

Peter F. Stanton
Chairman and
Chief Executive Officer

November 7, 2016

Dear Shareholders:

We enjoy continued success and are grateful for many things, including good third quarter performance and the approaching end of a dispiriting political season. Regardless of the direction our leaders take our country, we remain committed to the vital role banks play in our economy and the communities we serve. Through our employees, customers and shareholders, we are able to help finance businesses and families, and provide the essential banking services people need to meet their financial goals. We remain committed to that very important mission. When we succeed, our customers and the communities in which they live and work also succeed.

The third quarter showed sustained progress in achieving many important goals. Deposit growth was significant, loan growth continued after a very strong second quarter, asset quality remained very high, the balance sheet reflects strength and performance was solid with a 1.02 percent return on assets.

After deposit outflows in the first quarter and a partial recovery in the second quarter, deposits were very strong in the third quarter growing \$149 million. Year over year, deposits were up \$360 million, or 8.4 percent. Loan growth has been solid as well, increasing \$51 million during the third quarter and \$175 million, or 4.9 percent year over year. Total assets grew 6.0 percent year over year and reached nearly \$5.4 billion, which is a new high for the Company. Total shareholders' equity reached \$502 million, exceeding an impressive half a billion dollar benchmark for the first time in Company history and representing 10.9 percent growth since one year ago.

Solid year over year growth has helped drive strong earnings growth. For the third quarter, earnings totaled \$13.6 million, making total net income year to date \$39.5 million, which is 19.5 percent higher than 2015. Strong earning asset growth, widening margins and growth in noninterest revenue were the primary drivers of our improved performance. Net interest margin widened 11 basis points so far in 2016 to 3.58 percent; still narrow by historical standards, but welcome improvement nonetheless. The Fed's increase in rates back in

December of 2015 helped margin as many of our loans are tied to the Prime Rate, which also moved with that increase. Noninterest revenue was another big contributor to Company performance, increasing \$1.8 million, or 5.2 percent year to date to \$36.1 million.

Taken together, the above improvements helped drive return on assets for the year higher to 1.02 percent, up 11 basis points from 2015, and return on equity to 10.83 percent, up 119 basis points over 2015 results. Shareholder value metrics also improved markedly. Earnings per share came in at \$5.29 for the quarter and \$15.35 for the year to date, which was up \$2.54, or 19.8 percent over 2015. The growth in book value was very strong, up \$19.66 per share, or 11.1 percent year over year.

The Company's risk metrics remain solid. Asset quality is high with noncurrent loans and foreclosed real estate totaling \$16.6 million, or just 0.31 percent of assets, which is a very low number historically. The Bank's allowance position is the highest in history at \$86.4 million, or 2.31 percent of loans. We continue to hold significant on balance sheet liquidity and the company's capital position remains well above regulatory minimums.

The Company's performance and positioning are on track with our business plans and that is a source of gratification and pride, but we remain cautious about the operating environment and events around us. The economy continues to recover, but at a very weak rate. The inability of the economy to really break free and show strong sustained growth, which is what we've come to expect historically, is a source of concern. Given the massive monetary stimulus poured on by the Fed and other central banks throughout the world over the past eight years, I think everyone was hoping and expecting far more. Then there is always the uncertainty around this very unusual presidential election and just how the market might respond to that outcome.

While our crystal ball is probably no better than yours, we are accustomed to dealing with uncertainty and managing risk. So we will continue executing to our plan, managing the Company conservatively and staying focused on serving the needs of our customers. As always, we appreciate your continued support and you can learn more on our Investor Relations webpage at: www.watrust.com/about/investor-relations. Please let us know if we can be helpful in any way to your banking and financial needs.

Warm Regards,



Pete Stanton
Chairman and CEO

Enclosure

Summary Financial Statements and Selected Financial Highlights

(unaudited)

