AUDITED FINANCIAL STATEMENTS

2016

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Selected Consolidated Financial Highlights

(dollars in thousands, except per share data)

	At or for the Years Ended December 31,				
	2016	2015	2014	2013	2012
PERFORMANCE					
Net interest revenue, fully tax-equivalent	**$ 182,948**	$ 165,150	$ 157,228	$ 147,571	$ 147,491
Fully tax-equivalent adjustment	**1,387**	1,349	1,393	1,315	1,591
Net interest revenue	**181,561**	163,801	155,835	146,256	145,900
Provision for loan losses	**2,250**	2,667	6,000	6,767	22,333
Net interest revenue after provision for loan losses	**179,311**	161,134	149,835	139,489	123,567
Noninterest revenue	**48,541**	48,857	44,498	53,482	36,031
Noninterest expense	**148,429**	140,369	130,542	126,210	113,633
Income before income taxes	**79,423**	69,622	63,791	66,761	45,965
Income taxes	**27,696**	23,262	21,927	22,967	15,484
Net income	**51,727**	46,360	41,864	43,794	30,481
Preferred stock dividends	**-**	142	418	1,724	4,457
Net income available to common shareholders	**$ 51,727**	$ 46,218	$ 41,446	$ 42,070	$ 26,024
SELECTED YEAR-END DATA					
Interest-bearing deposits with banks	**$ 326,002**	$ 438,603	$ 344,438	$ 277,007	$ 27,502
Securities	**1,384,817**	1,162,292	907,333	809,325	1,360,244
Total loans	**3,785,076**	3,556,598	3,351,052	3,175,764	2,896,570
Allowance for loan losses	**85,787**	84,969	81,210	82,427	76,535
Earning assets	**5,522,413**	5,165,726	4,615,066	4,280,783	4,270,042
Total assets	**5,668,953**	5,305,272	4,771,922	4,436,124	4,470,132
Deposits	**4,923,690**	4,540,548	4,082,517	3,793,077	3,789,561
Interest-bearing liabilities	**3,106,707**	2,980,365	2,770,756	2,527,040	2,651,816
Preferred equity	**-**	-	19,571	44,571	89,142
Common equity	**496,286**	464,407	422,027	393,498	369,129
Total shareholders' equity	**496,286**	464,407	441,598	438,069	458,271
Full-time equivalent employees	**927**	882	864	840	801
PER COMMON SHARE					
Net income available to common shareholders (basic)	**$ 20.33**	$ 18.19	$ 16.37	$ 16.67	$ 10.34
Net income available to common shareholders (diluted)	**20.29**	18.01	16.21	16.52	10.25
Common cash dividends	**3.00**	2.72	2.40	1.60	0.60
Common shareholders' equity	**193.66**	180.79	164.93	154.35	145.28
PERFORMANCE RATIOS					
Return on average assets	**0.98%**	0.94%	0.92%	1.00%	0.72%
Return on average shareholders' equity	**10.53**	10.12	9.14	10.21	6.79
Margin on average earning assets	**3.53**	3.42	3.57	3.48	3.61
Noninterest expense to average assets	**2.81**	2.83	2.87	2.89	2.67
Efficiency ratio	**64.1**	65.6	64.7	62.8	61.9
Net loans to deposits	**75.1**	76.5	80.1	81.6	74.4
Total cash dividends to net income	**14.76**	15.2	15.5	13.2	19.6
CAPITAL RATIOS					
Common equity to total assets	**8.75%**	8.75%	8.84%	8.87%	8.26%
Total equity to total assets	**8.75**	8.75	9.25	9.88	10.25
Tier 1 leverage	**9.59**	9.41	9.87	10.27	10.53
Common equity tier 1 capital	**11.90**	11.98	N/A	N/A	N/A
Tier 1 risk-based capital	**11.90**	11.98	12.70	12.91	13.67
Total risk-based capital	**13.16**	13.24	13.96	14.17	14.93
ASSET QUALITY RATIOS					
Allowance for loan losses to total loans	**2.27%**	2.39%	2.42%	2.60%	2.64%
Allowance for loan losses to noncurrent loans	**597.57**	453.98	285.36	260.64	194.89
Net charge-offs (recoveries) to total average loans	**0.04**	-0.03	0.22	0.03	0.57
Noncurrent loans and ORE to assets	**0.27**	0.36	0.62	0.84	1.06
Noncurrent loans, ORE and TDRs to assets	**0.33**	0.64	0.95	1.38	1.83

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Condition

	December 31, 2016	December 31, 2015
ASSETS		
Cash and due from banks	**$ 97,412,042**	$ 79,795,019
Interest-bearing deposits with banks	**326,001,529**	438,603,226
Securities available for sale, at fair value	**932,788,461**	679,877,946
Securities held to maturity, at amortized cost	**452,029,006**	482,414,445
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**6,421,500**	5,781,300
Loans receivable:		
Held for sale	**27,972,608**	23,728,595
Held in portfolio	**3,757,103,510**	3,532,869,864
Total loans	**3,785,076,118**	3,556,598,459
Allowance for loan losses	**(85,786,743)**	(84,968,885)
Loans net of allowance for loan losses	**3,699,289,375**	3,471,629,574
Premises and equipment, net	**42,986,615**	44,659,499
Other real estate, net	**870,500**	355,500
Deferred income taxes, net	**41,799,884**	34,573,646
Cash surrender value of life insurance	**21,331,668**	20,245,980
Accrued interest receivable	**17,061,492**	13,682,150
Prepaid expenses and other assets	**30,961,127**	33,654,075
Total assets	**$ 5,668,953,199**	$ 5,305,272,360
LIABILITIES		
Deposits:		
Noninterest-bearing	**$ 2,028,445,434**	$ 1,825,070,343
Interest-bearing	**2,895,244,374**	2,715,477,707
Total deposits	**4,923,689,808**	4,540,548,050
Securities sold under agreements to repurchase	**211,462,438**	264,887,110
Accrued interest payable	**439,921**	526,585
Other liabilities	**37,075,124**	34,903,602
Total liabilities	**5,172,667,291**	4,840,865,347
COMMITMENTS AND CONTINGENCIES (NOTE 18)		
SHAREHOLDERS' EQUITY		
Class A common stock, no par value, 25,000 shares authorized, issued and outstanding	**250,000**	250,000
Class B common stock, no par value, 3,475,000 shares authorized; 2,537,618 shares issued and outstanding at December 31, 2016; 2,543,805 shares issued and outstanding at December 31, 2015	**28,292,925**	29,629,574
Surplus	**32,665,000**	32,665,000
Undivided profits	**471,885,130**	427,792,790
	533,093,055	490,337,364
Accumulated other comprehensive loss	**(36,807,147)**	(25,930,351)
Total shareholders' equity	**496,285,908**	464,407,013
Total liabilities and shareholders' equity	**$ 5,668,953,199**	$ 5,305,272,360

See notes to consolidated financial statements.

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Income

	Years Ended December 31,		
	2016	2015	2014
INTEREST REVENUE			
Loans, including fees	**$ 161,242,023**	$ 151,464,308	$ 147,675,052
Deposits with banks	**1,446,623**	989,400	770,513
Securities:			
Taxable	**22,571,811**	15,665,705	12,720,699
Tax-exempt	**110,020**	86,878	267,023
Other interest and dividend income	**129,549**	31,418	29,171
Total interest revenue	**185,500,026**	168,237,709	161,462,458
INTEREST EXPENSE			
Demand and savings deposits	**2,581,128**	2,361,846	2,398,198
Time deposits	**1,164,870**	1,838,692	3,030,539
Securities sold under agreements to repurchase	**181,777**	235,953	198,596
Other borrowings	**11,262**	32	300
Total interest expense	**3,939,037**	4,436,523	5,627,633
Net interest revenue	**181,560,989**	163,801,186	155,834,825
Provision for loan losses	**2,250,000**	2,666,700	6,000,000
Net interest revenue after provision for loan losses	**179,310,989**	161,134,486	149,834,825
NONINTEREST REVENUE			
Fiduciary income	**13,565,832**	13,864,892	13,001,381
Investment services fees	**4,009,562**	4,420,838	4,333,174
Bank card and credit card fees, net	**11,444,237**	11,020,060	10,345,150
Mortgage banking revenue, net	**8,253,908**	5,751,736	3,806,138
Other fees on loans	**1,124,701**	1,221,989	763,416
Service charges on deposits	**6,698,751**	6,464,820	6,959,916
Other service charges, commissions and fees	**761,017**	796,613	539,149
Net gains on other real estate	**56,418**	742,204	2,727,617
Gains on sale of securities, net	**1,000,753**	605,669	77,126
Other income	**1,626,011**	3,968,336	1,945,154
Total noninterest revenue	**48,541,190**	48,857,157	44,498,221
NONINTEREST EXPENSE			
Salaries	**71,631,756**	64,479,547	58,366,994
Pension and employee benefits	**19,058,371**	17,408,294	17,025,329
Occupancy expense	**7,821,361**	7,504,188	7,056,509
Furniture and equipment expense	**6,459,633**	6,236,960	6,149,387
Software expense	**7,305,595**	6,887,709	6,476,023
Data processing expense	**8,963,687**	8,834,374	8,693,438
Marketing and public relations	**4,627,305**	5,318,014	4,617,018
Professional fees	**3,337,492**	3,528,142	4,721,516
State revenue taxes	**1,672,319**	1,473,916	1,254,028
FDIC assessments	**2,491,772**	2,845,366	2,729,180
Other real estate operations	**87,470**	87,483	489,905
Other expense	**14,972,219**	15,765,948	12,962,898
Total noninterest expense	**148,428,980**	140,369,941	130,542,225
Income before income taxes	**79,423,199**	69,621,702	63,790,821
Income taxes	**27,696,541**	23,261,988	21,926,753
NET INCOME	**$ 51,726,658**	$ 46,359,714	$ 41,864,068

See notes to consolidated financial statements.

Continued

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Income (continued)

	Years Ended December 31,		
	2016	2015	2014
NET INCOME	**$ 51,726,658**	$ 46,359,714	$ 41,864,068
Preferred stock dividends	-	141,346	417,932
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	**$ 51,726,658**	$ 46,218,368	$ 41,446,136
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,543,917**	2,541,339	2,532,116
Diluted	**2,549,894**	2,566,077	2,556,515
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 20.33**	$ 18.19	$ 16.37
Diluted	**$ 20.29**	$ 18.01	$ 16.21

See notes to consolidated financial statements.

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
	2016	2015	2014
NET INCOME	**$ 51,726,658**	$ 46,359,714	$ 41,864,068
Securities available for sale:			
Unrealized gains (losses) arising during the year	**(16,645,512)**	(3,103,413)	5,194,876
Income tax benefit (expense) related to unrealized gains (losses)	**5,825,929**	1,086,195	(1,818,206)
Reclassification adjustment for gains included in net income	**(1,000,753)**	(605,669)	(77,126)
Income tax expense related to reclassification adjustment for gains included in net income	**350,264**	211,984	26,994
Net change in unrealized gains (losses)	**(11,470,072)**	(2,410,903)	3,326,538
Defined benefit pension plan:			
Unrealized gain (loss) arising during the year	**(2,687,260)**	2,210,949	(19,690,141)
Income tax benefit (expense) related to unrealized gain (loss)	**940,541**	(773,832)	6,891,549
Reclassification adjustment for amounts included in net income	**3,599,993**	3,853,966	2,152,594
Income tax benefit related to reclassification adjustment for amounts included in net income	**(1,259,998)**	(1,348,888)	(753,408)
Net decrease (increase) in unrealized losses	**593,276**	3,942,195	(11,399,406)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(10,876,796)**	1,531,292	(8,072,868)
COMPREHENSIVE INCOME	**$ 40,849,862**	$ 47,891,006	$ 33,791,200

See notes to consolidated financial statements.

