

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

January 25, 2019

Dear Shareholders:

This past year the Company reported record net income of \$83 million, or \$32.42 per share, reflecting earnings levels well above any year in Company history. Growth in net interest revenue was the largest driver of our improved performance, and tax reform, with its lower tax rates, contributed to bottom-line results, as well. Improved net interest revenue was the result of continued organic loan and deposit growth amplified by a rising rate environment. The Fed raised rates four times in 2018, their most aggressive upward rate move in more than a decade. Tax reform's contribution to our strong earnings will make some year-over-year financial comparisons difficult, given the favorable impact of lower rates in 2018 and the adverse impact of the accounting treatment of lower tax rates on 2017 performance.

Earnings in the fourth quarter and for the year were very strong. In the fourth quarter, net income totaled \$24.1 million, up \$26.9 million from the tax reform induced quarterly loss of \$2.8 million one year ago. From a performance perspective, fourth quarter results were excellent with return on assets of 1.45 percent and return on equity of 16.49 percent. Importantly, there were some non-recurring revenue and expense items impacting fourth quarter results that, in total, boosted after-tax net income by approximately \$2.7 million. Those one-time items included increased noninterest revenue related to the impact of the new revenue recognition accounting standard on our wealth management business, along with lower tax expense related to the Company's pension plan. Of course, these one-time fourth quarter impacts also positively impacted the Company's overall 2018 results.

For 2018, earnings totaled \$83.1 million, up \$41.3 million, or 98.7 percent from 2017's results and \$31.3 million greater than the Company's previous record high earnings of \$51.7 million accomplished in 2016. Earnings on a per share basis improved to record levels as well, rising \$16.06, or nearly doubling to \$32.42 per share. This improved level of performance was primarily the result of strong growth in average earning assets and widening margins, which drove net interest revenue to record levels. Average earning assets in 2018 totaled \$6.3 billion,

increasing \$603.2 million, or 10.6 percent year-over-year. With rising rates and an asset sensitive balance sheet, net interest margin widened 11 basis points to 3.77 percent. The combination of strong growth in average earning assets and wider margins, propelled net interest revenue higher by \$29.5 million, or 14.3 percent to \$236.3 million, a new Company record.

The Company's excellent year is reflected in many of the key banking performance metrics common in the industry. Return on assets for the year came in at 1.30 percent and return on equity was 14.94 percent, both very strong numbers from a historical perspective. For 2018, expenses increased \$12.3 million, or 7.3% to \$180.1 million, still reasonable at 2.82 percent of average assets. The Company's efficiency ratio is a measure of the percentage of total revenue that is consumed by operating expenses. In 2018, our efficiency ratio improved 270 basis points to 62.6 percent, although still above where we'd like to see it long-term. Given our ongoing focus on investing in technology, facilities and our people, our efficiency ratio may remain higher than desired for some time.

Total assets for the year increased \$306.3 million, or 4.9 percent, which was largely due to deposit growth. Deposits grew \$190.1 million, or 3.5 percent, continuing a long trend of year-after-year growth in what are predominantly core customer deposits. Loan growth moderated in 2018, increasing \$115.3 million, or 2.9 percent. The interesting dynamic impacting growth in the loan portfolio during the year was significantly higher levels of pay-downs on commercial lines of credit, rather than lower loan demand. Our loan originations actually were higher by almost \$90 million in 2018, than in 2017. With deposit growth exceeding loan growth, on-balance sheet liquidity grew. Investment securities increased \$202.1 million to nearly \$1.6 billion. When our investment portfolio is combined with investible cash, liquid resources were at historical highs totaling over \$2.3 billion, or nearly 36 percent of total assets.

Shareholders' equity increased significantly in 2018 benefiting from strong earnings. For the year, shareholders' equity grew \$71.9 million, or 13.5 percent to \$602.7 million. Book value per share improved \$27.97, or 13.5 percent to \$234.45 per share. From a shareholder value perspective, the nearly \$28.00 per share improvement in book value was supplemented by dividends per share of \$4.60 in 2018, which increased year-over-year by \$1.24 per share, or 36.9 percent.

Our risk metrics continued to come in at moderate levels and our capacity to withstand unexpected conditions remained significant. Credit quality was strong with noncurrent loans at just 0.18 percent of assets. While credit performance was excellent, it also tends to be a lagging indicator of difficulties in the economy and so we remain cautious given how late we are in the economic cycle. The bank's allowance to loans was substantial at year end, closing the year at \$90.7 million, or 2.24 percent of loans. Liquidity resources continued at substantial levels, with the Company's liquidity ratio, comprised of unpledged cash and bonds as a percent of

liabilities, closing the year at 33.9 percent. The Company's key capital ratios are significant and increasing as a result of strong retained earnings growth in excess of asset growth. At the end of 2018, shareholders' equity as a percent of assets was 9.20 percent, which was above end of year 2017 levels by 70 basis points. Recall that the Board of Directors authorized a share repurchase plan of up to \$2.0 million of W.T.B. Financial Corporation Class B common stock, though to date, no shares have been purchased.