Third Quarter
2016



W.T.B. Financial Corporation

watrust.com

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

	<u>September 30,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>
ASSETS			
Cash and due from banks	\$ 87,706,427	\$ 81,339,858	\$ 74,731,132
Interest-bearing deposits with banks	299,272,101	95,452,863	369,891,659
Securities available for sale, at fair value	797,132,759	783,457,685	519,276,697
Securities held to maturity, at amortized cost	397,956,801	456,419,074	471,470,331
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	6,421,500	6,421,500	5,781,300
Loans receivable	3,738,649,010	3,687,400,513	3,563,965,146
Allowance for loan losses	(86,402,668)	(85,377,830)	(84,760,450)
Loans net of allowance for loan losses	3,652,246,342	3,602,022,683	3,479,204,696
Premises and equipment, net	45,961,657	45,044,135	44,375,287
Other real estate	1,195,827	310,500	549,900
Accrued interest receivable	12,856,003	14,693,332	12,136,611
Other assets	72,326,887	87,182,207	91,865,862
Total assets	<u>\$ 5,373,076,304</u>	<u>\$ 5,172,343,837</u>	<u>\$ 5,069,283,475</u>
LIABILITIES			
Deposits:			
Noninterest-bearing	\$ 1,875,780,403	\$ 1,829,135,907	\$ 1,690,492,732
Interest-bearing	2,764,388,621	2,662,096,776	2,589,943,475
Total deposits	4,640,169,024	4,491,232,683	4,280,436,207
Securities sold under agreements to repurchase	194,522,541	150,978,726	292,261,464
Accrued interest payable	426,756	512,124	548,248
Other liabilities	35,846,881	34,784,550	43,218,527
Total liabilities	4,870,965,202	4,677,508,083	4,616,464,446
SHAREHOLDERS' EQUITY			
Common stock	27,917,793	30,592,793	29,334,365
Surplus	32,665,000	32,665,000	32,665,000
Undivided profits	461,525,859	449,858,718	416,175,401
	522,108,652	513,116,511	478,174,766
Accumulated other comprehensive loss	(19,997,550)	(18,280,757)	(25,355,737)
Total shareholders' equity	502,111,102	494,835,754	452,819,029
Total liabilities and shareholders' equity	<u>\$ 5,373,076,304</u>	<u>\$ 5,172,343,837</u>	<u>\$ 5,069,283,475</u>

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

	Three Months Ended		
	September 30, 2016	June 30, 2016	September 30, 2015
INTEREST REVENUE			
Loans, including fees	\$ 41,345,340	\$ 39,864,480	\$ 38,565,376
Deposits with banks	301,612	111,473	216,842
Securities	5,621,597	5,865,724	3,778,410
Other interest and dividend income	17,235	14,462	3,266
Total interest revenue	<u>47,285,784</u>	<u>45,856,139</u>	<u>42,563,894</u>
INTEREST EXPENSE			
Deposits	944,399	914,571	948,647
Funds purchased and other borrowings	39,826	49,686	63,883
Total interest expense	<u>984,225</u>	<u>964,257</u>	<u>1,012,530</u>
Net interest revenue	<u>46,301,559</u>	<u>44,891,882</u>	<u>41,551,364</u>
Provision for loan losses	750,000	500,000	1,000,011
Net interest revenue after provision for loan losses	<u>45,551,559</u>	<u>44,391,882</u>	<u>40,551,353</u>
NONINTEREST REVENUE			
Fiduciary income	3,384,309	3,436,604	3,450,079
Mortgage banking revenue, net	2,280,700	1,795,154	1,718,219
Other fees on loans	360,708	226,001	200,111
Service charges, commissions and fees	5,947,212	5,704,397	5,725,123
Securities gains, net	-	344,461	-
Net gains on other real estate	350	-	333,155
Other income	738,260	214,014	370,918
Total noninterest revenue	<u>12,711,539</u>	<u>11,720,631</u>	<u>11,797,605</u>
NONINTEREST EXPENSE			
Salaries and benefits	23,492,252	21,293,876	20,667,762
Occupancy, furniture and equipment expense	3,592,681	3,439,913	3,279,675
Other expense	10,321,725	10,320,751	10,452,564
Total noninterest expense	<u>37,406,658</u>	<u>35,054,540</u>	<u>34,400,001</u>
Income before income taxes	<u>20,856,440</u>	<u>21,057,973</u>	<u>17,948,957</u>
Income taxes	7,286,344	7,354,349	6,264,798
NET INCOME	<u>\$ 13,570,096</u>	<u>\$ 13,703,624</u>	<u>\$ 11,684,159</u>
NET INCOME	<u>\$ 13,570,096</u>	<u>\$ 13,703,624</u>	<u>\$ 11,684,159</u>
Preferred stock dividends	-	-	(43,491)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 13,570,096</u>	<u>\$ 13,703,624</u>	<u>\$ 11,640,668</u>
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	2,539,230	2,552,273	2,542,563
Diluted	2,563,225	2,576,268	2,567,356
Earnings per common share (based on weighted average shares outstanding)			
Basic	\$ 5.34	\$ 5.37	\$ 4.58
Diluted	\$ 5.29	\$ 5.32	\$ 4.53

