>	<u>13,060,206</u>	<u>12,515,002</u>
Total noninterest expense	<u>46,586,047</u>	<u>45,608,279</u>	<u>43,791,909</u>
Income before provision for income taxes	<u>24,749,232</u>	<u>25,822,672</u>	<u>25,888,476</u>
Provision for income taxes	5,446,289	5,651,339	5,817,858
<b>NET INCOME</b>	<u>\$ 19,302,943</u>	<u>\$ 20,171,333</u>	<u>\$ 20,070,618</u>
<b>PER SHARE DATA</b>			
<b>Weighted average number of common stock shares outstanding</b>			
Basic	2,558,064	2,558,669	2,555,016
Diluted	2,561,438	2,564,390	2,561,649
<b>Earnings per common share (based on weighted average shares outstanding)</b>			
Basic	\$ 7.55	\$ 7.88	\$ 7.86
Diluted	\$ 7.54	\$ 7.87	\$ 7.84

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

	Six Months Ended	
	June 30, 2019	June 30, 2018
<b>INTEREST REVENUE</b>		
Loans, including fees	\$ 108,481,520	\$ 96,569,658
Deposits with banks	5,539,071	6,288,884
Securities	18,685,395	13,871,145
Other interest and dividend income	151,592	189,991
Total interest revenue	132,857,578	116,919,678
<b>INTEREST EXPENSE</b>		
Deposits	8,310,946	3,985,228
Funds purchased and other borrowings	842,443	88,055
Total interest expense	9,153,389	4,073,283
Net interest revenue	123,704,189	112,846,395
Provision for loan losses	1,200,000	1,700,000
Net interest revenue after provision for loan losses	122,504,189	111,146,395
<b>NONINTEREST REVENUE</b>		
Fiduciary income	8,768,122	8,259,121
Investment services fees	1,605,344	1,864,810
Bank and credit card fees	5,549,933	5,976,525
Mortgage banking revenue, net	1,650,563	3,146,251
Other fees on loans	548,507	457,211
Service charges on deposits	3,458,899	3,496,385
Other income	(1,319,327)	2,231,201
Total noninterest revenue	20,262,041	25,431,504
<b>NONINTEREST EXPENSE</b>		
Salaries and benefits	57,428,457	53,368,193
Occupancy, furniture and equipment expense	8,157,219	8,874,052
Other expense	26,608,650	24,134,111
Total noninterest expense	92,194,326	86,376,356
Income before provision for income taxes	50,571,904	50,201,543
Provision for income taxes	11,097,628	11,285,774
<b>NET INCOME</b>	<b>\$ 39,474,276</b>	<b>\$ 38,915,769</b>

**PER SHARE DATA**

**Weighted average number of common stock shares outstanding**

Basic	2,558,365	2,552,573
Diluted	2,562,906	2,561,418
<b>Earnings per common share (based on weighted average shares outstanding)</b>		
Basic	\$ 15.43	\$ 15.25
Diluted	\$ 15.40	\$ 15.19

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

(dollars in thousands)

	<b>Quarters Ended</b>				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
<b>SELECTED DATA</b>					
Interest-bearing deposits with banks	\$ 207,118	\$ 467,226	\$ 751,180	\$ 650,873	\$ 647,779
Securities	1,752,278	1,666,895	1,589,251	1,540,463	1,363,042
Total loans	4,394,500	4,100,672	4,047,398	4,054,935	4,079,035
Allowance for loan losses	94,349	92,975	90,749	91,026	89,236
Earning assets <sup>1</sup>	6,351,760	6,255,713	6,420,888	6,293,542	6,132,681
Total assets	6,561,914	6,393,519	6,552,350	6,407,740	6,225,729
Deposits	5,520,830	5,452,823	5,638,923	5,548,990	5,380,063
Interest-bearing liabilities	3,485,587	3,387,980	3,485,267	3,415,953	3,300,293
Total shareholders' equity	659,530	627,245	602,665	567,247	553,125
Total equity to total assets	10.05%	9.81%	9.20%	8.85%	8.88%
Full-time equivalent employees	1,004	994	994	992	977
<b>ASSET QUALITY RATIOS</b>					
Allowance for loan losses to total loans	2.15%	2.27%	2.24%	2.24%	2.19%
Allowance for loan losses to noncurrent loans	502%	721%	755%	962%	902%
Net charge-offs (recoveries) to total average loans	-0.02%	-0.04%	0.02%	-0.03%	-0.01%
Noncurrent loans and ORE to assets	0.29%	0.20%	0.18%	0.15%	0.16%
Noncurrent loans, ORE and TDRs to assets	0.30%	0.21%	0.20%	0.16%	0.18%

