

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

July 19, 2018

Dear Shareholders:

With a solid economic environment, rising rates and terrific execution by our team, Company performance thus far in 2018 has been very strong. Economic data continues to be somewhere between steady (GDP growth) to excellent (employment numbers), and that economic landscape has provided a favorable environment for the Company and our customers. In the second quarter, earnings totaled \$20.1 million, up 36.3 percent year-over-year. For the first half of 2018, earnings totaled \$38.9 million, up over 40 percent from 2017 results. Credit performance remains very good, capital ratios are significant and growing and, liquidity is substantial.

Growth in earning assets combined with widening margins helped drive earnings higher year-over-year. Earning assets increased \$631.2 million to \$6.1 billion, with much of that growth coming in cash balances held at the Federal Reserve and loans. Earning asset yields increased 13 basis points to 3.92 percent, which helped cover a 14 basis point cost increase on the Company's smaller balance of interest bearing liabilities and propelled net interest margin wider by 6 basis points to 3.78 percent. Earning asset growth and widening margins contributed to higher net interest revenue, which increased \$7.8 million, or 15.4 percent to \$58.0 million. Noninterest revenue grew \$1.4 million, or 12.1 percent during the quarter to \$13.0 million, while noninterest expense growth was \$4.7 million, or 11.9 percent to \$43.8 million. Tax reform effective in 2018 helped lower tax expense \$2.2 million to \$5.8 million.

Collectively, those favorable performance trends grew second quarter earnings \$5.3 million, or 36.3 percent to \$20.1 million as compared with last year. At a shareholder level, diluted earnings per share for the quarter came in at \$7.86, up \$2.08, or 36.0

percent year-over-year. Earnings per share year-to-date totaled \$15.19, up \$4.32 per share, or 39.7 percent. Positive earnings also contributed to growth in book value per share of \$10.51, or 5.1 percent to \$215.18 per share. Return on assets for the quarter showed similar progress, increasing 23 basis points year-over-year to 1.29 percent, while return on equity improved 339 basis points to 14.74 percent.

Year-over-year deposit growth was quite impressive, increasing \$519.3 million, or 10.7 percent to \$5.4 billion. With loan growth more modest at \$118.5 million to \$4.1 billion, there were considerable excess funds left to be invested in interest-bearing deposits with banks, which increased \$508.5 million to \$647.8 million. The build-up in cash balances reflects discipline in our approach to lending and only moderately attractive market yields available on bonds. Total shareholders' equity increased \$27.2 million, or 5.2 percent to \$553.1 million. Given \$553.1 million in equity and \$6.2 billion in assets, the Company's equity to assets ratio came in at 8.88 percent.

The Bank's key risk and performance metrics generally reflect a strong position. Noncurrent loans and foreclosed real estate represented just \$9.9 million, or 16 basis points to total assets, while the Bank's allowance for loan losses totaled \$89.2 million, or 2.19 percent of loans. The Bank's efficiency ratio declined to 61.6 percent, meaning that operating expenses consumed 61.6 percent of revenues, which was an improvement from 63.0 percent one year ago. The Bank's liquidity ratio came in at 29.9 percent, indicating unpledged liquid assets are available to cover 29.9 percent of liabilities. All Bank capital ratios remain well above regulatory minimums and we have yet to make any purchases under the share repurchase authorization we announced last April.

We are using this period of solid performance to strengthen the Company in many ways and position us for the future. Organizationally, we have elevated the roles of key managers in each of our five markets, we have solidified our leadership positions in technology and operations, and have taken steps to foster greater collaboration and partnership across the Company. Balance sheet strength continues to be a focus with growing levels of capital and reserves, a strong liquidity position and growing earnings capacity. Our credit performance has been excellent, though that is somewhat expected given the length of the current economic expansion. It is difficult to know when economic conditions might turn, but we intend to maintain discipline knowing that sooner, or later, conditions will shift. We are making key investments in technology, facilities, work-flow automation and efficiency. Near term, these investments are expensive, but we believe they are nonetheless crucial for the longer term success of the Company.

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The first half of 2018 was an excellent start to the year, and we are investing where we think appropriate and building strength in key areas. 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.

Warm Regards,

A handwritten signature in blue ink that reads "Peter F. Stanton". The signature is written in a cursive, flowing style.

