

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

October 19, 2017

Dear Shareholders:

It has been nearly two years since the Federal Reserve began raising interest rates and the combination of wider net interest margins with continued growth in our business has contributed to the highest quarterly earnings in Company history. Net income in the third quarter was very solid at \$16.9 million. Bank deposits tend to have a seasonal pattern, which historically favors the third and fourth quarters. In the third quarter of 2017, very strong deposit growth of \$372.8 million reflected that historical pattern and helped push the Company's balance sheet over the \$6 billion threshold for the first time. Combine these two mile-markers with excellent asset quality and the third quarter of 2017 came in with strength across many key metrics.

For the quarter, assets increased by \$420.9 million, or 7.5 percent to nearly \$6.1 billion, while year-over-year, assets grew \$689.1 million, or 12.8 percent. Deposit growth was the primary driver of assets during the quarter, with deposits increasing \$372.8 million, or 7.7 percent to \$5.2 billion, while year-over-year, deposits increased \$593.4 million, or 12.8 percent. With deposit growth strong in the third quarter, loan balances declined slightly, falling \$3.6 million, or 0.1 percent to just under \$4.0 billion. This decline in loans followed a big second quarter, when loans grew \$195.5 million, or 5.2 percent. Year-over-year loan growth remained in line with recent trends, increasing \$218.3 million, or 5.8 percent.

Despite an essentially flat quarter for loans, and deposit growth driving cash and bond balances higher, net interest margin held steady at 3.72 percent quarter-over-quarter. Year-over-year, margin widened 12 basis points from 3.60 percent in the third quarter of 2016. The Bank's wider margin against a growing portfolio of earning assets helped increase net interest revenue to \$53.5 million, up nearly \$7.2 million, or 15.5 percent from one year ago. On a year-to-date basis, our results were similarly strong, with net interest revenue increasing \$17.6 million, or 13.1 percent to \$152.3 million. Year-over-year, noninterest revenue was down \$928,000, or 7.3 percent to \$11.8 million, with a substantial portion of that decline a result of lower single family loan origination volume and a higher proportion of originations held in portfolio, rather than sold. Noninterest expense for the quarter increased just \$56,000, or 0.1 percent to \$39.2 million,

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while year-to-date expenses were up \$9.7 million, or 8.9 percent over last year, to \$118.2 million.

Despite the still historically low rate environment, the Company's financial performance was quite strong. Return on assets ("ROA") for the quarter was 1.14 percent and year-to-date, ROA was 1.05 percent, while return on equity was 12.44 percent for the quarter and 11.44 percent year-to-date. Earnings were \$16.9 million for the quarter, up \$3.3 million, or 24.4 percent over third quarter of 2016, while net income year-to-date totaled \$44.6 million, up \$5.1 million, or 13.0 percent over 2016. Book value per share increased \$14.12, or 7.2 percent year-over-year, while fully diluted earnings per share increased \$2.13, or 13.9 percent to \$17.48 for the year.

The Bank's key risk parameters remain at favorable levels. Asset quality is high, with noncurrent loans totaling \$12.0 million, or just 0.30 percent of total loans. The Bank's allowance to loans position is substantial at \$89.6 million, or 2.26 percent of loans. With the strong growth in assets for the quarter, the Company's equity to assets ratio declined 41 basis points to 8.91 percent, but capital quality is high and the Bank maintains capital levels well above regulatory minimums. Since we announced a \$2 million share repurchase program last April, we have not repurchased any shares, but we will continue to monitor market activity and assess opportunities for purchases against corporate objectives over time. Liquidity levels are also ample with investable cash and bonds totaling over \$1.9 billion, or 32.0 percent of assets.

We are pleased to report an excellent quarter and gratified by our continued growth and performance. Those accomplishments reflect considerable success in executing to our plan and serving our customer's financial needs. We remain focused on achieving those two goals in the midst of an operating environment that is favorable, but still has its share of challenges. Economic and policy uncertainty seems to be running a little high and technology continues to both challenge and reshape our industry. We will continue to do our best to navigate through those uncertainties and appreciate your support for our Company. We know we have an important place in our economy, the communities we support and the customers we serve. As we go about our business, 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

**Third Quarter : 2017**

**Summary Financial  
Statements and  
Selected Financial  
Highlights**

(unaudited)