(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>	
	June 30, 2019	March 31, 2019	June 30, 2018	Sequential Quarter	Year over Year
<b>PERFORMANCE</b>					
Net interest revenue, fully tax-equivalent	\$ 62,397	\$ 61,550	\$ 58,145	1.4%	7.3%
Fully tax-equivalent adjustment	118	124	117	-4.8%	0.9%
Net interest revenue	62,279	61,426	58,028	1.4%	7.3%
Provision for loan losses	400	800	1,300	-50.0%	-69.2%
Net interest revenue after provision for loan losses	61,879	60,626	56,728	2.1%	9.1%
Noninterest revenue	9,457	10,805	12,953	-12.5%	-27.0%
Noninterest expense	46,587	45,608	43,793	2.1%	6.4%
Income before provision for income taxes	24,749	25,823	25,888	-4.2%	-4.4%
Provision for income taxes	5,446	5,652	5,817	-3.6%	-6.4%
<b>Net income</b>	<b>\$ 19,303</b>	<b>\$ 20,171</b>	<b>\$ 20,071</b>	<b>-4.3%</b>	<b>-3.8%</b>
<b>PER COMMON SHARE</b>					
Earnings per common share - basic	\$ 7.55	\$ 7.88	\$ 7.86	-4.2%	-3.9%
Earnings per common share - diluted	7.54	7.87	7.84	-4.2%	-3.8%
Common cash dividends	1.75	1.75	1.15	0.0%	52.2%
Common shareholders' equity	256.68	243.78	215.18	5.3%	19.3%

	<b>Quarters Ended</b>			<b>% Change</b>	
	June 30, 2019	March 31, 2019	June 30, 2018	Sequential Quarter	Year over Year
<b>PERFORMANCE RATIOS</b>					
Return on average assets	1.22%	1.27%	1.29%	-0.05%	-0.07%
Return on average shareholders' equity	12.11%	13.35%	14.74%	-1.24%	-2.63%
Margin on average earning assets <sup>1</sup>	4.04%	3.94%	3.78%	0.10%	0.26%
Noninterest expense to average assets	2.94%	2.86%	2.81%	0.08%	0.13%
Noninterest revenue to average assets	0.60%	0.68%	0.83%	-0.08%	-0.23%
Efficiency ratio	64.8%	63.0%	61.6%	1.8%	3.2%
Common cash dividends to net income	23.19%	22.24%	14.64%	0.95%	7.60%

(1) Tax exempt interest has been adjusted to a taxable equivalent basis using a tax rate of 21%.

NM = not meaningful



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

(dollars in thousands, except per share data)

	Six Months Ended		% Change
	June 30, 2019	June 30, 2018	Year over Year
<b>PERFORMANCE</b>			
Net interest revenue, fully tax-equivalent	\$ 123,946	\$ 113,087	9.6%
Fully tax-equivalent adjustment	242	241	0.4%
Net interest revenue	123,704	112,846	9.6%
Provision for loan losses	1,200	1,700	-29.4%
Net interest revenue after provision for loan losses	122,504	111,146	10.2%
Noninterest revenue	20,262	25,432	-20.3%
Noninterest expense	92,194	86,376	6.7%
Income before provision for income taxes	50,572	50,202	0.7%
Provision for income taxes	11,098	11,286	-1.7%
<b>Net income</b>	<b>\$ 39,474</b>	<b>\$ 38,916</b>	<b>1.4%</b>
<b>PER COMMON SHARE</b>			
Earnings per common share - basic	\$ 15.43	\$ 15.25	1.2%
Earnings per common share - diluted	15.40	15.19	1.4%
Common cash dividends	3.50	2.30	52.2%
Common shareholders' equity	256.68	215.18	19.3%
<b>PERFORMANCE RATIOS</b>			
Return on average assets	1.24%	1.26%	-0.02%
Return on average shareholders' equity	12.71%	14.53%	-1.82%
Margin on average earning assets <sup>1</sup>	4.00%	3.71%	0.29%
Noninterest expense to average assets	2.90%	2.80%	0.10%
Noninterest revenue to average assets	0.64%	0.82%	-0.18%
Efficiency ratio	63.9%	62.4%	1.5%
Common cash dividends to net income	22.70%	15.10%	7.60%

(1) Tax exempt interest has been adjusted to a taxable equivalent basis using a tax rate of 21%.