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

	Nine Months Ended	
	September 30, 2016	September 30, 2015
INTEREST REVENUE		
Loans, including fees	\$ 119,896,806	\$ 112,964,785
Deposits with banks	887,538	618,098
Securities	16,657,652	11,336,261
Other interest and dividend income	115,195	23,201
Total interest revenue	137,557,191	124,942,345
INTEREST EXPENSE		
Deposits	2,784,824	3,266,897
Funds purchased and other borrowings	151,778	168,431
Total interest expense	2,936,602	3,435,328
Net interest revenue	134,620,589	121,507,017
Provision for loan losses	1,750,000	2,666,696
Net interest revenue after provision for loan losses	132,870,589	118,840,321
NONINTEREST REVENUE		
Fiduciary income	10,147,820	10,468,128
Mortgage banking revenue, net	5,589,388	4,342,819
Other fees on loans	796,650	935,987
Service charges, commissions and fees	17,298,161	16,963,797
Securities gains, net	966,536	-
Net gains on other real estate	51,802	729,185
Other income	1,293,595	901,487
Total noninterest revenue	36,143,952	34,341,403
NONINTEREST EXPENSE		
Salaries and benefits	67,039,358	61,567,902
Occupancy, furniture and equipment expense	10,459,978	9,995,458
Other expense	31,004,048	31,040,752
Total noninterest expense	108,503,384	102,604,112
Income before income taxes	60,511,157	50,577,612
Income taxes	21,046,725	17,564,226
NET INCOME	\$ 39,464,432	\$ 33,013,386
NET INCOME	\$ 39,464,432	\$ 33,013,386
Preferred stock dividends	-	(141,346)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 39,464,432	\$ 32,872,040
PER SHARE DATA		
Weighted average number of common stock shares outstanding		
Basic	2,546,084	2,540,799
Diluted	2,570,254	2,565,519
Earnings per common share (based on weighted average shares outstanding)		
Basic	\$ 15.50	\$ 12.94
Diluted	\$ 15.35	\$ 12.81

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

(dollars in thousands)

	Quarters Ended				
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
SELECTED DATA					
Interest-bearing deposits with banks	\$ 299,272	\$ 95,453	\$ 123,975	\$ 438,603	\$ 369,892
Securities	1,195,090	1,239,877	1,290,720	1,162,292	990,747
Total loans	3,738,649	3,687,401	3,548,741	3,556,598	3,563,965
Allowance for loan losses	86,403	85,378	84,399	84,969	84,760
Earning assets ¹	5,232,755	5,019,834	4,963,213	5,165,726	4,925,887
Total assets	5,373,076	5,172,344	5,089,008	5,305,272	5,069,283
Deposits	4,640,169	4,491,233	4,402,995	4,540,548	4,280,436
Interest-bearing liabilities	2,958,911	2,813,076	2,826,196	2,980,365	2,882,205
Preferred equity	-	-	-	-	-
Common equity	502,111	494,836	480,920	464,407	452,819
Total shareholders' equity	502,111	494,836	480,920	464,407	452,819
Common equity to total assets	9.34%	9.57%	9.45%	8.75%	8.93%
Total equity to total assets	9.34%	9.57%	9.45%	8.75%	8.93%
Full-time equivalent employees	932	901	881	880	876

ASSET QUALITY RATIOS

Allowance for loan losses to total loans	2.31%	2.32%	2.38%	2.39%	2.38%
Allowance for loan losses to noncurrent loans	562%	507%	457%	454%	395%
Net charge-offs (recoveries) to total average loans	-0.01%	-0.01%	0.03%	-0.01%	0.00%
Noncurrent loans and ORE to assets	0.31%	0.33%	0.37%	0.36%	0.43%
Noncurrent loans, ORE and TDRs to assets	0.37%	0.40%	0.63%	0.64%	0.73%

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

(dollars in thousands, except per share data)