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

	<u>September 30,</u> <u>2017</u>	<u>June 30,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>
<b>ASSETS</b>			
Cash and due from banks	\$ 95,718,872	\$ 95,787,195	\$ 87,706,427
Interest-bearing deposits with banks	449,352,864	139,316,506	299,272,101
Securities available for sale, at fair value	931,145,033	951,561,150	797,132,759
Securities held to maturity, at amortized cost	561,352,612	431,605,392	397,956,801
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	6,857,600	6,857,600	6,421,500
Loans receivable	3,956,974,473	3,960,566,836	3,738,649,010
Allowance for loan losses	(89,569,043)	(87,980,922)	(86,402,668)
Loans net of allowance for loan losses	3,867,405,430	3,872,585,914	3,652,246,342
Premises and equipment, net	45,755,456	44,291,169	45,961,657
Other real estate	338,400	338,400	1,195,827
Accrued interest receivable	17,947,975	16,607,661	12,856,003
Other assets	86,317,161	82,314,199	72,326,887
Total assets	<u>\$ 6,062,191,403</u>	<u>\$ 5,641,265,186</u>	<u>\$ 5,373,076,304</u>
<b>LIABILITIES</b>			
Deposits:			
Noninterest-bearing	\$ 2,196,968,589	\$ 1,944,330,014	\$ 1,875,780,403
Interest-bearing	3,036,594,027	2,916,431,388	2,764,388,621
Total deposits	5,233,562,616	4,860,761,402	4,640,169,024
Securities sold under agreements to repurchase	246,368,513	219,196,695	194,522,541
Accrued interest payable	455,177	453,178	426,756
Other liabilities	41,739,544	34,888,466	35,846,881
Total liabilities	5,522,125,850	5,115,299,741	4,870,965,202
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	29,553,821	29,208,742	27,917,793
Surplus	32,665,000	32,665,000	32,665,000
Undivided profits	510,075,679	495,340,312	461,525,859
	572,294,500	557,214,054	522,108,652
Accumulated other comprehensive loss	(32,228,947)	(31,248,609)	(19,997,550)
Total shareholders' equity	540,065,553	525,965,445	502,111,102
Total liabilities and shareholders' equity	<u>\$ 6,062,191,403</u>	<u>\$ 5,641,265,186</u>	<u>\$ 5,373,076,304</u>

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

	Three Months Ended		
	September 30, 2017	June 30, 2017	September 30, 2016
<b>INTEREST REVENUE</b>			
Loans, including fees	\$ 46,671,373	\$ 44,270,681	\$ 41,345,340
Deposits with banks	1,043,740	451,416	301,612
Securities	6,814,466	6,518,317	5,621,597
Other interest and dividend income	19,302	23,071	17,235
Total interest revenue	<u>54,548,881</u>	<u>51,263,485</u>	<u>47,285,784</u>
<b>INTEREST EXPENSE</b>			
Deposits	1,033,581	948,217	944,399
Funds purchased and other borrowings	46,287	45,922	39,826
Total interest expense	<u>1,079,868</u>	<u>994,139</u>	<u>984,225</u>
Net interest revenue	<u>53,469,013</u>	<u>50,269,346</u>	<u>46,301,559</u>
Provision for loan losses	-	-	750,000
Net interest revenue after provision for loan losses	<u>53,469,013</u>	<u>50,269,346</u>	<u>45,551,559</u>
<b>NONINTEREST REVENUE</b>			
Fiduciary income	3,758,281	3,508,464	3,384,309
Mortgage banking revenue, net	1,472,249	1,612,871	2,280,700
Other fees on loans	250,038	284,091	360,708
Service charges, commissions and fees	6,019,480	5,812,519	5,947,212
Net gains on other real estate	-	-	350
Other income	283,426	333,122	738,260
Total noninterest revenue	<u>11,783,474</u>	<u>11,551,067</u>	<u>12,711,539</u>
<b>NONINTEREST EXPENSE</b>			
Salaries and benefits	24,589,697	24,477,633	23,492,252
Occupancy, furniture and equipment expense	3,672,144	3,141,368	3,592,681
Other expense	10,916,577	11,503,369	10,321,725
Total noninterest expense	<u>39,178,418</u>	<u>39,122,370</u>	<u>37,406,658</u>
Income before income taxes	<u>26,074,069</u>	<u>22,698,043</u>	<u>20,856,440</u>
Income taxes	9,199,494	7,972,823	7,286,344
<b>NET INCOME</b>	<u><u>\$ 16,874,575</u></u>	<u><u>\$ 14,725,220</u></u>	<u><u>\$ 13,570,096</u></u>
<b>PER SHARE DATA</b>			
<b>Weighted average number of common stock shares outstanding</b>			
Basic	2,546,676	2,546,676	2,539,230
Diluted	2,554,177	2,552,489	2,563,225
<b>Earnings per common share (based on weighted average shares outstanding)</b>			
Basic	\$ 6.63	\$ 5.78	\$ 5.34
Diluted	\$ 6.61	\$ 5.77	\$ 5.29