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Changes in Shareholders' Equity

	Total Shareholders' Equity	Number of Common Shares Outstanding	Preferred Stock	Common Stock		Treasury Stock	Surplus	Accumulated Other Comprehensive Loss	Undivided Profits
			Class C	Class A	Class B				
Balance, December 31, 2013	$ 438,068,899	2,549,321	$ 44,571,000	$ 250,000	$ 26,899,991	$ (21,541,921)	$ 32,665,000	$ (19,388,775)	$ 374,613,604
Net income, 2014	41,864,068	-	-	-	-	-	-	-	41,864,068
Other comprehensive loss, net of tax	(8,072,868)	-	-	-	-	-	-	(8,072,868)	-
Cash dividends of $2.40 per share	(6,080,080)	-	-	-	-	-	-	-	(6,080,080)
Preferred dividends	(417,932)	-	-	-	-	-	-	-	(417,932)
Repayment of Series C-3 preferred stock	(25,000,000)	-	(25,000,000)	-	-	-	-	-	-
Stock-based compensation	1,055,212	8,500	-	-	1,055,212	-	-	-	-
Stock-based directors' fees	180,329	1,035	-	-	127,875	52,454	-	-	-
Balance, December 31, 2014	441,597,628	2,558,856	19,571,000	250,000	28,083,078	(21,489,467)	32,665,000	(27,461,643)	409,979,660
Net income, 2015	46,359,714	-	-	-	-	-	-	-	46,359,714
Other comprehensive income, net of tax	1,531,292	-	-	-	-	-	-	1,531,292	-
Cash dividends of $2.72 per share	(6,915,771)	-	-	-	-	-	-	-	(6,915,771)
Preferred dividends	(141,346)	-	-	-	-	-	-	-	(141,346)
Repayment of Series C-3 preferred stock	(19,571,000)	-	(19,571,000)	-	-	-	-	-	-
Stock-based compensation	1,276,286	8,500	-	-	1,276,286	-	-	-	-
Stock-based directors' fees	270,210	1,449	-	-	270,210	-	-	-	-
Retirement of treasury stock	-	-	-	-	-	21,489,467	-	-	(21,489,467)
Balance, December 31, 2015	464,407,013	2,568,805	-	250,000	29,629,574	-	32,665,000	(25,930,351)	427,792,790
Net income, 2016	51,726,658	-	-	-	-	-	-	-	51,726,658
Other comprehensive loss, net of tax	(10,876,796)	-	-	-	-	-	-	(10,876,796)	-
Cash dividends of $3.00 per share	(7,634,318)	-	-	-	-	-	-	-	(7,634,318)
Share repurchase and retirement	(3,000,000)	(15,000)	-	-	(3,000,000)	-	-	-	-
Stock-based compensation	1,363,219	7,463	-	-	1,363,219	-	-	-	-
Stock-based directors' fees	300,132	1,350	-	-	300,132	-	-	-	-
Balance, December 31, 2016	$ 496,285,908	2,562,618	$ -	$ 250,000	$ 28,292,925	$ -	$ 32,665,000	$ (36,807,147)	$ 471,885,130

See notes to consolidated financial statements.

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	**$ 51,726,658**	$ 46,359,714	$ 41,864,068
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**2,250,000**	2,666,700	6,000,000
Provision for losses on other real estate	**183,878**	39,000	34,642
Deferred income taxes (benefit)	**(1,043,243)**	(1,615,251)	5,671,045
Depreciation	**6,407,146**	6,386,618	6,337,769
Amortization of software	**1,802,075**	1,755,875	1,684,939
Amortization of intangibles	**-**	543,045	13,450
Net premium amortization of securities	**3,824,015**	4,276,157	3,753,449
Change in mortgage servicing rights	**146,991**	207,423	(281,372)
Gains on sales of securities, net	**(1,000,753)**	(605,669)	(77,126)
(Gains) losses on sales of premises and equipment	**1,147**	68,939	(56,207)
Gains on sales of investments	**-**	-	(568,305)
Gains on sale of other real estate, net	**(240,296)**	(781,204)	(2,762,259)
Origination of loans held for sale	**(321,748,885)**	(265,470,392)	(156,738,411)
Proceeds from sales of loans held for sale	**326,021,310**	256,462,995	206,931,106
Gains on sales of loans	**(8,516,438)**	(5,756,418)	(3,189,091)
Increase in accrued interest receivable	**(3,379,342)**	(699,573)	(965,210)
Increase in cash surrender value of life insurance	**(1,085,688)**	(4,161,285)	(1,627,968)
Stock-based compensation	**1,363,219**	1,276,286	1,055,212
Stock-based directors' fees	**300,132**	270,210	180,329
Change in FDIC indemnification asset	**-**	-	1,432,374
Contributions to pension plan	**(10,750,000)**	(6,000,000)	(11,600,000)
(Increase) decrease in other assets	**(3,695,269)**	4,060,108	(3,578,367)
Increase in accrued expenses and other liabilities	**2,180,113**	6,030,816	6,328,219
Net cash provided by operating activities	**44,746,770**	45,314,094	99,842,286
Cash flows from investing activities:			
Net (increase) decrease in interest-bearing deposits with banks	**112,601,697**	(94,164,882)	(67,431,587)
Securities available for sale:			
Payments for purchases	**(755,428,728)**	(365,604,858)	(155,052,661)
Proceeds from sales	**376,814,325**	74,244,982	132,301,398
Proceeds from maturities, calls, and paydowns	**106,228,294**	82,065,456	64,082,409
Securities held to maturity:			
Payments for purchases	**(90,171,819)**	(128,899,292)	(165,803,892)
Proceeds from maturities, calls, and paydowns	**119,563,325**	75,854,737	27,906,142
Net change from Federal Home Loan Bank stock	**(640,200)**	7,719,600	1,326,700
Net increase in loans held in portfolio	**(226,551,115)**	(190,763,463)	(228,965,801)
Purchases of premises and equipment	**(5,461,468)**	(5,722,212)	(8,737,050)
Proceeds from sales of premises and equipment	**644,070**	659,431	102,789
Purchases of software	**(565,138)**	(231,930)	(1,151,961)
Proceeds from investments	**22,014**	101,969	441,356
Proceeds from sales of other real estate	**426,745**	2,536,214	7,958,610
Proceeds from the settlement of life insurance	**16,305,483**	-	-
Net cash used in investing activities	**(346,212,515)**	(542,204,248)	(393,023,548)

See notes to consolidated financial statements.

Continued

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows (continued)

	Years Ended December 31,		
	2016	2015	2014
Cash flows from financing activities:			
Net increase in deposits	**$ 383,141,758**	$ 458,031,001	$ 289,437,426
Net increase (decrease) in securities sold under repurchase agreements	**(53,424,672)**	58,593,195	33,767,996
Repurchase and retirement of common stock	**(3,000,000)**	-	-
Repurchase of preferred stock	-	(19,571,000)	(25,000,000)
Common stock dividends paid	**(7,634,318)**	(6,915,771)	(6,080,080)
Preferred stock dividends paid	-	(190,274)	(480,432)
Net cash provided by financing activities	**319,082,768**	489,947,151	291,644,910
Increase (decrease) in cash and cash equivalents	**17,617,023**	(6,943,003)	(1,536,352)
Cash and cash equivalents at beginning of year	**79,795,019**	86,738,022	88,274,374
Cash and cash equivalents at end of year	**$ 97,412,042**	$ 79,795,019	$ 86,738,022

Supplemental disclosures of cash flow information:			
Cash paid for interest	**$ 4,025,701**	$ 5,022,367	$ 5,910,302
Cash paid for income taxes	**28,648,149**	24,534,843	13,327,748
Transfer from loans to other real estate	**885,327**	1,073,048	488,351
Transfer from cash surrender value life insurance to other assets	-	16,182,537	-
Transfer from premises and equipment to loans	-	-	988,273
Transfer between premises and equipment and prepaid expenses and other assets	**81,989**	219,097	988,273
Transfer from loans held in portfolio to loans held for sale	-	-	46,847,538

See notes to consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Nature of Operations

W.T.B. Financial Corporation ("W.T.B.") is a bank holding company headquartered in Spokane, Washington, and through its subsidiary, Washington Trust Bank (the "Bank"), is primarily engaged in the business of financial services in Washington, Idaho and Oregon. The Bank was originally chartered in 1902 and provides a wide range of banking, fiduciary, asset management, mortgage banking, and other financial services to corporate and individual customers. West Sprague Holding Company, LLC is a wholly-owned subsidiary of the Bank.

Basis of Financial Statement Presentation and Consolidation

The consolidated financial statements of W.T.B. include the accounts of W.T.B. and its wholly-owned subsidiary. Intercompany transactions and balances have been eliminated in consolidation. The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of the defined benefit pension obligation, and valuation of other real estate.

Segment Reporting

W.T.B. has not established any independent business activity apart from acting as the parent company of the Bank. W.T.B. and the Bank are managed as a single entity and not by departments or lines of business. Based on management's analysis, no department or line of business meets the criteria established in Accounting Standards Codification ("ASC") 280, *Segment Reporting*, for reporting of selected information about operating segments.

Subsequent Events

Subsequent events are events or transactions that occur after the date of the statement of financial condition but before the consolidated financial statements are available to be issued. W.T.B. recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial condition, including the estimates inherent in the process of preparing the financial statements. W.T.B.'s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial condition but arose after the date of the statement of financial condition and before the financial statements are available to be issued.

W.T.B. has evaluated subsequent events through March 20, 2017, the date these consolidated financial statements were available to be issued.

Cash Equivalents

Cash equivalents include amounts due from banks, federal funds sold, and securities purchased under resale agreements. Federal funds sold and securities purchased under resale agreements all have maturities of three months or less.

Securities

Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. Securities classified as available for sale are carried at fair value, with any unrealized gains and losses, net of tax, reported as a component of other comprehensive income ("OCI") and shareholders' equity. Other-than-temporary impairment ("OTTI") losses relating to credit impairment are included in noninterest revenue. Gains and losses realized on the sale of securities are computed on the specific-identification method and are included in noninterest revenue. Interest and dividends on securities are included in interest revenue. Interest revenue includes amortization of purchase premiums or discounts. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are factored into the amortization method.

W.T.B. considers the following factors when determining OTTI for a security: the length of time and the extent to which the market value has been less than amortized cost, the financial condition and near-term prospects of the issuer, terms and structure of the security, the underlying fundamentals of the relevant market and the outlook for such market for the near future. Management also makes an assessment of whether W.T.B. has (1) the intent to sell the security, or (2) more likely than not will be required to sell the security before its anticipated market recovery. If the security is likely to be sold or if it is likely the security will be required to be sold before recovering its cost basis, the entire impairment loss would be recognized in earnings as OTTI. If W.T.B. does not intend to sell the security and it is not likely the security will be required to be sold, but management does not expect to recover the entire amortized cost basis of the security, only the portion of the impairment loss representing credit losses would be recognized in earnings as OTTI. The credit loss on a security is measured as the difference between the amortized cost basis and the present value of the cash flows expected to be collected. Projected cash flows are discounted by the original interest rate when a security is analyzed for potential OTTI. The remaining impairment related to all other factors, the difference between the present value of the cash flows expected to be collected and fair value, is recognized as a charge to OCI.

Federal Home Loan Bank and Pacific Coast Bankers' Bancshares Stock

The Bank is a member of the Federal Home Loan Bank ("FHLB") of Des Moines and is required to maintain a minimum level of investment in FHLB stock, plus additional investments in FHLB stock based on its outstanding FHLB borrowings. The FHLB provides a wide range of secured lending facilities and structures, which are an important source of supplemental funding and liquidity to the Bank. The Bank's investment in FHLB stock has no quoted market value and is carried at par value ($100 per share). Ownership of FHLB stock is restricted to members and former members of the FHLB, and is purchased and redeemed at par. At December 31, 2016 and 2015, the Bank's investment in FHLB stock was $6,361,500 and $5,721,300, respectively.

Note 1: Summary of Significant Accounting Policies (continued)

Federal Home Loan Bank and Pacific Coast Bankers' Bancshares Stock (continued)

The Bank's investment in Pacific Coast Bankers' Bancshares ("PCBB") consists of shares of PCBB's common stock. No ready market exists for PCBB stock, and it has no quoted market value. This investment is carried at cost. At December 31, 2016 and 2015, the Bank's investment in PCBB stock was $60,000.

Management periodically evaluates FHLB and PCBB stock for impairment. Management's determination of whether these investments are impaired is based on its assessment of the ultimate recoverability of cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of cost is influenced by criteria such as (1) the significance of any deterioration in earnings performance, credit rating or asset quality of the issuer, (2) the significance of any adverse changes in the regulatory or economic environment, and (3) the significance of adverse changes in the general market condition of either the geographic area or the industry in which they operate. Management has determined there is not an other-than-temporary impairment on the stock investments as of December 31, 2016.