Pete Stanton
Chairman of the Board and CEO

Enclosure

Second Quarter : 2018

Summary Financial Statements and Selected Financial Highlights

(unaudited)

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

	<u>June 30,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>
ASSETS			
Cash and due from banks	\$ 91,719,702	\$ 83,359,435	\$ 95,787,195
Fed funds sold and resale agreements	260,000	-	-
Interest-bearing deposits with banks	647,779,104	872,673,862	139,316,506
Securities available for sale, at fair value	918,574,189	884,814,074	951,561,150
Securities held to maturity, at amortized cost	444,468,041	456,300,951	431,605,392
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	7,540,600	7,540,600	6,857,600
Loans receivable	4,079,035,309	3,939,241,882	3,960,566,836
Allowance for loan losses	(89,235,844)	(87,551,289)	(87,980,922)
Loans net of allowance for loan losses	<u>3,989,799,465</u>	<u>3,851,690,593</u>	<u>3,872,585,914</u>
Premises and equipment, net	52,509,834	52,362,374	44,291,169
Other real estate	-	310,500	338,400
Accrued interest receivable	19,971,546	17,655,410	16,607,661
Other assets	53,107,007	54,584,511	82,314,199
Total assets	<u>\$ 6,225,729,488</u>	<u>\$ 6,281,292,310</u>	<u>\$ 5,641,265,186</u>
LIABILITIES			
Deposits:			
Noninterest-bearing	\$ 2,332,047,750	\$ 2,441,263,418	\$ 1,944,330,014
Interest-bearing	3,048,015,739	3,038,862,372	2,916,431,388
Total deposits	<u>5,380,063,489</u>	<u>5,480,125,790</u>	<u>4,860,761,402</u>
Securities sold under agreements to repurchase	252,277,496	222,552,453	219,196,695
Accrued interest payable	1,088,826	756,324	453,178
Other liabilities	39,174,290	39,800,613	34,888,466
Total liabilities	<u>5,672,604,101</u>	<u>5,743,235,180</u>	<u>5,115,299,741</u>
SHAREHOLDERS' EQUITY			
Common stock	30,999,729	30,432,744	29,208,742
Surplus	32,665,000	32,665,000	32,665,000
Undivided profits	546,170,793	529,038,443	495,340,312
	<u>609,835,522</u>	<u>592,136,187</u>	<u>557,214,054</u>
Accumulated other comprehensive loss	(56,710,135)	(54,079,057)	(31,248,609)
Total shareholders' equity	<u>553,125,387</u>	<u>538,057,130</u>	<u>525,965,445</u>
Total liabilities and shareholders' equity	<u>\$ 6,225,729,488</u>	<u>\$ 6,281,292,310</u>	<u>\$ 5,641,265,186</u>

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

	Three Months Ended		
	June 30, 2018	March 31, 2018	June 30, 2017
INTEREST REVENUE			
Loans, including fees	\$ 49,791,801	\$ 46,777,857	\$ 44,270,681
Deposits with banks	3,370,875	2,918,009	451,416
Securities	7,029,829	6,841,316	6,518,317
Other interest and dividend income	40,734	149,257	23,071
Total interest revenue	<u>60,233,239</u>	<u>56,686,439</u>	<u>51,263,485</u>
INTEREST EXPENSE			
Deposits	2,160,120	1,825,108	948,217
Funds purchased and other borrowings	45,396	42,659	45,922
Total interest expense	<u>2,205,516</u>	<u>1,867,767</u>	<u>994,139</u>
Net interest revenue	<u>58,027,723</u>	<u>54,818,672</u>	<u>50,269,346</u>
Provision for loan losses	1,300,000	400,000	-
Net interest revenue after provision for loan losses	<u>56,727,723</u>	<u>54,418,672</u>	<u>50,269,346</u>
NONINTEREST REVENUE			
Fiduciary income	4,254,429	4,004,692	3,508,464
Mortgage banking revenue, net	1,594,033	1,552,218	1,612,871
Other fees on loans	251,418	205,793	284,091
Service charges, commissions and fees	5,879,146	5,932,320	5,812,519
Net losses on other real estate	(92,638)	-	-
Other income	1,066,274	783,819	333,122
Total noninterest revenue	<u>12,952,662</u>	<u>12,478,842</u>	<u>11,551,067</u>
NONINTEREST EXPENSE			
Salaries and benefits	26,443,428	26,924,765	24,477,633
Occupancy, furniture and equipment expense	4,833,479	4,040,573	3,141,368
Other expense	12,515,002	11,619,109	11,503,369
Total noninterest expense	<u>43,791,909</u>	<u>42,584,447</u>	<u>39,122,370</u>
Income before income taxes	<u>25,888,476</u>	<u>24,313,067</u>	<u>22,698,043</u>
Income taxes	5,817,858	5,467,916	7,972,823
NET INCOME	<u>\$ 20,070,618</u>	<u>\$ 18,845,151</u>	<u>\$ 14,725,220</u>
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	2,555,016	2,550,103	2,546,676
Diluted	2,561,649	2,561,185	2,554,401
Earnings per common share (based on weighted average shares outstanding)			
Basic	\$ 7.86	\$ 7.39	\$ 5.78
Diluted	\$ 7.84	\$ 7.36	\$ 5.76