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

	Nine Months Ended	
	September 30, 2017	September 30, 2016
<b>INTEREST REVENUE</b>		
Loans, including fees	\$ 133,186,418	\$ 119,896,806
Deposits with banks	2,062,334	887,538
Securities	20,009,593	16,657,652
Other interest and dividend income	63,513	115,195
Total interest revenue	155,321,858	137,557,191
<b>INTEREST EXPENSE</b>		
Deposits	2,936,041	2,784,824
Funds purchased and other borrowings	135,176	151,778
Total interest expense	3,071,217	2,936,602
Net interest revenue	152,250,641	134,620,589
Provision for loan losses	400,000	1,750,000
Net interest revenue after provision for loan losses	151,850,641	132,870,589
<b>NONINTEREST REVENUE</b>		
Fiduciary income	10,718,264	10,147,820
Mortgage banking revenue, net	4,816,012	5,589,388
Other fees on loans	739,699	796,650
Service charges, commissions and fees	17,647,378	17,298,161
Securities gains, net	-	966,536
Net gains (losses) on other real estate	(10,390)	51,802
Other income	841,145	1,293,595
Total noninterest revenue	34,752,108	36,143,952
<b>NONINTEREST EXPENSE</b>		
Salaries and benefits	74,328,025	67,039,358
Occupancy, furniture and equipment expense	11,449,079	10,459,978
Other expense	32,429,526	31,004,048
Total noninterest expense	118,206,630	108,503,384
Income before income taxes	68,396,119	60,511,157
Income taxes	23,787,946	21,046,725
<b>NET INCOME</b>	<b>\$ 44,608,173</b>	<b>\$ 39,464,432</b>
 <b>PER SHARE DATA</b>		
<b>Weighted average number of common stock shares outstanding</b>		
Basic	2,544,936	2,546,084
Diluted	2,551,841	2,570,254
<b>Earnings per common share (based on weighted average shares outstanding)</b>		
Basic	\$ 17.53	\$ 15.50
Diluted	\$ 17.48	\$ 15.35

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

(dollars in thousands)

	<b>Quarters Ended</b>				
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
<b>SELECTED DATA</b>					
Interest-bearing deposits with banks	\$ 449,353	\$ 139,317	\$ 290,649	\$ 326,002	\$ 299,272
Securities	1,492,498	1,383,167	1,401,520	1,384,817	1,195,090
Total loans	3,956,974	3,960,567	3,765,056	3,785,076	3,738,649
Allowance for loan losses	89,569	87,981	87,552	85,787	86,403
Earning assets <sup>1</sup>	5,918,736	5,501,453	5,481,936	5,522,413	5,232,755
Total assets	6,062,191	5,641,265	5,601,613	5,668,953	5,373,076
Deposits	5,233,563	4,860,761	4,820,251	4,923,690	4,640,169
Interest-bearing liabilities	3,282,963	3,135,628	3,121,951	3,106,707	2,958,911
Total shareholders' equity	540,066	525,965	508,934	496,286	502,111
Total equity to total assets	8.91%	9.32%	9.09%	8.75%	9.34%
Full-time equivalent employees	972	950	930	926	932

**ASSET QUALITY RATIOS**

Allowance for loan losses to total loans	2.26%	2.22%	2.33%	2.27%	2.31%
Allowance for loan losses to noncurrent loans	748%	796%	677%	598%	562%
Net charge-offs (recoveries) to total average loans	-0.04%	-0.01%	-0.04%	0.03%	-0.01%
Noncurrent loans and ORE to assets	0.20%	0.20%	0.24%	0.27%	0.31%
Noncurrent loans, ORE and TDRs to assets	0.22%	0.26%	0.29%	0.33%	0.37%