Cash Surrender Value of Life Insurance

The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at its cash surrender value, or the amount that can be realized.

Loans

Loans held in portfolio are carried at the principal amount outstanding, net of unearned income. Loans held for sale are carried at the lower of aggregate cost or market.

Interest income on loans is accrued on the principal amount outstanding. Loan origination fees and costs are capitalized and recognized as an adjustment to the yield of the related loan over its estimated life.

Loans are classified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due, in accordance with the terms of the original loan agreement. The carrying value of impaired loans is based on the present value of expected future cash flows discounted at each loan's effective interest rate, the loan's observable market price, or for collateral dependent loans, at the fair value of the collateral, less selling costs. If the measurement of each impaired loan's value is less than the recorded investment in the loan, the Bank recognizes this impairment and adjusts the carrying value of the loan through the allowance for loan losses. This recognition of impairment is accomplished by charging-off the impaired portion of the loan, or establishing a specific amount to be provided for in the allowance for loan losses. In general, any portion of the recorded investment in a collateral dependent loan in excess of the fair value of the collateral that can be identified as uncollectible is a confirmed loss and charged-off against the allowance for loan losses.

Income Recognition on Nonaccrual and Impaired Loans

Loans are classified as nonaccrual if the collection of principal and interest is doubtful. Generally, this occurs when a loan is past due as to maturity, or payment of principal or interest by 90 days or more, unless such loans are well-secured and in the process of collection. Generally, if a loan, or portion thereof, is partially charged-off, the loan is considered impaired and classified as nonaccrual. Loans that are less than 90 days past due may also be classified as nonaccrual if repayment in full of principal and/or interest is in doubt.

When a loan is classified as nonaccrual, all uncollected accrued interest is reversed from interest income and the accrual of interest income is discontinued. Generally, any subsequent cash payments are applied as a reduction of principal outstanding. In cases where the future collectability of the principal balance in full is expected, interest income may be recognized on a cash basis. A loan may be restored to accrual status when the borrower's financial condition improves so that full collection of future contractual payments is considered likely. Restoration to accrual status for those loans placed on nonaccrual status due to payment delinquency will generally not occur until the borrower demonstrates repayment ability over a period of not less than six months.

Troubled Debt Restructuring

Loans may occasionally be restructured due to economic or legal reasons relating to the borrower's financial condition by granting a concession in order to protect the Bank's investment. Examples of such concessions may include forgiving principal or accrued interest, extending maturity date(s), or providing lower interest rates than would normally be available for transactions of similar risk. This generally occurs when the financial condition of the borrower necessitates temporary or permanent relief from the original contractual terms of the loan. A loan restructured in a troubled debt restructuring ("TDR") is an impaired loan and is accounted for as such. If a borrower on a restructured accruing loan has demonstrated performance under the previous terms and shows the capacity to continue to perform under the restructured terms, the loan will remain on accrual status. Otherwise the loan will be placed on nonaccrual status until the borrower demonstrates repayment ability over a period of not less than six months. A TDR that has been in compliance with its modified terms and which yields a market rate will not be reported as a troubled debt restructuring in calendar years after the year in which the restructuring took place.

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Note 1: Summary of Significant Accounting Policies (continued)

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for known and inherent losses in the portfolio. Management's determination of the allowance is based on an evaluation of the loan portfolio, impaired loans, past loan loss experience, economic conditions, volume, growth and composition of the loan portfolio, and other risks inherent in the portfolio. Management applies risk factors to categories of loans and individually reviews all impaired loans above a de minimus threshold. Management uses risk grades for loans in the commercial, agricultural, real estate secured, and consumer categories. For homogenous consumer portfolios, management relies heavily on statistical analysis, past loan loss experience, current payment performance and industry trends to estimate losses. Management evaluates the adequacy of the allowance at least quarterly, by reviewing relevant internal and external factors that affect credit quality.

Mortgage Servicing Rights

Mortgage servicing rights result from the sale of mortgage loans while retaining loan servicing responsibilities. Mortgage servicing rights are carried at the original capitalized fair value, net of accumulated amortization and impairment. The original capitalized value is determined using discounted cash flows of expected future loan servicing revenue based on market interest rates and loan prepayment assumptions at the time the loan is sold. Mortgage servicing rights are amortized in proportion to, and over the period of, the estimated net servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows of expected future loan servicing revenue based on current market interest rates and current prepayment assumptions. The current market interest rate is to reflect expected marketplace yield requirements for loan servicing portfolios. For purposes of measuring impairment, mortgage servicing rights are stratified based on the characteristics of the underlying loans, including loan type, size, note rate, origination date and term. Subsequent loan prepayments and elevated prepayment assumptions in excess of those forecasted can adversely impact the carrying value of mortgage servicing rights. The amount of impairment recognized is the amount by which the capitalized mortgage servicing rights for each class exceed their fair value.

Servicing fee income is recorded as noninterest income for fees earned for servicing loans and included in mortgage banking revenue, net. The fees are based on a contractual percentage of the outstanding principal and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Derivatives

Derivative financial instruments are used to meet the ongoing credit needs of customers and the market exposure of certain types of interest rate risk. Derivative instruments are recognized as either assets or liabilities in the consolidated statements of financial condition at fair value. Changes in the fair value of a derivative are recorded in the consolidated statements of income.

W.T.B.'s pipeline of rate-locked residential mortgage loan commitments and forward sales contracts to investors are considered derivatives. W.T.B. utilizes forward sales contracts to hedge the risk of changes in fair value, due to changes in interest rates, of both locked residential mortgage loan commitments and residential loans held for sale. The estimated fair values of these derivatives are determined by the changes in the market value of the related loans, caused by changes in market interest rates, during the period from the commitment date or contract date to the valuation date. At December 31, 2016, the estimated fair value of rate locks was $6,786 and the estimated fair value of forward sales agreements was $546,232. At December 31, 2015, the estimated fair value of rate locks was $11,526 and the estimated fair value of forward sales agreements was $36,300.

W.T.B. engages in interest rate swap transactions to meet customer needs that serve as hedges to an equal amount of fixed rate loans, which include market value prepayment penalties that mirror the termination costs of the specifically matched interest rate swaps. The fair value adjustments for these swaps and the related loans are reflected in other assets or other liabilities, as appropriate, and in the carrying value of the hedged loans.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Premises and Equipment

Premises and equipment, including leasehold improvements, are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed on both the straight-line and accelerated methods over the estimated useful lives of the assets, or the terms of the associated operating leases. Gains or losses on disposition are reflected in current income. Normal costs of maintenance and repairs are treated as current expenses.

W.T.B. reviews long-lived and intangible assets any time that a change in circumstance indicates that the carrying amount of these assets may not be recoverable. Recoverability of these assets is determined by comparing the carrying value of the asset to the forecasted undiscounted cash flows of the operation associated with the asset. If the evaluation of the forecasted cash flows indicates that the carrying value of the asset is not recoverable, the asset is written down to fair value.

Note 1: Summary of Significant Accounting Policies (continued)

Other Real Estate

Other real estate ("ORE") acquired through, or in lieu of, loan foreclosure is recorded at the fair value of the property, which becomes the property's new basis. A provision to the valuation allowance on ORE is made for subsequent declines in the fair value on a specific property basis. Direct costs incurred in connection with holding ORE are charged to expense when incurred.

Advertising Costs

W.T.B. expenses advertising costs as incurred, which are included in marketing and public relations expense. Advertising expenses were $1,671,753, $1,706,577 and $1,770,216 for 2016, 2015 and 2014, respectively.

Income Taxes

Income tax expense is separated into two components: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the current tax law to the taxable income or excess of deductions over revenues. W.T.B. determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

W.T.B. recognizes interest and penalties on income taxes, if any, as a component of income tax expense.

Stock-Based Compensation

Compensation cost related to restricted stock awards issued to executive officers is based on fair value at the date of grant. The fair value of the awards is estimated using the market value of W.T.B.'s common stock. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Earnings per Common Share

W.T.B.'s basic earnings per common share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period, excluding nonvested restricted stock. Diluted earnings per common share is computed using the weighted-average number of common shares outstanding for basic earnings per share computation plus the dilutive effects of nonvested restricted stock using the treasury stock method.

Class C Stock

During 2011, 89,142 shares of Class C Series C-3 preferred stock were issued in connection with W.T.B.'s participation in the United States Treasury Department's Small Business Lending Fund program. During 2015 and 2014, 19,571 and 25,000 shares, respectively, were redeemed. There were no Class C Series C-3 preferred stock shares outstanding at December 31, 2016 and 2015. Authorized Class C shares totaled 500,000 at December 31, 2016 and 2015.

Common Stock

At December 31, 2016 and 2015, 25,000 shares of Class A voting common stock were outstanding. Class B nonvoting common stock shares outstanding were 2,537,618 and 2,543,805 at December 31, 2016 and 2015, respectively.

Treasury Stock

Repurchased common stock shares are recorded as treasury stock at cost. Treasury shares are not deemed outstanding for earnings per share calculations. During 2015, all 126,190 Class B treasury shares were retired. There were no Class B treasury shares held for reissue at December 31, 2016 and 2015.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale and unrealized gains and losses related to the defined benefit pension plan, which are reported as a separate component of equity.

Note 1: Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates. See Note 16 for further discussion.

Reclassifications

Certain amounts appearing in the consolidated financial statements and notes thereto for the years ended December 31, 2015 and 2014 have been reclassified to conform to the December 31, 2016 presentation. These reclassifications had no effect on retained earnings or net income as previously reported and the effect of these reclassifications is not considered material.

Recent Accounting Pronouncements

ASU 2016-02, *Leases (Topic 842)*. This new standard requires substantially all leases to be recognized by lessees on their balance sheets as a right-of-use asset and a corresponding lease liability but recognize expenses in their income statements in a manner similar to current practice. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The amendments of this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. W.T.B. is currently evaluating the provisions of this ASU to determine the potential impact the new standard will have on W.T.B.'s consolidated financial statements.

ASU 2016-09, *Compensation – Stock Compensation (Topic 718)*. This new standard is intended to simplify several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. In particular, excess tax benefits and deficiencies will now be recognized through earnings, eliminating the tracking of windfalls recorded in additional paid in capital. The amendments for this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. W.T.B. is currently evaluating the provisions of this ASU to determine the potential impact the new standard will have on W.T.B.'s consolidated financial statements.

ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. This new standard broadens the information that an entity must consider in developing its expected credit loss estimate for loans and other financial assets measured either collectively or individually. This standard becomes effective for annual periods beginning after December 15, 2020, and interim periods within those annual periods for W.T.B. Current U.S. GAAP delays recognition of credit losses until it is probable a loss has occurred, generally only considering past events and current conditions in measuring the incurred loss. Once implemented, this new standard will eliminate the probable initial recognition threshold and instead, will require the measurement of expected credit losses based on historical experience, current conditions, and reasonable and supportable forecasts covering the entire term of the instrument through contractual maturity. An entity must use judgement in determining the relevant information and estimation methods that are appropriate in its circumstances. This standard requires enhanced disclosures around significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the portfolio. In addition, this standard amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. W.T.B. is currently evaluating the provisions of this ASU to determine the potential impact the new standard will have on W.T.B.'s consolidated financial statements, once it becomes effective for periods beginning after December 15, 2020.

ASU 2016-15, *Statement of Cash Flows (Topic 230)*. This new standard addresses eight specific cash flow issues with the intent of reducing diversity in practice. Those eight issues are as follows: (1) debt prepayment or debt extinguishment costs, (2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (6) distributions received from equity method investees, (7) beneficial interests in securitization transactions, and (8) separately identifiable cash flows and application of the predominance principle. The amendments for this update are effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. This ASU is not expected to have a significant impact on W.T.B.'s consolidated financial statements.

Note 2: Cash and Due from Banks

Federal Reserve Board regulations require depository institutions to maintain minimum reserve balances in the form of cash on hand or deposits with the Federal Reserve Bank. At December 31, 2016 and 2015, these reserve balance requirements were $23,073,000 and $20,953,000, respectively, which were met by the Bank.