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

	Six Months Ended	
	June 30, 2018	June 30, 2017
INTEREST REVENUE		
Loans, including fees	\$ 96,569,658	\$ 86,515,045
Deposits with banks	6,288,884	1,018,594
Securities	13,871,145	13,195,127
Other interest and dividend income	189,991	44,211
Total interest revenue	116,919,678	100,772,977
INTEREST EXPENSE		
Deposits	3,985,228	1,902,460
Funds purchased and other borrowings	88,055	88,889
Total interest expense	4,073,283	1,991,349
Net interest revenue	112,846,395	98,781,628
Provision for loan losses	1,700,000	400,000
Net interest revenue after provision for loan losses	111,146,395	98,381,628
NONINTEREST REVENUE		
Fiduciary income	8,259,121	6,959,983
Mortgage banking revenue, net	3,146,251	3,343,763
Other fees on loans	457,211	489,661
Service charges, commissions and fees	11,811,466	11,627,899
Net losses on other real estate	(92,638)	(10,390)
Other income	1,850,093	557,719
Total noninterest revenue	25,431,504	22,968,635
NONINTEREST EXPENSE		
Salaries and benefits	53,368,193	49,738,328
Occupancy, furniture and equipment expense	8,874,052	7,776,935
Other expense	24,134,111	21,512,950
Total noninterest expense	86,376,356	79,028,213
Income before income taxes	50,201,543	42,322,050
Income taxes	11,285,774	14,588,452
NET INCOME	\$ 38,915,769	\$ 27,733,598

PER SHARE DATA

Weighted average number of common stock shares outstanding

Basic	2,552,573	2,544,051
Diluted	2,561,418	2,552,432

Earnings per common share (based on weighted average shares outstanding)

Basic	\$ 15.25	\$ 10.90
Diluted	\$ 15.19	\$ 10.87

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

(dollars in thousands)

	Quarters Ended				
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
SELECTED DATA					
Interest-bearing deposits with banks	\$ 647,779	\$ 872,674	\$ 748,822	\$ 449,353	\$ 139,317
Securities	1,363,042	1,341,115	1,387,176	1,492,498	1,383,167
Total loans	4,079,035	3,939,242	3,932,076	3,956,974	3,960,567
Allowance for loan losses	89,236	87,551	86,784	89,569	87,981
Earning assets ¹	6,132,681	6,192,265	6,095,353	5,918,736	5,501,453
Total assets	6,225,729	6,281,292	6,246,093	6,062,191	5,641,265
Deposits	5,380,063	5,480,126	5,448,866	5,233,563	4,860,761
Interest-bearing liabilities	3,300,293	3,261,415	3,313,797	3,282,963	3,135,628
Total shareholders' equity	553,125	538,057	530,791	540,066	525,965
Total equity to total assets	8.88%	8.57%	8.50%	8.91%	9.32%
Full-time equivalent employees	977	973	960	972	950
ASSET QUALITY RATIOS					
Allowance for loan losses to total loans	2.19%	2.22%	2.21%	2.26%	2.22%
Allowance for loan losses to noncurrent loans	902%	724%	755%	748%	796%
Net charge-offs (recoveries) to total average loans	-0.01%	-0.01%	0.06%	-0.04%	-0.01%
Noncurrent loans and ORE to assets	0.16%	0.20%	0.19%	0.20%	0.20%
Noncurrent loans, ORE and TDRs to assets	0.18%	0.22%	0.21%	0.22%	0.26%