	Quarters Ended			% Change	
	September 30, 2016	June 30, 2016	September 30, 2015	Sequential Quarter	Year over Year
PERFORMANCE					
Net interest revenue, fully tax-equivalent	\$ 46,639	\$ 45,256	\$ 41,876	3.1%	11.4%
Fully tax-equivalent adjustment	337	364	325	-7.4%	3.7%
Net interest revenue	46,302	44,892	41,551	3.1%	11.4%
Provision for loan losses	750	500	1,000	50.0%	-25.0%
Net interest revenue after provision for loan losses	45,552	44,392	40,551	2.6%	12.3%
Noninterest revenue	12,712	11,721	11,798	8.5%	7.7%
Noninterest expense	37,408	35,055	34,400	6.7%	8.7%
Income before income taxes	20,856	21,058	17,949	-1.0%	16.2%
Income taxes	7,286	7,354	6,265	-0.9%	16.3%
Net income	13,570	13,704	11,684	-1.0%	16.1%
Preferred stock dividends	-	-	43	NM	-100.0%
Net income available to common shareholders	<u>\$ 13,570</u>	<u>\$ 13,704</u>	<u>\$ 11,641</u>	-1.0%	16.6%
PER COMMON SHARE					
Net income available to common shareholders (basic)	\$ 5.34	\$ 5.37	\$ 4.58	-0.6%	16.6%
Net income available to common shareholders (diluted)	5.29	5.32	4.53	-0.6%	16.8%
Common cash dividends	0.75	0.75	0.68	0.0%	10.3%
Common shareholders' equity	196.04	192.07	176.38	2.1%	11.1%

NM = not meaningful

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

	<u>Quarters Ended</u>			<u>% Change</u>	
	September 30, 2016	June 30, 2016	September 30, 2015	Sequential Quarter	Year over Year
PERFORMANCE RATIOS					
Return on average assets	1.02%	1.08%	0.93%	-0.06%	0.09%
Return on average shareholders' equity	10.83%	11.33%	9.94%	-0.50%	0.89%
Margin on average earning assets ¹	3.60%	3.67%	3.45%	-0.07%	0.15%
Noninterest expense to average assets	2.81%	2.77%	2.75%	0.04%	0.06%
Noninterest revenue to average assets	0.95%	0.93%	0.94%	0.02%	0.01%
Efficiency ratio	63.0%	61.5%	64.1%	1.5%	-1.1%
Common cash dividends to net income	14.02%	13.97%	14.80%	0.05%	-0.78%
Preferred cash dividends to net income	0.00%	0.00%	0.37%	0.00%	-0.37%
Total cash dividends to net income	14.02%	13.97%	15.17%	0.05%	-1.15%

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

(dollars in thousands, except per share data)

	<u>Nine Months Ended</u>		<u>% Change</u>
	September 30, 2016	September 30, 2015	Year over Year
PERFORMANCE			
Net interest revenue, fully tax-equivalent	\$ 135,694	\$ 122,492	10.8%
Fully tax-equivalent adjustment	1,073	985	8.9%
Net interest revenue	134,621	121,507	10.8%
Provision for loan losses	1,750	2,667	-34.4%
Net interest revenue after provision for loan losses	132,871	118,840	11.8%
Noninterest revenue	36,144	34,342	5.2%
Noninterest expense	108,504	102,604	5.8%
Income before income taxes	60,511	50,578	19.6%
Income taxes	21,047	17,565	19.8%
Net income	39,464	33,013	19.5%
Preferred stock dividends	-	141	-100.0%
Net income available to common shareholders	<u>\$ 39,464</u>	<u>\$ 32,872</u>	20.1%

PER COMMON SHARE

Net income available to common shareholders (basic)	\$ 15.50	\$ 12.94	19.8%
Net income available to common shareholders (diluted)	15.35	12.81	19.8%
Common cash dividends	2.25	2.04	10.3%
Common shareholders' equity	196.04	176.38	11.1%

PERFORMANCE RATIOS

Return on average assets	1.02%	0.91%	0.11%
Return on average shareholders' equity	10.83%	9.64%	1.19%
Margin on average earning assets ¹	3.58%	3.47%	0.11%
Noninterest expense to average assets	2.79%	2.82%	-0.03%
Noninterest revenue to average assets	0.93%	0.94%	-0.01%
Efficiency ratio	63.1%	65.4%	-2.3%
Common cash dividends to net income	14.52%	15.71%	-1.19%
Preferred cash dividends to net income	0.00%	0.43%	-0.43%
Total cash dividends to net income	14.52%	16.14%	-1.62%

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