Note 3: Securities

The amortized costs and fair values for securities as of December 31, 2016 and 2015 were as follows:

	2016			
Securities Available for Sale:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 544,703,591	$ 1,486	$ 14,900,457	$ 529,804,620
States and political subdivisions	1,292,481	61,075	-	1,353,556
Mortgage-backed securities	406,889,257	697,724	5,956,696	401,630,285
	$ 952,885,329	$ 760,285	$ 20,857,153	$ 932,788,461

	2015			
Securities Available for Sale:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 208,344,764	$ 137,136	$ 836,078	$ 207,645,822
States and political subdivisions	1,510,804	71,642	-	1,582,446
Mortgage-backed securities	472,472,981	1,624,665	3,447,968	470,649,678
	$ 682,328,549	$ 1,833,443	$ 4,284,046	$ 679,877,946

	2016			
Securities Held to Maturity:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 308,333,577	$ 615,268	$ 2,147,898	$ 306,800,947
States and political subdivisions	2,472,524	-	11,310	2,461,214
Mortgage-backed securities	141,222,905	185,348	1,229,053	140,179,200
	$ 452,029,006	$ 800,616	$ 3,388,261	$ 449,441,361

	2015			
Securities Held to Maturity:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 302,005,672	$ 598,724	$ 1,069,710	$ 301,534,686
States and political subdivisions	2,533,835	14,157	488	2,547,504
Mortgage-backed securities	177,874,938	281,052	1,249,722	176,906,268
	$ 482,414,445	$ 893,933	$ 2,319,920	$ 480,988,458

Note 3: Securities (continued)

The following tables show the gross unrealized losses and fair value, aggregated by category and the length of time that individual securities have been in a continuous unrealized loss position at December 31, 2016 and 2015.

	2016					
	Less Than 12 Months		12 Months or More		Total	
Securities Available for Sale:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and federal agencies	$ 528,804,541	$ 14,900,457	$ -	$ -	$ 528,804,541	$ 14,900,457
Mortgage-backed securities	353,966,367	5,670,858	17,763,402	285,838	371,729,769	5,956,696
	$ 882,770,908	$ 20,571,315	$ 17,763,402	$ 285,838	$ 900,534,310	$ 20,857,153

	2015					
	Less Than 12 Months		12 Months or More		Total	
Securities Available for Sale:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and federal agencies	$ 142,271,573	$ 836,078	$ -	$ -	$ 142,271,573	$ 836,078
Mortgage-backed securities	372,052,858	3,135,905	15,838,192	312,063	387,891,050	3,447,968
	$ 514,324,431	$ 3,971,983	$ 15,838,192	$ 312,063	$ 530,162,623	$ 4,284,046

	2016					
	Less Than 12 Months		12 Months or More		Total	
Securities Held to Maturity:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and federal agencies	$ 210,453,245	$ 2,147,898	$ -	$ -	$ 210,453,245	$ 2,147,898
States and political subdivisions	2,461,214	11,310	-	-	2,461,214	11,310
Mortgage-backed securities	107,933,188	1,229,053	-	-	107,933,188	1,229,053
	$ 320,847,647	$ 3,388,261	$ -	$ -	$ 320,847,647	$ 3,388,261

	2015					
	Less Than 12 Months		12 Months or More		Total	
Securities Held to Maturity:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and federal agencies	$ 70,795,807	$ 455,248	$ 57,301,470	$ 614,462	$ 128,097,277	$ 1,069,710
States and political subdivisions	597,230	488	-	-	597,230	488
Mortgage-backed securities	100,833,184	658,072	33,564,481	591,650	134,397,665	1,249,722
	$ 172,226,221	$ 1,113,808	$ 90,865,951	$ 1,206,112	$ 263,092,172	$ 2,319,920

The above table represents 60 available-for-sale and 36 held-to-maturity securities for which the fair value at December 31, 2016, was less than the amortized cost. There were 49 available-for-sale securities and 25 held-to-maturity securities in an unrealized loss position as of December 31, 2015.

W.T.B. reviews investment securities on an ongoing basis for the presence of OTTI. As of December 31, 2016, there were 2 available-for-sale securities in the gross unrealized loss position for twelve months or more. Management takes into consideration current market conditions, fair value in relationship to cost, extent and nature of the decline in fair value, issuer rating changes and trends, intent to sell the security or if it is likely that we will be required to sell the security before recovery of our amortized cost basis, or recorded cost if previously written down, of the investment and other factors. We do not consider the unrealized losses on these securities to be OTTI as of December 31, 2016.

W.T.B. adopted a provision of GAAP that provides for the bifurcation of OTTI into two categories: (a) the amount of the total OTTI related to the decrease in cash flows expected to be collected from the debt security (the credit loss) that is recognized in earnings and (b) the amount of the total OTTI related to all other factors that is recognized net of income taxes, as a component of OCI. W.T.B. recorded, during the years ended December 31, 2016, 2015 and 2014, no impairments through OCI or through earnings. There were no securities with OTTI losses recognized as of December 31, 2016 and 2015.

Note 3: Securities (continued)

As of December 31, 2016, investment securities were pledged for the following obligations:

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Repurchase agreements	$ 123,390,870	$ 119,733,362	$ 140,956,466	$ 140,361,901
State and local government public deposits	36,051,453	35,535,290	27,898,876	27,816,174
Other	39,387,796	38,987,912	38,980,723	38,852,640
	$ 198,830,119	$ 194,256,564	$ 207,836,065	$ 207,030,715

Proceeds from the sale of available-for-sale securities in 2016 were $376,814,325 resulting in gross gains of $1,890,392 and gross losses of $889,639. Proceeds from the sale of available-for-sale securities in 2015 were $74,244,982, resulting in gross gains of $605,669 and no gross losses. Proceeds from the sale of available-for-sale securities in 2014 were $132,301,398, resulting in gross gains of $271,129 and gross losses of $194,003.

The amortized costs and fair values of debt securities by years to maturity as of December 31, 2016 are in the table below. Maturities of mortgage-backed securities are classified in accordance with the contractual maturity dates. Expected maturities will differ from contractual maturities since issuers may have the right to call or prepay obligations.

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ -	$ -	$ 88,460,634	$ 88,334,149
Due after one year through five years	191,787,894	187,409,296	-	-
Due after five years through ten years	383,481,136	373,369,969	160,610,370	160,789,382
Due after ten years	377,616,299	372,009,196	202,958,002	200,317,830
	$ 952,885,329	$ 932,788,461	$ 452,029,006	$ 449,441,361

Note 4: Loans and Allowance for Loan Losses

Loans

Loans held in portfolio as of December 31 were as follows:

	2016	2015
Commercial and industrial	$ 1,182,806,988	$ 1,107,661,571
Agricultural	203,373,873	205,604,698
Commercial real estate		
Owner occupied	589,880,088	548,585,051
Non-owner occupied	643,024,655	587,725,001
Construction and development		
Commercial	230,863,039	221,231,546
Residential	165,083,605	167,483,319
Residential real estate		
First mortgage	394,217,072	356,365,041
Junior mortgage	36,336,329	30,633,446
Revolving	209,367,515	211,930,363
Consumer	102,150,346	95,649,828
Total portfolio loans	$ 3,757,103,510	$ 3,532,869,864

Loans are presented net of unamortized deferred fees and costs of $6,963,653 and $5,346,239 at December 31, 2016 and 2015, respectively. Loans of $1,729,377,067 and $1,866,780,759 were pledged at December 31, 2016 and 2015, respectively, to the FHLB and Federal Reserve to secure open borrowing lines of credit.

Note 4: Loans and Allowance for Loan Losses (continued)

Allowance for Loan Losses

The following table summarizes activity related to the allowance for loan losses by loan category and the recorded investment in loans by loan category and balances individually or collectively evaluated for impairment as of December 31:

	2016						
	Commercial and Agricultural	Real Estate Secured: Commercial	Real Estate Secured: Construction	Real Estate Secured: Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 33,258,039	$ 10,637,229	$ 19,677,414	$ 19,016,008	$ 1,538,567	$ 841,628	$ 84,968,885
Charge-offs	(3,744,991)	(1,587)	(1,444,149)	(556,075)	(862,999)	-	(6,609,801)
Recoveries	2,810,182	185,020	622,742	970,874	588,841	-	5,177,659
Provision (recapture)	1,382,553	2,772,306	(4,185,956)	(39,642)	223,005	2,097,734	2,250,000
Ending balance	$ 33,705,783	$ 13,592,968	$ 14,670,051	$ 19,391,165	$ 1,487,414	$ 2,939,362	$ 85,786,743
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 78,950	$ -	$ 1,027,989	$ 513,152	$ 133,609	$ -	$ 1,753,700
Collectively evaluated for impairment	33,626,833	13,592,968	13,642,062	18,878,013	1,353,805	2,939,362	84,033,043
Total allowance for loan losses	$ 33,705,783	$ 13,592,968	$ 14,670,051	$ 19,391,165	$ 1,487,414	$ 2,939,362	$ 85,786,743
Loans:							
Portfolio loans:							
Loans individually evaluated for impairment	$ 1,489,503	$ -	$ 9,147,084	$ 1,517,600	$ 133,609		$ 12,287,796
Loans collectively evaluated for impairment	1,384,691,358	1,232,904,743	386,799,560	638,403,316	102,016,737		3,744,815,714
Total portfolio loans	$ 1,386,180,861	$1,232,904,743	$ 395,946,644	$ 639,920,916	$ 102,150,346		$ 3,757,103,510

	2015						
	Commercial and Agricultural	Real Estate Secured: Commercial	Real Estate Secured: Construction	Real Estate Secured: Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 30,588,023	$ 13,777,999	$ 14,738,825	$ 19,247,065	$ 1,812,074	$ 1,045,949	$ 81,209,935
Charge-offs	(2,982,942)	-	(281,300)	(678,300)	(580,941)	-	(4,523,483)
Recoveries	2,775,492	79,737	930,445	1,315,341	514,718	-	5,615,733
Provision (recapture)	2,877,466	(3,220,507)	4,289,444	(868,098)	(207,284)	(204,321)	2,666,700
Ending balance	$ 33,258,039	$ 10,637,229	$ 19,677,414	$ 19,016,008	$ 1,538,567	$ 841,628	$ 84,968,885
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 983,702	$ -	$ 2,920,767	$ 520,208	$ -	$ -	$ 4,424,677
Collectively evaluated for impairment	32,274,337	10,637,229	16,756,647	18,495,800	1,538,567	841,628	80,544,208
Total allowance for loan losses	$ 33,258,039	$ 10,637,229	$ 19,677,414	$ 19,016,008	$ 1,538,567	$ 841,628	$ 84,968,885
Loans:							
Portfolio loans:							
Loans individually evaluated for impairment	$ 7,310,168	$ 645,355	$ 17,478,235	$ 1,325,562	$ -		$ 26,759,320
Loans collectively evaluated for impairment	1,305,956,101	1,135,664,697	371,236,630	597,603,288	95,649,828		3,506,110,544
Total portfolio loans	$ 1,313,266,269	$1,136,310,052	$ 388,714,865	$ 598,928,850	$ 95,649,828		$ 3,532,869,864

Note 4: Loans and Allowance for Loan Losses (continued)
Allowance for Loan Losses (continued)

	2014						
	Commercial and Agricultural	Real Estate Secured Commercial	Real Estate Secured Construction	Real Estate Secured Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 23,252,033	$ 11,759,551	$ 18,576,408	$ 25,332,948	$ 1,831,323	$ 1,674,469	$ 82,426,732
Charge-offs	(9,387,313)	(230,679)	(299,858)	(1,768,128)	(1,498,800)	-	(13,184,778)
Recoveries	3,472,628	129,449	618,474	1,452,856	294,574	-	5,967,981
Provision (recapture)	13,250,675	2,119,678	(4,156,199)	(5,770,611)	1,184,977	(628,520)	6,000,000
Ending balance	$ 30,588,023	$ 13,777,999	$ 14,738,825	$ 19,247,065	$ 1,812,074	$ 1,045,949	$ 81,209,935
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 784,367	$ -	$ 2,393,961	$ 164,220	$ -	$ -	$ 3,342,548
Collectively evaluated for impairment	29,803,656	13,777,999	12,344,864	19,082,845	1,812,074	1,045,949	77,867,387
Total allowance for loan losses	$ 30,588,023	$ 13,777,999	$ 14,738,825	$ 19,247,065	$ 1,812,074	$ 1,045,949	$ 81,209,935
Loans:							
Portfolio loans:							
Loans individually evaluated for impairment	$ 8,624,262	$ 2,508,036	$ 21,763,952	$ 3,554,463	$ -		$ 36,450,713
Loans collectively evaluated for impairment	1,217,811,234	1,040,901,260	344,738,748	590,962,023	111,223,221		3,305,636,486
Total portfolio loans	$ 1,226,435,496	$1,043,409,296	$ 366,502,700	$ 594,516,486	$ 111,223,221		$ 3,342,087,199

Impaired Loans

The following table presents impaired loans and the related valuation allowance.