We are gratified by our performance and the ability to deliver these results while still maintaining substantial balance sheet strength, but these are interesting times with significant levels of uncertainty. We are late in the economic cycle and the Fed has raised short-term rates to levels where the yield curve is flat and even inverted across some segments, which historically has been an early warning sign that trouble may be looming. The nation's politics are unusually contentious and the potential for a policy mistake by our leaders seems higher than usual. The government's resources to address a downturn also seem stretched, with large budget deficits, rising national debt and the Fed's balance sheet still over-sized with bonds purchased back in the days of quantitative easing.

Against this back-drop, technological innovation continues to transform our business, which is both challenging and exciting. Along the way we are transforming how, when and where we serve our customers, while at the same time, we are also transforming how we operate. The investments we are making in technology are a competitive necessity and that challenges us to improve our internal processes and find opportunities for greater efficiency in our operations. These are crucial and healthy objectives for the Company and our customers.

While cautious by nature, we remain optimistic about our positioning, the markets we serve and the many amazing things our clients are doing and accomplishing, with our help, as their financial partner. Our relationship based business model allows us the privilege of a little more insight into the difference we can make in each of our client's lives as they pursue their goals. Your support as our shareholders helps make all that possible and we appreciate your confidence in us. On behalf of our employees, clients and the communities we serve, we remain very appreciative of the partnership we have with you. 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.

Warm Regards,



Pete Stanton
Chairman and CEO
Enclosure

Fourth Quarter : 2018

**Summary Financial
Statements and
Selected Financial
Highlights**

(unaudited)

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

	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
ASSETS			
Cash and due from banks	\$ 106,555,393	\$ 106,029,130	\$ 106,151,555
Fed funds sold and resale agreements	-	225,000	-
Interest-bearing deposits with banks	751,180,001	650,873,185	748,821,952
Securities available for sale, at fair value	1,031,058,762	1,022,195,424	906,663,938
Securities held to maturity, at amortized cost	558,191,770	518,268,017	480,511,844
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	7,540,600	7,540,600	6,857,600
Loans receivable	4,047,398,419	4,054,934,767	3,932,075,545
Allowance for loan losses	<u>(90,748,593)</u>	<u>(91,026,155)</u>	<u>(86,784,229)</u>
Loans net of allowance for loan losses	3,956,649,826	3,963,908,612	3,845,291,316
Premises and equipment, net	55,522,989	54,128,425	50,888,675
Other real estate	-	-	310,500
Accrued interest receivable	20,929,201	20,922,133	19,574,352
Other assets	64,721,736	63,649,906	81,021,062
Total assets	<u>\$ 6,552,350,278</u>	<u>\$ 6,407,740,432</u>	<u>\$ 6,246,092,794</u>
LIABILITIES			
Deposits:			
Noninterest-bearing	\$ 2,413,512,717	\$ 2,375,481,763	\$ 2,357,204,208
Interest-bearing	<u>3,225,410,150</u>	<u>3,173,508,190</u>	<u>3,091,661,772</u>
Total deposits	5,638,922,867	5,548,989,953	5,448,865,980
Securities sold under agreements to repurchase	259,857,022	242,444,729	222,135,525
Accrued interest payable	2,084,277	1,468,208	570,243
Other liabilities	48,821,466	47,590,617	43,730,063
Total liabilities	<u>5,949,685,632</u>	<u>5,840,493,507</u>	<u>5,715,301,811</u>
SHAREHOLDERS' EQUITY			
Common stock	32,424,650	31,531,734	30,169,275
Surplus	32,665,000	32,665,000	32,665,000
Undivided profits	584,433,474	563,300,471	513,131,560
	<u>649,523,124</u>	<u>627,497,205</u>	<u>575,965,835</u>
Accumulated other comprehensive loss	<u>(46,858,478)</u>	<u>(60,250,280)</u>	<u>(45,174,852)</u>
Total shareholders' equity	602,664,646	567,246,925	530,790,983
Total liabilities and shareholders' equity	<u>\$ 6,552,350,278</u>	<u>\$ 6,407,740,432</u>	<u>\$ 6,246,092,794</u>