(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>	
	September 30, 2017	June 30, 2017	September 30, 2016	Sequential Quarter	Year over Year
<b>PERFORMANCE</b>					
Net interest revenue, fully tax-equivalent	\$ 53,781	\$ 50,585	\$ 46,639	6.3%	15.3%
Fully tax-equivalent adjustment	312	315	337	-1.0%	-7.4%
Net interest revenue	53,469	50,270	46,302	6.4%	15.5%
Provision for loan losses	-	-	750	NM	-100.0%
Net interest revenue after provision for loan losses	53,469	50,270	45,552	6.4%	17.4%
Noninterest revenue	11,783	11,551	12,712	2.0%	-7.3%
Noninterest expense	39,178	39,123	37,408	0.1%	4.7%
Income before income taxes	26,074	22,698	20,856	14.9%	25.0%
Income taxes	9,199	7,972	7,286	15.4%	26.3%
<b>Net income</b>	<b>\$ 16,875</b>	<b>\$ 14,726</b>	<b>\$ 13,570</b>	<b>14.6%</b>	<b>24.4%</b>

**PER COMMON SHARE**

Net income available to common shareholders (basic)	\$ 6.63	\$ 5.78	\$ 5.34	14.7%	24.2%
Net income available to common shareholders (diluted)	6.61	5.77	5.29	14.6%	25.0%
Common cash dividends	0.84	0.84	0.75	0.0%	12.0%
Common shareholders' equity	210.16	204.67	196.04	2.7%	7.2%

NM = not meaningful

	<b>Quarters Ended</b>			<b>% Change</b>	
	September 30, 2017	June 30, 2017	September 30, 2016	Sequential Quarter	Year over Year
<b>PERFORMANCE RATIOS</b>					
Return on average assets	1.14%	1.06%	1.02%	0.08%	0.12%
Return on average shareholders' equity	12.44%	11.35%	10.83%	1.09%	1.61%
Margin on average earning assets <sup>1</sup>	3.72%	3.72%	3.60%	0.00%	0.12%
Noninterest expense to average assets	2.65%	2.81%	2.81%	-0.16%	-0.16%
Noninterest revenue to average assets	0.80%	0.83%	0.95%	-0.03%	-0.15%
Efficiency ratio	59.8%	63.0%	63.0%	-3.2%	-3.2%
Common cash dividends to net income	12.68%	14.53%	14.02%	-1.85%	-1.34%

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

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

(dollars in thousands, except per share data)

	<b>Nine Months Ended</b>		<b>% Change</b>
	September 30, 2017	September 30, 2016	Year over Year
<b>PERFORMANCE</b>			
Net interest revenue, fully tax-equivalent	\$ 153,186	\$ 135,694	12.9%
Fully tax-equivalent adjustment	935	1,073	-12.9%
Net interest revenue	152,251	134,621	13.1%
Provision for loan losses	400	1,750	-77.1%
Net interest revenue after provision for loan losses	151,851	132,871	14.3%
Noninterest revenue	34,752	36,144	-3.9%
Noninterest expense	118,207	108,504	8.9%
Income before income taxes	68,396	60,511	13.0%
Income taxes	23,788	21,047	13.0%
<b>Net income</b>	<b>\$ 44,608</b>	<b>\$ 39,464</b>	<b>13.0%</b>
<b>PER COMMON SHARE</b>			
Net income available to common shareholders (basic)	\$ 17.53	\$ 15.50	13.1%
Net income available to common shareholders (diluted)	17.48	15.35	13.9%
Common cash dividends	2.52	2.25	12.0%
Common shareholders' equity	210.16	196.04	7.2%
<b>PERFORMANCE RATIOS</b>			
Return on average assets	1.05%	1.02%	0.03%
Return on average shareholders' equity	11.44%	10.83%	0.61%
Margin on average earning assets <sup>1</sup>	3.69%	3.58%	0.11%
Noninterest expense to average assets	2.78%	2.79%	-0.01%
Noninterest revenue to average assets	0.82%	0.93%	-0.11%
Efficiency ratio	62.9%	63.1%	-0.2%
Common cash dividends to net income	14.39%	14.52%	-0.13%

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