	2016	2015	2014
December 31:			
Nonaccrual loans	$ 14,275,269	$ 18,426,803	$ 28,281,113
Accruing troubled debt restructurings	3,384,419	14,814,920	15,646,589
Loans past due 90 days or more and still accruing	80,673	289,618	177,990
Total impaired loans	$ 17,740,361	$ 33,531,341	$ 44,105,692
Impaired loans with no valuation allowance	$ 4,194,624	$ 5,512,082	$ 13,500,330
Impaired loans with a valuation allowance	13,545,737	28,019,259	30,605,362
Total impaired loans	$ 17,740,361	$ 33,531,341	$ 44,105,692
Allowance on impaired loans	$ 2,514,877	$ 5,361,248	$ 4,260,046
For the years ended December 31:			
Average impaired loans	$ 25,103,380	$ 38,162,910	$ 50,312,765
Cash-basis interest income	$ 501,685	$ 1,131,725	$ 1,770,940

Commitments to advance additional funds in connection with impaired loans were $11,856 and $935,369 at December 31, 2016 and 2015, respectively.

W.T.B. recognizes the charge-off in the period in which it arises for collateral dependent loans. Therefore, impaired collateral dependent loans have been written-down to their estimated net realizable value, based on disposition value.

Note 4: Loans and Allowance for Loan Losses (continued)

Impaired Loans (continued)

The following table presents impaired loans by category as of December 31:

	2016				
	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:					
Commercial and industrial	$ -	$ -	$ -	$ 75,612	$ 20,553
Agricultural	948,380	953,364	-	1,536,781	43,446
Commercial real estate					
Owner occupied	-	-	-	413,062	82,487
Non-owner occupied	-	-	-	-	-
Construction and development					
Commercial	-	-	-	3,396	1,047
Residential	3,246,244	4,790,183	-	3,388,887	531
Residential real estate					
First mortgage	-	-	-	355,968	493
Junior mortgage	-	-	-	-	-
Revolving	-	-	-	2,173	-
Consumer	-	-	-	-	-
Total loans with no related allowance recorded	4,194,624	5,743,547	-	5,775,879	148,557
Loans with related allowance recorded:					
Commercial and industrial	1,363,384	1,450,886	193,737	3,897,897	100,812
Agricultural	523,995	544,202	73,150	458,405	-
Commercial real estate					
Owner occupied	525,180	544,137	73,315	727,625	25,249
Non-owner occupied	260,848	364,831	36,414	259,909	11,562
Construction and development					
Commercial	-	-	-	1,111,686	80,905
Residential	6,025,854	18,906,109	1,045,441	8,386,149	67,251
Residential real estate					
First mortgage	2,355,103	4,572,801	627,017	2,169,684	5,703
Junior mortgage	1,404,971	1,694,171	196,134	1,395,208	52,633
Revolving	816,375	1,124,817	117,016	669,678	2,201
Consumer	270,027	270,027	152,653	251,260	6,812
Total loans with related allowance recorded	13,545,737	29,471,981	2,514,877	19,327,501	353,128
Total impaired loans:					
Commercial and industrial	1,363,384	1,450,886	193,737	3,973,509	121,365
Agricultural	1,472,375	1,497,566	73,150	1,995,186	43,446
Commercial real estate					
Owner occupied	525,180	544,137	73,315	1,140,687	107,736
Non-owner occupied	260,848	364,831	36,414	259,909	11,562
Construction and development					
Commercial	-	-	-	1,115,082	81,952
Residential	9,272,098	23,696,292	1,045,441	11,775,036	67,782
Residential real estate					
First mortgage	2,355,103	4,572,801	627,017	2,525,652	6,196
Junior mortgage	1,404,971	1,694,171	196,134	1,395,208	52,633
Revolving	816,375	1,124,817	117,016	671,851	2,201
Consumer	270,027	270,027	152,653	251,260	6,812
Total impaired loans	$ 17,740,361	$ 35,215,528	$ 2,514,877	$ 25,103,380	$ 501,685

Note 4: Loans and Allowance for Loan Losses (continued)

Impaired Loans (continued)

	2015				
	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:					
Commercial and industrial	$ 266,000	$ 1,495,203	$ -	$ 431,935	$ 34,889
Agricultural	393,017	1,170,457	-	483,469	693
Commercial real estate					
Owner occupied	645,354	937,112	-	1,231,830	358,789
Non-owner occupied	-	-	-	34,601	-
Construction and development					
Commercial	-	-	-	574,192	-
Residential	3,707,519	5,790,436	-	6,719,439	9,662
Residential real estate					
First mortgage	500,192	709,476	-	954,134	-
Junior mortgage	-	-	-	-	-
Revolving	-	-	-	-	-
Consumer	-	-	-	-	-
Total loans with no related allowance recorded	5,512,082	10,102,684	-	10,429,600	404,033
Loans with related allowance recorded:					
Commercial and industrial	7,772,127	8,241,249	1,120,029	8,660,227	261,760
Agricultural	721,788	734,304	118,528	803,388	-
Commercial real estate					
Owner occupied	477,001	578,747	65,969	708,366	51,843
Non-owner occupied	273,870	291,155	37,876	341,664	13,961
Construction and development					
Commercial	48,696	128,528	2,570	4,641,167	-
Residential	14,170,943	25,258,259	2,980,283	8,095,599	340,579
Residential real estate					
First mortgage	2,206,782	4,092,596	711,257	2,124,082	7,359
Junior mortgage	1,279,743	1,541,620	176,989	1,356,275	33,408
Revolving	681,882	971,582	94,304	728,036	2,369
Consumer	386,427	385,154	53,443	274,506	16,413
Total loans with related allowance recorded	28,019,259	42,223,194	5,361,248	27,733,310	727,692
Total impaired loans:					
Commercial and industrial	8,038,127	9,736,452	1,120,029	9,092,162	296,649
Agricultural	1,114,805	1,904,761	118,528	1,286,857	693
Commercial real estate					
Owner occupied	1,122,355	1,515,859	65,969	1,940,196	410,632
Non-owner occupied	273,870	291,155	37,876	376,265	13,961
Construction and development					
Commercial	48,696	128,528	2,570	5,215,359	-
Residential	17,878,462	31,048,695	2,980,283	14,815,038	350,241
Residential real estate					
First mortgage	2,706,974	4,802,072	711,257	3,078,216	7,359
Junior mortgage	1,279,743	1,541,620	176,989	1,356,275	33,408
Revolving	681,882	971,582	94,304	728,036	2,369
Consumer	386,427	385,154	53,443	274,506	16,413
Total impaired loans	$ 33,531,341	$ 52,325,878	$ 5,361,248	$ 38,162,910	$ 1,131,725

Note 4: Loans and Allowance for Loan Losses (continued)
Impaired Loans (continued)

	2014				
	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:					
Commercial and industrial	$ 263,198	$ 304,425	$ -	$ 955,695	$ 56,855
Agricultural	569,729	587,935	-	444,833	296,810
Commercial real estate					
Owner occupied	2,001,541	2,593,443	-	2,950,725	15,030
Non-owner occupied	780,159	891,593	-	1,102,520	26,411
Construction and development					
Commercial	-	-	-	291,688	-
Residential	8,064,881	18,815,897	-	9,208,198	190,418
Residential real estate					
First mortgage	1,820,822	1,976,170	-	1,991,213	89,802
Junior mortgage	-	-	-	23,025	33,497
Revolving	-	-	-	-	-
Consumer	-	-	-	-	-
Total loans with no related allowance recorded	13,500,330	25,169,463	-	16,967,897	708,823
Loans with related allowance recorded:					
Commercial and industrial	9,393,115	10,353,173	983,468	7,842,748	256,023
Agricultural	260,857	265,166	32,424	239,102	-
Commercial real estate					
Owner occupied	573,300	618,378	71,261	1,230,538	34,699
Non-owner occupied	445,780	457,752	55,410	2,255,523	94,284
Construction and development					
Commercial	604,622	664,462	45,614	434,961	167,474
Residential	13,417,970	16,540,850	2,388,561	14,524,187	356,144
Residential real estate					
First mortgage	3,320,597	5,592,295	361,479	4,022,905	50,555
Junior mortgage	1,393,922	1,615,625	173,265	1,522,326	55,246
Revolving	890,857	1,201,222	110,734	875,221	4,876
Consumer	304,342	304,343	37,830	397,357	42,816
Total loans with related allowance recorded	30,605,362	37,613,266	4,260,046	33,344,868	1,062,117
Total impaired loans:					
Commercial and industrial	9,656,313	10,657,598	983,468	8,798,443	312,878
Agricultural	830,586	853,101	32,424	683,935	296,810
Commercial real estate					
Owner occupied	2,574,841	3,211,821	71,261	4,181,263	49,729
Non-owner occupied	1,225,939	1,349,345	55,410	3,358,043	120,695
Construction and development					
Commercial	604,622	664,462	45,614	726,649	167,474
Residential	21,482,851	35,356,747	2,388,561	23,732,385	546,562
Residential real estate					
First mortgage	5,141,419	7,568,465	361,479	6,014,118	140,357
Junior mortgage	1,393,922	1,615,625	173,265	1,545,351	88,743
Revolving	890,857	1,201,222	110,734	875,221	4,876
Consumer	304,342	304,343	37,830	397,357	42,816
Total impaired loans	$ 44,105,692	$ 62,782,729	$ 4,260,046	$ 50,312,765	$ 1,770,940

Note 4: Loans and Allowance for Loan Losses (continued)

Troubled Debt Restructurings

Included in impaired loans are troubled debt restructurings. At December 31, 2016 and 2015, respectively, W.T.B. reported loans totaling $8,878,409 and $12,019,757 that were troubled debt restructurings and on nonaccrual status. In addition to these amounts, W.T.B. had troubled debt restructurings of $3,384,419 and $14,814,920 at December 31, 2016 and 2015, respectively, which were performing in accordance with their modified terms and were on accrual status. W.T.B. has committed to lend additional amounts totaling up to $4,959 and $865,836 to customers with outstanding loans that were classified as troubled debt restructurings as of December 31, 2016 and 2015, respectively.

The carrying value of loans modified in troubled debt restructurings is measured by either the present value of expected future cash flows, or for collateral dependent loans, at the fair value of the collateral, less selling costs. If the measurement of each troubled debt restructuring's value is less than the recorded investment in the loan, the Bank recognizes this impairment and adjusts the carrying value of the loan through the allowance for loan losses.

In certain circumstances, W.T.B. may offer one, or more, loan modifications to borrowers. The types of loan modifications offered typically impact loan payment amounts in the following ways:

- Rate Modification: A modification in which the interest rate is changed.
- Term Modification: A modification in which the maturity date, timing of payments, or frequency of payments is changed.
- Interest Only Modification: A modification in which the loan is converted to interest only payments for a period of time.
- Payment Modification: A modification in which the dollar amount of the payment is changed, other than as a result of any of the modifications described above.
- Combination Modification: Any other type of modification, including the use of multiple categories above.

Loans modified and recorded as troubled debt restructurings during the years ended December 31:

	2016			2015		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial and industrial	-	$ -	$ -	3	$ 943,831	$ 950,916
Residential real estate						
First mortgage	1	340,000	340,000	1	4,948	4,698
Consumer	-	-	-	1	27,833	27,833
Total	1	$ 340,000	$ 340,000	5	$ 976,612	$ 983,447

	2014		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial and industrial	-	$ -	$ -
Residential real estate			
First mortgage	-	-	-
Consumer	4	81,927	77,000
Total	4	$ 81,927	$ 77,000

Note 4: Loans and Allowance for Loan Losses (continued)
Troubled Debt Restructurings (continued)
During 2016, the Bank had one restructured loan that was a combination modification. During 2015, there was one restructured consumer loan with an interest only modification, which had no change in the recorded investment balance of $27,833 as a result of the modification. All other loans in 2015 were combination modifications. All restructured loans during 2014 were combination modifications.

A default on a troubled debt restructuring is when a loan is more than 90 days delinquent on its contractual payment subsequent to restructuring. The following table presents restructured loans which incurred a default within the years ended December 31, 2016, 2015 and 2014, respectively, for which the default occurred within twelve months of the restructure date.