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

(dollars in thousands, except per share data)

	Quarters Ended			% Change	
	June 30, 2018	March 31, 2018	June 30, 2017	Sequential Quarter	Year over Year
PERFORMANCE					
Net interest revenue, fully tax-equivalent	\$ 58,145	\$ 54,942	\$ 50,584	5.8%	14.9%
Fully tax-equivalent adjustment	117	123	314	-4.9%	-62.7%
Net interest revenue	58,028	54,819	50,270	5.9%	15.4%
Provision for loan losses	1,300	400	-	225.0%	NM
Net interest revenue after provision for loan losses	56,728	54,419	50,270	4.2%	12.8%
Noninterest revenue	12,953	12,479	11,551	3.8%	12.1%
Noninterest expense	43,793	42,585	39,123	2.8%	11.9%
Income before income taxes	25,888	24,313	22,698	6.5%	14.1%
Income taxes	5,817	5,468	7,972	6.4%	-27.0%
Net income	\$ 20,071	\$ 18,845	\$ 14,726	6.5%	36.3%
PER COMMON SHARE					
Earnings per common share - basic	\$ 7.86	\$ 7.39	\$ 5.78	6.4%	36.0%
Earnings per common share - diluted	7.84	7.36	5.76	6.5%	36.1%
Common cash dividends	1.15	1.15	0.84	0.0%	36.9%
Common shareholders' equity	215.18	208.75	204.67	3.1%	5.1%

	Quarters Ended			% Change	
	June 30, 2018	March 31, 2018	June 30, 2017	Sequential Quarter	Year over Year
PERFORMANCE RATIOS					
Return on average assets	1.29%	1.23%	1.06%	0.06%	0.23%
Return on average shareholders' equity	14.74%	14.30%	11.35%	0.44%	3.39%
Margin on average earning assets ¹	3.78%	3.65%	3.72%	0.13%	0.06%
Noninterest expense to average assets	2.81%	2.79%	2.81%	0.02%	0.00%
Noninterest revenue to average assets	0.83%	0.82%	0.83%	0.01%	0.00%
Efficiency ratio	61.6%	63.2%	63.0%	-1.6%	-1.4%
Common cash dividends to net income	14.64%	15.59%	14.53%	-0.95%	0.10%

(1) Tax exempt interest has been adjusted to a taxable equivalent basis using a tax rate of 21% in 2018 and 35% in 2017.

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, 2018	June 30, 2017	Year over Year
PERFORMANCE			
Net interest revenue, fully tax-equivalent	\$ 113,087	\$ 99,406	13.8%
Fully tax-equivalent adjustment	241	624	-61.4%
Net interest revenue	112,846	98,782	14.2%
Provision for loan losses	1,700	400	325.0%
Net interest revenue after provision for loan losses	111,146	98,382	13.0%
Noninterest revenue	25,432	22,969	10.7%
Noninterest expense	86,376	79,029	9.3%
Income before income taxes	50,202	42,322	18.6%
Income taxes	11,286	14,588	-22.6%
Net income	\$ 38,916	\$ 27,734	40.3%
PER COMMON SHARE			
Earnings per common share - basic	\$ 15.25	\$ 10.90	39.9%
Earnings per common share - diluted	15.19	10.87	39.7%
Common cash dividends	2.30	1.68	36.9%
Common shareholders' equity	215.18	204.67	5.1%
PERFORMANCE RATIOS			
Return on average assets	1.26%	1.00%	0.26%
Return on average shareholders' equity	14.53%	10.91%	3.62%
Margin on average earning assets ¹	3.71%	3.67%	0.04%
Noninterest expense to average assets	2.80%	2.85%	-0.05%
Noninterest revenue to average assets	0.82%	0.83%	-0.01%
Efficiency ratio	62.4%	64.6%	-2.2%
Common cash dividends to net income	15.10%	15.43%	-0.33%

(1) Tax exempt interest has been adjusted to a taxable equivalent basis using a tax rate of 21% in 2018 and 35% in 2017.