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

	Three Months Ended		
	December 31, 2018	September 30, 2018	December 31, 2017
INTEREST REVENUE			
Loans, including fees	\$ 53,610,725	\$ 52,053,221	\$ 46,463,211
Deposits with banks	4,942,573	4,168,027	2,110,862
Securities	8,532,456	7,524,273	7,124,629
Other interest and dividend income	63,877	68,329	28,097
Total interest revenue	<u>67,149,631</u>	<u>63,813,850</u>	<u>55,726,799</u>
INTEREST EXPENSE			
Deposits	3,832,194	3,361,961	1,160,533
Funds purchased and other borrowings	220,199	143,980	47,759
Total interest expense	<u>4,052,393</u>	<u>3,505,941</u>	<u>1,208,292</u>
Net interest revenue	<u>63,097,238</u>	<u>60,307,909</u>	<u>54,518,507</u>
(Recapture of) provision for loan losses	400,000	600,000	(400,000)
Net interest revenue after provision for loan losses	<u>62,697,238</u>	<u>59,707,909</u>	<u>54,918,507</u>
NONINTEREST REVENUE			
Fiduciary income	5,699,608	4,178,519	3,924,991
Investment services fees	903,218	759,983	1,019,067
Bank and credit card fees	3,219,313	3,177,814	2,917,489
Mortgage banking revenue, net	940,756	1,733,028	1,368,055
Other fees on loans	277,991	270,789	234,529
Service charges on deposits	1,676,011	1,717,849	1,654,672
Other income	1,247,387	(225,350)	3,266,378
Total noninterest revenue	<u>13,964,284</u>	<u>11,612,632</u>	<u>14,385,181</u>
NONINTEREST EXPENSE			
Salaries and benefits	26,607,215	26,401,832	26,669,336
Occupancy, furniture and equipment expense	4,424,673	4,719,128	4,138,329
Other expense	16,677,074	14,917,972	18,818,123
Total noninterest expense	<u>47,708,962</u>	<u>46,038,932</u>	<u>49,625,788</u>
Income before income taxes	<u>28,952,560</u>	<u>25,281,609</u>	<u>19,677,900</u>
Income taxes	4,880,460	5,213,663	22,488,481
NET INCOME (LOSS)	<u>\$ 24,072,100</u>	<u>\$ 20,067,946</u>	<u>\$ (2,810,581)</u>
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	2,555,674	2,555,016	2,546,832
Diluted	2,562,801	2,563,132	2,546,832
Earnings (loss) per common share (based on weighted average shares outstanding)			
Basic	\$ 9.42	\$ 7.85	\$ (1.10)
Diluted	\$ 9.39	\$ 7.83	\$ (1.10)

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

	Twelve Months Ended	
	December 31, 2018	December 31, 2017
INTEREST REVENUE		
Loans, including fees	\$ 202,233,603	\$ 179,649,629
Deposits with banks	15,399,484	4,173,196
Securities	29,927,874	27,134,222
Other interest and dividend income	322,200	91,610
Total interest revenue	247,883,161	211,048,657
INTEREST EXPENSE		
Deposits	11,179,382	4,096,573
Funds purchased and other borrowings	452,236	182,936
Total interest expense	11,631,618	4,279,509
Net interest revenue	236,251,543	206,769,148
Provision for loan losses	2,700,000	-
Net interest revenue after provision for loan losses	233,551,543	206,769,148
NONINTEREST REVENUE		
Fiduciary income	18,137,249	14,643,254
Investment services fees	3,528,012	3,999,719
Bank and credit card fees	12,373,651	11,667,417
Mortgage banking revenue, net	5,820,035	6,184,067
Other fees on loans	1,005,992	974,228
Service charges on deposits	6,890,245	6,909,474
Other income	3,253,236	4,759,129
Total noninterest revenue	51,008,420	49,137,288
NONINTEREST EXPENSE		
Salaries and benefits	106,377,241	98,510,924
Occupancy, furniture and equipment expense	18,017,853	15,587,409
Other expense	55,729,156	53,734,084
Total noninterest expense	180,124,250	167,832,417
Income before income taxes	104,435,713	88,074,019
Income taxes	21,379,897	46,276,428
NET INCOME	\$ 83,055,816	\$ 41,797,591
 PER SHARE DATA		
Weighted average number of common stock shares outstanding		
Basic	2,553,971	2,545,414
Diluted	2,562,199	2,554,837
Earnings per common share (based on weighted average shares outstanding)		
Basic	\$ 32.52	\$ 16.42
Diluted	\$ 32.42	\$ 16.36

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

(dollars in thousands)