	2016		2015		2014	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Troubled debt restructurings that subsequently defaulted:						
Commercial and industrial	2	$ 147,867	-	$ -	2	$ 115,586
Agricultural	1	782,970	-	-	-	-
Consumer	-	-	-	-	1	9,313
	3	$ 930,837	-	$ -	3	$ 124,899

Credit Quality Indicators
The following table presents the recorded investment in noncurrent loans by payment status as of December 31:

	2016					
	Noncurrent Loans			Loans		
	Nonaccrual	Past Due 90 or More Days and Still Accruing	Total	Past Due 30-89 Days Still Accruing	Current Loans	Total Loans
Commercial and industrial	$ 1,043,458	$ 6,039	$ 1,049,497	$ 506,382	$ 1,181,251,109	$ 1,182,806,988
Agricultural	1,472,375	-	1,472,375	39,919	201,861,579	203,373,873
Commercial real estate						
Owner occupied	242,229	-	242,229	20,679	589,617,180	589,880,088
Non-owner occupied	43,106	-	43,106	-	642,981,549	643,024,655
Construction and development						
Commercial	-	-	-	-	230,863,039	230,863,039
Residential	7,594,163	-	7,594,163	46,953	157,442,489	165,083,605
Residential real estate						
First mortgage	2,239,823	18,667	2,258,490	2,325,995	389,632,587	394,217,072
Junior mortgage	755,190	36,266	791,456	594,043	34,950,830	36,336,329
Revolving	751,316	-	751,316	400,914	208,215,285	209,367,515
Consumer	133,609	19,701	153,310	223,598	101,773,438	102,150,346
Total portfolio loans	$ 14,275,269	$ 80,673	$ 14,355,942	$ 4,158,483	$ 3,738,589,085	$ 3,757,103,510

Note 4: Loans and Allowance for Loan Losses (continued)
Credit Quality Indicators (continued)

	2015					
	Noncurrent Loans			Loans Past Due 30-89 Days Still Accruing	Current Loans	Total Loans
	Nonaccrual	Past Due 90 or More Days and Still Accruing	Total			
Commercial and industrial	$ 1,369,891	$ 500	$ 1,370,391	$ 948,830	$ 1,105,342,350	$ 1,107,661,571
Agricultural	1,114,805	-	1,114,805	-	204,489,893	205,604,698
Commercial real estate						
Owner occupied	821,630	-	821,630	87,957	547,675,464	548,585,051
Non-owner occupied	62,304	-	62,304	-	587,662,697	587,725,001
Construction and development						
Commercial	48,696	-	48,696	-	221,182,850	221,231,546
Residential	11,290,085	-	11,290,085	1,733,119	154,460,115	167,483,319
Residential real estate						
First mortgage	2,585,121	13,001	2,598,122	2,022,131	351,744,788	356,365,041
Junior mortgage	578,547	-	578,547	93,877	29,961,022	30,633,446
Revolving	530,724	85,000	615,724	225,887	211,088,752	211,930,363
Consumer	25,000	191,117	216,117	208,528	95,225,183	95,649,828
Total portfolio loans	$ 18,426,803	$ 289,618	$ 18,716,421	$ 5,320,329	$ 3,508,833,114	$ 3,532,869,864

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors.

The Bank analyzes all loans as to credit risk. All extensions of credit have a loan risk grade assigned either individually or on a pooled basis. This analysis is performed on a monthly basis.

The Bank uses risk categories that have the following definitions:

- Pass: Loans classified as pass have minimal risk to acceptable risk, but may require additional monitoring, and do not meet the criteria of the higher risk grade categories.
- Special Mention: Loans classified as special mention have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.
- Substandard: Loans classified as substandard are inadequately protected by the current net worth and/or paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt in full. Substandard loans are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.
- Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and collateral values, highly questionable and improbable.
- Loss: Loans classified as loss are considered uncollectible, and therefore, continuing to reflect their balances on the books is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off the asset, even though partial recovery may be possible in the future.

Note 4: Loans and Allowance for Loan Losses (continued)

Credit Quality Indicators (continued)

The following loan categories are classified as impaired: loss, doubtful, non-accruing loans classified substandard, loans over 90 days past due and still accruing interest, and troubled debt restructurings (accruing interest and those on nonaccrual). Impaired loans are risk rated for internal and regulatory purposes, but presented separately for clarification.

Loans by risk categories as of December 31 were as follows:

	2016				
	Pass	Special Mention	Substandard	Impaired	Total
Commercial and industrial	$ 1,127,878,282	$ 38,678,439	$ 14,886,883	$ 1,363,384	$ 1,182,806,988
Agricultural	190,862,273	11,039,225	-	1,472,375	203,373,873
Commercial real estate					
Owner occupied	573,557,330	15,489,482	308,096	525,180	589,880,088
Non-owner occupied	639,680,590	3,069,279	13,938	260,848	643,024,655
Construction and development					
Commercial	227,192,409	2,914,164	756,466	-	230,863,039
Residential	153,276,528	13,663	2,521,316	9,272,098	165,083,605
Residential real estate					
First mortgage	386,013,130	3,689,409	2,159,430	2,355,103	394,217,072
Junior mortgage	34,022,826	390,780	517,752	1,404,971	36,336,329
Revolving	207,435,549	232,608	882,983	816,375	209,367,515
Consumer	101,444,795	158,350	277,174	270,027	102,150,346
Total portfolio loans	$ 3,641,363,712	$ 75,675,399	$ 22,324,038	$ 17,740,361	$ 3,757,103,510

	2015				
	Pass	Special Mention	Substandard	Impaired	Total
Commercial and industrial	$ 1,039,007,469	$ 45,273,136	$ 15,342,839	$ 8,038,127	$ 1,107,661,571
Agricultural	192,775,480	9,344,432	2,369,981	1,114,805	205,604,698
Commercial real estate					
Owner occupied	529,675,765	16,880,994	905,937	1,122,355	548,585,051
Non-owner occupied	583,081,187	3,268,849	1,101,095	273,870	587,725,001
Construction and development					
Commercial	208,003,999	4,843,822	8,335,029	48,696	221,231,546
Residential	146,319,401	476,562	2,808,894	17,878,462	167,483,319
Residential real estate					
First mortgage	347,286,220	3,891,708	2,480,139	2,706,974	356,365,041
Junior mortgage	28,056,925	660,651	636,127	1,279,743	30,633,446
Revolving	208,260,379	947,832	2,040,270	681,882	211,930,363
Consumer	94,638,626	238,208	386,567	386,427	95,649,828
Total portfolio loans	$ 3,377,105,451	$ 85,826,194	$ 36,406,878	$ 33,531,341	$ 3,532,869,864

Note 5: Loan Servicing

Mortgage loans serviced for others are not assets of the Bank and therefore are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of mortgage loans serviced for others at December 31, 2016 and 2015, were $164,195,633 and $191,161,497, respectively. Custodial escrow balances maintained in connection with the loan servicing, and included in the Bank’s demand deposits, were $915,505 and $1,020,666 at December 31, 2016 and 2015, respectively. The balances of loans serviced for others related to servicing rights that have been capitalized at December 31, 2016 and 2015, were $163,745,924 and $190,403,907, respectively.

Note 5: Loan Servicing (continued)

A summary of the carrying values and fair values of mortgage servicing rights, included in other assets, at December 31 follows:

	2016	2015
Unamortized cost	$ 953,728	$ 1,134,504
Valuation allowance	(398,615)	(432,400)
Carrying value	$ 555,113	$ 702,104
Fair value	$ 1,212,228	$ 1,336,194

Originated loans that were sold with servicing retained were $8,525,805, $8,626,814 and $59,952,951 in 2016, 2015 and 2014, respectively. Following is an analysis of the activity for mortgage servicing rights and the related valuation allowance for the years ended December 31:

	2016	2015	2014
Unamortized cost:			
Balance at beginning of year	$ 1,134,504	$ 1,374,246	$ 1,156,214
Mortgage servicing rights capitalized	60,930	63,764	536,086
Amortization	(241,706)	(303,506)	(318,054)
Balance at end of year	$ 953,728	$ 1,134,504	$ 1,374,246

	2016	2015	2014
Valuation allowance:			
Balance at beginning of year	$ (432,400)	$ (464,719)	$ (528,059)
Additions	(71,945)	(91,673)	(20,745)
Reductions	105,730	123,992	84,085
Balance at end of year	$ (398,615)	$ (432,400)	$ (464,719)

At December 31, 2016 and 2015, the key economic assumptions of the current fair value of mortgage servicing rights were as follows:

	2016	2015
Prepayment speed assumption (constant prepayment rate)	13.99%	15.09%
Discount rate	9.50%	9.51%

Note 6: Other Real Estate

The following table summarizes activity related to other real estate for the years ended December 31:

	2016	2015
Balance at beginning of year	$ 355,500	$ 1,076,462
Properties acquired	885,327	1,073,048
Sales of foreclosed properties, net	(186,449)	(1,755,010)
Valuation adjustments	(183,878)	(39,000)
Balance at end of year	$ 870,500	$ 355,500

Revenues and expenses related to maintaining, operating and disposing of other real estate included the following:

	2016	2015	2014
Gains on sales	$ 240,296	$ 781,204	$ 2,762,259
Valuation adjustments on other real estate	(183,878)	(39,000)	(34,642)
Net gains on other real estate	56,418	742,204	2,727,617
Operating expenses	(87,470)	(87,483)	(489,905)
Total other real estate related net income (loss)	$ (31,052)	$ 654,721	$ 2,237,712

The recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process was zero as of December 31, 2016.

Note 7: Premises and Equipment

A summary of bank premises and equipment at December 31 follows:

	2016	2015
Land	$ 15,192,217	$ 15,793,508
Buildings	68,886,457	67,094,972
Furniture and equipment	59,007,187	56,544,458
	143,085,861	139,432,938
Less accumulated depreciation	(100,099,246)	(94,773,439)
	$ 42,986,615	$ 44,659,499

Depreciation on bank premises and equipment was charged to occupancy expense or furniture and equipment expense in the amounts of $6,407,146, $6,386,618 and $6,337,769 in 2016, 2015 and 2014, respectively.

Note 8: Deposits

At December 31 deposits were as follows:

	2016	2015
Noninterest-bearing demand	$ 2,028,445,434	$ 1,825,070,343
Interest-bearing:		
Demand	811,139,949	723,201,104
Savings	1,793,797,921	1,650,771,784
Time deposits under $250,000	203,476,045	235,087,067
Time deposits $250,000 or more	64,601,264	72,427,451
Brokered time deposits	22,229,195	33,990,301
Total interest-bearing	2,895,244,374	2,715,477,707
	$ 4,923,689,808	$ 4,540,548,050

At December 31, 2016, the scheduled maturities of time deposits, including brokered time deposits, were as follows:

2017	$ 218,413,469
2018	36,988,872
2019	12,282,450
2020	11,407,719
2021 and thereafter	11,213,994
	$ 290,306,504

At December 31, 2016 and 2015, overdraft deposit accounts with balances of $825,589 and $1,548,477, respectively, have been reclassified and were reported as loans.

Note 9: Securities Sold Under Agreements to Repurchase and Federal Funds Purchased

The following table presents information regarding securities sold under agreements to repurchase:

	2016	2015
December 31:		
Repurchase amount	$ 211,462,438	$ 264,887,110
Rate	0.08%	0.10%
Average for the year:		
Amount	$ 199,578,130	$ 238,652,599
Rate	0.09%	0.10%
Maximum outstanding at any month end	$ 256,351,698	$ 292,261,464

Securities sold under agreements to repurchase are performed with sweep accounts in conjunction with a master repurchase agreement on an overnight basis. Investment securities are pledged as collateral in an amount greater than the repurchase agreements. The Bank maintains custodial control over the securities.

At December 31, 2016 and 2015, the Bank had no outstanding federal funds purchased balances. The Bank had uncommitted federal funds line of credit agreements with financial institutions totaling $90,000,000 at December 31, 2016. Availability of the lines is subject to federal funds balances available for loan, continued borrower eligibility and are reviewed and renewed periodically by the issuing correspondent banks throughout the year. These lines are intended to support the Bank's short-term liquidity needs, and the agreements may restrict consecutive day usage. Federal funds purchased typically mature within one day and interest is payable at the then stated rate.