	Quarters Ended				
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
SELECTED DATA					
Interest-bearing deposits with banks	\$ 751,180	\$ 650,873	\$ 647,779	\$ 872,674	\$ 748,822
Securities	1,589,251	1,540,463	1,363,042	1,341,115	1,387,176
Total loans	4,047,398	4,054,935	4,079,035	3,939,242	3,932,076
Allowance for loan losses	90,749	91,026	89,236	87,551	86,784
Earning assets ¹	6,420,888	6,293,542	6,132,681	6,192,265	6,095,353
Total assets	6,552,350	6,407,740	6,225,729	6,281,292	6,246,093
Deposits	5,638,923	5,548,990	5,380,063	5,480,126	5,448,866
Interest-bearing liabilities	3,485,267	3,415,953	3,300,293	3,261,415	3,313,797
Total shareholders' equity	602,665	567,247	553,125	538,057	530,791
Total equity to total assets	9.20%	8.85%	8.88%	8.57%	8.50%
Full-time equivalent employees	994	992	977	973	960
ASSET QUALITY RATIOS					
Allowance for loan losses to total loans	2.24%	2.24%	2.19%	2.22%	2.21%
Allowance for loan losses to noncurrent loans	755%	963%	902%	724%	755%
Net charge-offs (recoveries) to total average loans	0.02%	-0.03%	-0.01%	-0.01%	0.06%
Noncurrent loans and ORE to assets	0.18%	0.15%	0.16%	0.20%	0.19%
Noncurrent loans, ORE and TDRs to assets	0.20%	0.16%	0.18%	0.22%	0.21%

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

(dollars in thousands, except per share data)

	Quarters Ended			% Change	
	December 31, 2018	September 30, 2018	December 31, 2017	Sequential Quarter	Year over Year
PERFORMANCE					
Net interest revenue, fully tax-equivalent	\$ 63,230	\$ 60,432	\$ 54,833	4.6%	15.3%
Fully tax-equivalent adjustment	133	124	314	7.3%	-57.6%
Net interest revenue	63,097	60,308	54,519	4.6%	15.7%
(Recapture of) provision for loan losses	400	600	(400)	-33.3%	-200.0%
Net interest revenue after provision for loan losses	62,697	59,708	54,919	5.0%	14.2%
Noninterest revenue	13,964	11,613	14,385	20.2%	-2.9%
Noninterest expense	47,708	46,039	49,626	3.6%	-3.9%
Income before income taxes	28,953	25,282	19,678	14.5%	47.1%
Income taxes	4,881	5,214	22,489	-6.4%	-78.3%
Net income (loss)	\$ 24,072	\$ 20,068	\$ (2,811)	20.0%	-956.4%
PER COMMON SHARE					
Earnings (loss) per common share - basic	\$ 9.42	\$ 7.85	\$ (1.10)	20.0%	-956.4%
Earnings (loss) per common share - diluted	9.39	7.83	(1.10)	19.9%	-953.6%
Common cash dividends	1.15	1.15	0.84	0.0%	36.9%
Common shareholders' equity	234.45	220.67	206.48	6.2%	13.5%

	Quarters Ended			% Change	
	December 31, 2018	September 30, 2018	December 31, 2017	Sequential Quarter	Year over Year
PERFORMANCE RATIOS					
Return on average assets	1.45%	1.24%	-0.18%	0.21%	1.63%
Return on average shareholders' equity	16.49%	14.12%	-2.04%	2.37%	18.53%
Margin on average earning assets ¹	3.87%	3.77%	3.59%	0.10%	0.28%
Noninterest expense to average assets	2.87%	2.83%	3.19%	0.04%	-0.32%
Noninterest revenue to average assets	0.84%	0.71%	0.92%	0.13%	-0.08%
Efficiency ratio	61.8%	63.9%	71.7%	-2.1%	-9.9%
Common cash dividends to net income	12.21%	14.64%	NM	-2.43%	NM

(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)

	Twelve Months Ended		% Change
	December 31, 2018	December 31, 2017	Year over Year
PERFORMANCE			
Net interest revenue, fully tax-equivalent	\$ 236,749	\$ 208,018	13.8%
Fully tax-equivalent adjustment	497	1,249	-60.2%
Net interest revenue	236,252	206,769	14.3%
Provision for loan losses	2,700	-	NM
Net interest revenue after provision for loan losses	233,552	206,769	13.0%
Noninterest revenue	51,008	49,137	3.8%
Noninterest expense	180,124	167,832	7.3%
Income before income taxes	104,436	88,074	18.6%
Income taxes	21,380	46,276	-53.8%
Net income	\$ 83,056	\$ 41,798	98.7%
PER COMMON SHARE			
Earnings per common share - basic	\$ 32.52	\$ 16.42	98.1%
Earnings per common share - diluted	32.42	16.36	98.2%
Common cash dividends	4.60	3.36	36.9%
Common shareholders' equity	234.45	206.48	13.5%
PERFORMANCE RATIOS			
Return on average assets	1.30%	0.72%	0.58%
Return on average shareholders' equity	14.94%	7.93%	7.01%
Margin on average earning assets ¹	3.77%	3.66%	0.11%
Noninterest expense to average assets	2.82%	2.89%	-0.07%
Noninterest revenue to average assets	0.80%	0.85%	-0.05%
Efficiency ratio	62.6%	65.3%	-2.7%
Common cash dividends to net income	14.15%	20.47%	-6.32%

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