Note 10: FHLB Borrowings

The Bank maintains a borrowing arrangement with the FHLB of Des Moines to borrow funds under a short-term floating-rate cash management advance program and fixed-term loan agreements. FHLB borrowings consist of FHLB notes and advances. The Bank's borrowing line with the FHLB allows borrowings up to the lesser of 35% of total assets or adjusted qualifying collateral pledged, which, based upon adjusted qualifying collateral pledged, provided a maximum available credit line of $561,437,202 at December 31, 2016.

There were no outstanding FHLB advances as of December 31, 2016 and 2015, respectively. The following table summarizes FHLB advances for the years ended December 31:

	2016	2015
Average for the year:		
Amount	$ 2,175,956	$ 1,507
Rate	0.52%	0.31%
Maximum outstanding at any month-end	$ 42,000,000	$ 25,000

Note 11: Other Borrowings

Other borrowings consist of Federal Reserve Bank discount window borrowings. The Bank has established a borrowing line with the Federal Reserve Bank to borrow up to the qualifying collateral pledged, which provided a maximum available credit line of $688,441,215 at December 31, 2016 with interest payable at the then stated rate. Federal Reserve Bank discount window borrowings are intended to support short term liquidity needs. There were no Federal Reserve Bank discount window borrowings outstanding at December 31, 2016 or 2015.

Note 12: Pension and Employee Benefit Plans

Qualified Defined Benefit Pension Plan

W.T.B. maintains a qualified defined benefit pension plan ("Pension Plan") for employees hired before January 1, 2004. Benefits under the Pension Plan are based on the number of years of service and the employee's career average compensation during such years.

Note 12: Pension and Employee Benefit Plans (continued)

Qualified Defined Benefit Pension Plan (continued)

W.T.B. uses a December 31 measurement date for the Pension Plan. The following table provides a reconciliation of the changes in the Pension Plan's benefit obligation and fair value of assets over the two-year period ended December 31, 2016, and a statement of the funded status at December 31 of both years:

	2016	2015
Accumulated benefit obligation at end of year	$ 82,152,230	$ 79,889,341
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 86,120,796	$ 92,857,932
Service cost - benefits earned during the period	1,904,153	2,109,490
Interest cost	3,688,037	3,550,241
Change in assumptions	629,171	(5,389,414)
Actuarial gain (loss)	1,455,558	(1,292,155)
Benefits paid	(5,190,981)	(5,715,298)
Projected benefit obligation at end of year	88,606,734	86,120,796
Change in Pension Plan assets:		
Fair value of Pension Plan assets at beginning of year	86,025,541	86,113,599
Actual return (loss) on Pension Plan assets	3,367,062	(372,760)
Employer contributions	10,750,000	6,000,000
Benefits paid	(5,190,981)	(5,715,298)
Fair value of Pension Plan assets at end of year	94,951,622	86,025,541
Funded status of projected benefit obligation at end of year	$ 6,344,888	$ (95,255)
Amounts recognized in the consolidated statements of financial condition at end of year:		
Other assets (liabilities)	$ 6,344,888	$ (95,255)
Amounts not yet reflected in net periodic pension cost and included in accumulated other comprehensive income (pre-tax):		
Accumulated net loss	$ (36,527,741)	$ (37,432,437)
Prior service cost	(1,771)	(9,808)
Accumulated other comprehensive loss	(36,529,512)	(37,442,245)
Cumulative employer contributions in excess of net periodic pension cost	42,874,400	37,346,990
Amounts recognized in the consolidated statements of financial condition at end of year	$ 6,344,888	$ (95,255)

W.T.B. selects various assumptions in measuring the Pension Plan's defined benefit obligation and recording the net periodic benefit cost. W.T.B. selects the discount rate used to measure liabilities at year ends after reviewing both bond indices with similar durations to the Pension Plan as well as a supportable discount rate from an actuary's proprietary yield curve, under which the Pension Plan's projected benefit payments are matched against a series of spot rates derived from high quality fixed income securities.

W.T.B. adopted the Society of Actuaries Mortality Improvement Scale MP-2015 in 2015 that contained two additional years of historical data (2010 and 2011) published by the Social Security Administration, which indicated mortality improvement had slowed compared to what the published MP-2014 projection scale anticipated. The change in mortality scale in 2015 reduced the projected benefit obligation by $1,345,791.

Note 12: Pension and Employee Benefit Plans (continued)

Qualified Defined Benefit Pension Plan (continued)

W.T.B.'s assumption for expected long-term return on Pension Plan assets is based on a periodic review and modeling of the Pension Plan's asset allocation over a long-term horizon. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (a) historical real returns for the asset classes covered by the investment policy, and (b) expected economic conditions over the long-term period during which benefits are payable to plan participants.

	2016	2015	2014
Assumptions used in computing the present value of the accumulated benefit obligation and the projected benefit obligation at year-end:			
Discount rate	4.15%	4.30%	3.95%
Rates of increase in compensation	5.00%	5.00%	5.00%
Mortality table	RP-2014	RP-2014	RP-2014
Expected long-term rate of return on assets used in computing the net pension expense determined at beginning of year	4.50%	4.75%	4.75%

Net periodic pension costs for 2016, 2015 and 2014, included the following components:

	2016	2015	2014
Service cost	$ 1,904,153	$ 2,109,490	$ 1,804,144
Interest cost	3,688,037	3,550,241	3,486,099
Expected return on Pension Plan assets	(3,969,593)	(4,097,860)	(3,698,924)
Amortization of net loss	3,591,956	3,845,929	2,144,557
Amortization of prior service cost	8,037	8,037	8,037
Net periodic pension cost	$ 5,222,590	$ 5,415,837	$ 3,743,913

The estimated amortization from accumulated other comprehensive loss into net periodic benefit cost over the next year includes $3,218,547 of accumulated net loss and $1,771 of prior service cost. The amortization of prior service cost is attributable to Pension Plan amendments that updated past service benefits.

W.T.B.'s Pension Plan asset allocations at December 31, 2016 and 2015, by asset category, were as follows:

	2016	2015
Asset category:		
Equity securities	50%	49%
Fixed income securities	44%	48%
Cash equivalents	6%	3%
Total	100%	100%

W.T.B.'s target asset allocation as of December 31, 2016, by asset category, is as follows:

Asset category:	
Equity securities	50%
Fixed income securities	50%
Total	100%

W.T.B.'s investment policy provides direction regarding the investment philosophy, objectives and guidelines for Pension Plan assets. Pension Plan assets are to be invested in a diversified structure that appropriately balances risk and rewards. Diversification includes asset allocation between equity and fixed income securities, foreign and domestic securities, industry sectors and asset management styles. Pension Plan assets are to be invested to maintain a balance between the objective to maximize total return and the need to manage the risks associated with the shortening time frame of the Pension Plan while providing sufficient liquidity to support normal plan operations.

Note 12: Pension and Employee Benefit Plans (continued)

Qualified Defined Benefit Pension Plan (continued)

The Pension Plan investment policy is periodically reviewed by W.T.B.'s Retirement Benefits Committee. The investment policy is established and administered in a manner so as to comply at all times with applicable government regulations. The Retirement Benefits Committee sets funding targets to contribute amounts not less than the minimum required to be funded under ERISA.

A summary of estimated future pension benefit payments are as follows:

2017	$	3,971,696
2018		4,225,360
2019		4,403,893
2020		4,518,273
2021		4,671,037
2022 through 2026		26,439,871

The fair value of W.T.B.'s Pension Plan assets by asset category are as follows:

	Fair Value Measurements at December 31, 2016			
	Total	Level 1	Level 2	Level 3
Corporate obligations:				
Aa1	$ 1,748,854	$ -	$ 1,748,854	$ -
Aa2	524,385	-	524,385	-
Aa3	1,484,295	-	1,484,295	-
A1	991,270	-	991,270	-
A2	1,499,760	-	1,499,760	-
A3	1,201,092	-	1,201,092	-
Baa1	499,770	-	499,770	-
Baa3	508,255	-	508,255	-
U.S. Treasury securities and government agencies:				
Aaa	15,851,302	-	15,851,302	-
U.S. Treasury inflation indexed bonds:				
Aaa	3,434,108	-	3,434,108	-
State and municipal:				
AA+	675,884	-	675,884	-
Mutual funds:				
Market neutral	12,966,112	12,966,112	-	-
Hedged equity	11,323,507	11,323,507	-	-
International equity funds	9,534,311	9,534,311	-	-
High yield	5,210,662	5,210,662	-	-
Domestic equity funds	4,536,395	4,536,395	-	-
Global macro	3,435,795	3,435,795	-	-
Floating rate	3,572,849	3,572,849	-	-
Diversified real estate	2,306,939	2,306,939	-	-
Managed futures	2,292,582	2,292,582	-	-
Global infrastructure	2,351,476	2,351,476	-	-
Diversified commodities	2,333,324	2,333,324	-	-
Marketable CDs	686,828	-	686,828	-
Money market fund	5,852,026	-	5,852,026	-
	$ 94,821,781	$ 59,863,952	$ 34,957,829	$ -

Note 12: Pension and Employee Benefit Plans (continued)
Qualified Defined Benefit Pension Plan (continued)

	Fair Value Measurements at December 31, 2015			
	Total	Level 1	Level 2	Level 3
Corporate obligations:				
Aaa	$ 824,328	$ -	$ 824,328	$ -
Aa2	546,325	-	546,325	-
Aa3	300,768	-	300,768	-
AA	550,248	-	550,248	-
A1	1,938,404	-	1,938,404	-
A2	4,059,298	-	4,059,298	-
Baa1	494,320	-	494,320	-
U.S. Treasury securities and government agencies:				
Aaa	15,109,020	-	15,109,020	-
U.S. Treasury inflation indexed bonds:				
Aaa	3,324,973	-	3,324,973	-
State and municipal:				
Aa1	2,063,622	-	2,063,622	-
AA+	677,072	-	677,072	-
Mutual funds:				
Market neutral	11,166,483	11,166,483	-	-
Volatility protection	10,447,939	10,447,939	-	-
International equity funds	8,381,857	8,381,857	-	-
High yield	4,541,930	4,541,930	-	-
Domestic equity funds	3,977,793	3,977,793	-	-
Global macro	3,303,714	3,303,714	-	-
Floating rate	3,022,276	3,022,276	-	-
Diversified real estate	2,160,232	2,160,232	-	-
Managed futures	2,137,218	2,137,218	-	-
Global infrastructure	1,964,355	1,964,355	-	-
Diversified commodities	1,337,298	1,337,298	-	-
Marketable CDs	960,509	-	960,509	-
Money market fund	2,601,946	-	2,601,946	-
	$ 85,891,928	$ 52,441,095	$ 33,450,833	$ -

Included in total Pension Plan assets as of December 31, 2016 and 2015 were dividends and interest receivable of $129,841 and $133,613, respectively, which were not included in fair value measurements.

Employee Savings Plan

Substantially all of W.T.B.'s employees are eligible to participate in the WTB Defined Contribution Retirement and 401(k) Plan ("WTB 401(k) Plan"), a defined contribution plan sponsored by the Bank. This plan allows qualified employees, at their option, to make contributions of up to certain percentages of pre-tax base salary through salary deductions under Section 401(k) of the Internal Revenue Code. Employer contributions may be made at the discretion of the Board of Directors of the Bank (and electing affiliates of the Bank). The Bank matches a portion of these contributions. Matching contribution expense for 2016, 2015 and 2014 was $1,776,997, $1,635,864 and $1,467,945, respectively. Employees hired on or after January 1, 2004, are placed in an eligible class for an annual nonelective supplementary contribution equal to at least three percent of eligible compensation after meeting certain requirements. The defined contribution expense for 2016, 2015 and 2014 was $1,217,956, $1,030,000 and $938,000, respectively. Contributions are invested at the employees' direction among a variety of investment alternatives.

Note 12: Pension and Employee Benefit Plans (continued)

Supplemental Retirement Plans

W.T.B. is obligated under various nonqualified deferred compensation plans to help supplement the retirement income of certain executives, including certain retired executives. These unfunded plans are defined benefit plans, and provide for payments after the executive's retirement. For the years ended December 31, 2016 and 2015, expenses were reduced by $87,051 and $436,972, respectively, relating to supplemental retirement and salary continuation plan benefits. For the year ended December 31, 2014, expenses recorded for supplemental retirement and salary continuation plan benefits totaled $1,366,978. At December 31, 2016 and 2015, liabilities recorded for the various supplemental retirement and salary continuation plan benefits totaled $5,437,521 and $5,638,192, respectively, and were recorded in other liabilities.

Self-Insured Medical, Dental and Vision Plans

W.T.B. offers medical, dental and vision plans to its employees and self-insures many of these plans. W.T.B. contracts with third-parties to act as claims administrators. Funding for benefits is derived from employer and employee contributions. W.T.B. limits its potential losses through insurance policies with stop-loss carriers. Medical, dental and vision plan expenses were $4,829,315, $4,103,268 and $4,302,335 for 2016, 2015 and 2014, respectively. Self-insurance reserves were $457,219 and $499,772 for 2016 and 2015, respectively, and were included in other liabilities.

Note 13: Stock-Based Compensation Plans

W.T.B. has a nonqualified deferred compensation "phantom stock" plan for executive officers ("Phantom Stock Plan"). The values of the Phantom Stock Plan awards are indexed to W.T.B.'s book value per share and vest over a five-year period. The stock awards and the change in value of the prior years' stock awards are expensed as compensation over the vesting period. Phantom Stock Plan compensation expense for 2016, 2015 and 2014 was $1,310,517, $1,156,524 and $701,555, respectively. Dividend payments on vested and unvested phantom stock are recorded as compensation expense during the period in which they are paid. Phantom Stock Plan dividend payments for 2016, 2015 and 2014 were $152,124, $121,807 and $95,907, respectively.

A summary of changes in the Phantom Stock Plan follows:

	Number of Shares	Total Share Value
Balance, December 31, 2013	35,855	$ 5,587,101
Granted	4,106	640,000
Increase in value	-	363,666
Settled	-	-
Balance, December 31, 2014	39,961	6,590,767
Granted	4,821	795,000
Increase in value	-	710,370
Settled	-	-
Balance, December 31, 2015	44,782	8,096,137
Granted	5,926	1,071,345
Increase in value	-	652,630
Settled	-	-
Balance, December 31, 2016	50,708	$ 9,820,112

At December 31, 2016 and 2015, there were 10,255 and 7,762 unvested phantom shares with total share values of $1,985,984 and $1,403,292 and those unvested shares had related liabilities recorded in the amounts of $503,516 and $334,281, respectively. Included in other liabilities are Phantom Stock Plan liabilities in the amounts of $8,337,644 and $7,027,127 at December 31, 2016 and 2015, respectively.

On February 23, 2010, the Board of Directors approved the W.T.B. Financial Corporation 2010 Restricted Stock Incentive Plan (the "Restricted Stock Plan") to enhance the long-term shareholder value of W.T.B. by offering opportunities to select persons to participate in the growth and success of W.T.B., encourage them to remain in service and to acquire stock and maintain ownership of W.T.B. Under the Restricted Stock Plan, W.T.B. is authorized to grant up to 150,000 shares of Class B common stock, of which 56,778 shares have been granted. The vesting period is determined by the plan administrator on an individual grant basis. For awards granted in 2013 and subsequent years, the vesting is 20% per year over five years. Recipients do not have the right to receive dividends on unvested restricted shares.

Note 13: Stock-Based Compensation Plans (continued)

The following is a summary of W.T.B.'s unvested restricted stock activity for the years ended December 31, 2016, 2015 and 2014:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, December 31, 2013	24,115	$ 109.66
Granted	8,500	160.35
Vested	(8,161)	104.42
Forfeited	-	-
Balance, December 31, 2014	24,454	129.03
Granted	8,500	177.81
Vested	(8,161)	114.91
Forfeited	-	-
Balance, December 31, 2015	24,793	150.40
Granted	7,463	187.14
Vested	(8,261)	136.55
Forfeited	-	-
Balance, December 31, 2016	23,995	166.60

The grant date fair value of the restricted shares is estimated using recent observable sales. Compensation expense related to the restricted shares was $1,216,960, $1,096,631 and $895,469 for the years ended December 31, 2016, 2015 and 2014, respectively. The total income tax benefit recognized related to restricted stock awards was $572,195, $563,477 and $473,157 for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, there was $2,968,105 of unrecognized compensation cost related to the unvested restricted stock awards, which is expected to be recognized over a weighted average period of 3.2 years.

Note 14: Income Taxes

The current and deferred portions of income taxes for the years ended December 31 were as follows:

	2016	2015	2014
Current expense:			
Federal	$ 27,692,160	$ 23,943,290	$ 15,746,806
State	1,047,624	933,949	508,902
	28,739,784	24,877,239	16,255,708
Deferred expense (benefit):			
Federal	(1,010,571)	(1,582,257)	5,472,811
State	(32,672)	(32,994)	198,234
	(1,043,243)	(1,615,251)	5,671,045
Income taxes	$ 27,696,541	$ 23,261,988	$ 21,926,753

Income taxes on pre-tax income differ from the statutory rate of 35% for the following reasons:

	2016		2015		2014	
Federal income taxes at statutory rate	$27,798,120	35.00%	$24,367,595	35.00%	$22,326,788	35.00%
State income taxes, net of federal tax benefit	649,024	0.82%	585,620	0.84%	473,966	0.74%
Decrease in income taxes due to tax-exempt interest on securities and loans of states and political subdivisions	(917,969)	-1.16%	(893,054)	-1.28%	(929,274)	-1.45%
Nondeductible interest expense from carrying tax-exempt assets	16,517	0.02%	16,389	0.02%	20,582	0.03%
Bank owned life insurance	(332,984)	-0.42%	(1,279,275)	-1.84%	(392,614)	-0.62%
Other nondeductible expenses	481,160	0.61%	455,054	0.66%	435,005	0.68%
Other	2,673	-0.01%	9,659	0.00%	(7,700)	-0.02%
Income taxes	$27,696,541	34.86%	$23,261,988	33.40%	$21,926,753	34.36%

Note 14: Income Taxes (continued)

Included in income taxes are taxes of $350,264, $211,984, and $26,994 on net securities gains for the years ended December 31, 2016, 2015 and 2014, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred assets and liabilities at December 31 were as follows:

	2016	2015
Deferred tax assets:		
Allowance for loan losses	$ 31,065,060	$ 30,856,983
Allowance for off-balance sheet credit exposures	362,120	363,172
Unrealized loss on securities available for sale	7,033,904	857,711
Deferred compensation	6,765,370	6,181,998
Financial-over-tax depreciation	1,934,824	1,564,573
Other real estate	130,638	99,872
Interest on nonaccrual loans	483,480	887,781
Commitment fees	173,014	124,601
Other	353,397	642,063
Total deferred tax assets	48,301,807	41,578,754
Deferred tax liabilities:		
Pension benefits	3,102,451	1,911,282
FHLB stock dividends	-	1,770,936
Deferred loan origination costs	2,635,535	2,513,458
Mortgage servicing	201,017	254,984
Prepaid expenses	144,141	132,741
Discount accretion	6,565	5,366
State income tax	279,813	281,818
Other	132,401	134,523
Total deferred tax liabilities	6,501,923	7,005,108
Net deferred tax assets	$ 41,799,884	$ 34,573,646

W.T.B. files income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, W.T.B. is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2013.

W.T.B. determined that it was not required to establish a valuation allowance for deferred tax assets since it is more likely than not that the deferred tax asset will be realized through carry back to taxable income in prior years, future reversals of existing taxable temporary differences, and, to a lesser extent, future taxable income. W.T.B.'s net deferred tax asset is recorded in the consolidated statements of financial condition as an asset.

At December 31, 2016 and 2015, W.T.B. had no unrecognized tax benefits. W.T.B. does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months.

W.T.B. had no uncertain tax positions as of December 31, 2016 or 2015; therefore, no liabilities were necessary for unrecognized tax benefits.

Note 15: Financial Instruments with Off-Balance-Sheet Risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. The Bank's financial instruments with off-balance-sheet risk include commitments to extend credit, standby letters of credit, and commercial letters of credit.

Note 15: Financial Instruments with Off-Balance-Sheet Risk (continued)

Such commitments involve, to varying degrees, elements of credit, liquidity and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The Bank's exposure to credit losses is represented by the contractual amounts of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as used in the lending process.

Commitments to extend credit are agreements to lend to customers as long as there are no violations of any conditions established in the commitment contracts. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates customers' creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer. Collateral varies, but may include accounts receivable; inventory; property, plant and equipment; residential real estate; or income producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of commercial customers to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers.

Through commercial letters of credit, the Bank guarantees customers' trade transactions to third parties, generally to finance commercial contracts for the shipment of goods. The Bank's credit risk in these transactions is limited, since the contracts are supported by the merchandise being shipped and are generally of short duration.

Following is a summary of the Bank's exposure to off-balance-sheet risk at December 31:

	2016	2015
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 1,917,998,731	$ 1,634,772,813
Standby letters of credit	82,005,968	66,660,209
Commercial letters of credit	5,546,574	135,001

A reserve for credit losses on off-balance-sheet credit exposures is maintained at a level management considers adequate. As of December 31, 2016 and 2015, the balance of the allowance was $1,000,000, which was included in other liabilities in the consolidated statements of financial condition.

Note 16: Fair Value Measurements

W.T.B. measures some of its assets on a fair value basis. Fair value is used on a recurring basis for certain assets, such as securities available for sale and interest rate swaps, for which fair value is the primary basis of accounting. Fair value is defined as the price that would be received for the sale of an asset in an orderly transaction between market participants at the measurement date. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair value measurement, among other things, requires W.T.B. to maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect W.T.B.'s market assumptions. Three types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets that W.T.B. has the ability to access as of the measurement date.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable market data.

Level 3 - Valuations for instruments with inputs that are unobservable, are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such instruments.

Note 16: Fair Value Measurements (continued)
A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents information about W.T.B.'s assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy of the fair value measurements for those assets at December 31:

	2016			
	Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. Treasury and federal agencies	$ 529,804,620	$ -	$ 529,804,620	$ -
States and political subdivisions	1,353,556	-	1,353,556	-
Mortgage-backed securities	401,630,285	-	401,630,285	-
Total assets	$ 932,788,461	$ -	$ 932,788,461	$ -
Interest rate swap liabilities	$ 266,026	$ -	$ 266,026	$ -
Total liabilities	$ 266,026	$ -	$ 266,026	$ -

	2015			
	Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. Treasury and federal agencies	$ 207,645,822	$ -	$ 207,645,822	$ -
States and political subdivisions	1,582,446	-	1,582,446	-
Mortgage-backed securities	470,649,678	-	470,649,678	-
Total assets	$ 679,877,946	$ -	$ 679,877,946	$ -
Interest rate swap liabilities	$ 457,623	$ -	$ 457,623	$ -
Total liabilities	$ 457,623	$ -	$ 457,623	$ -

The following table presents the fair value measurement of assets on a nonrecurring basis and the level within the fair value hierarchy for those assets at December 31, 2016. There were no assets measured at fair value on a nonrecurring basis as of December 31, 2015.

	2016			
	Total	Level 1	Level 2	Level 3
Other real estate	$ 870,500	$ -	$ -	$ 870,500
Total	$ 870,500	$ -	$ -	$ 870,500

The following table provides additional quantitative information about the unobservable inputs for W.T.B.'s assets and liabilities classified as Level 3 and measured at fair value on a nonrecurring basis at December 31:

2016					
Financial Instrument	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
Other real estate owned	$ 870,500	Market approach	Selling costs	0.0% - 11.0%	4.0%
	$ 870,500				

Note 16: Fair Value Measurements (continued)

Carrying values of certain impaired loans are periodically evaluated to determine if valuation adjustments, or partial write-downs, should be recorded. When a collateral dependent loan is identified as impaired, the impairment is measured using the current fair value of the collateral, less selling costs. Depending on the characteristics of a loan, the fair value of collateral is generally estimated by obtaining external appraisals. Troubled debt restructurings that are not collateral dependent discount expected future cash flows based on the original contractual rate of the loan and are not considered to be at fair value. The significant unobservable inputs used in the fair value measurement of impaired loans may include estimated selling costs, discounts that may be required to dispose of the property, and management assumptions regarding market trends and other relevant factors. If the determined value of the impaired loan is less than the recorded investment in the loan, impairment is recognized by adjusting the carrying value of the loan through a charge-off to the allowance for loan losses. The carrying value of loans fully charged-off is zero.

Carrying values of other real estate owned are periodically evaluated to determine if valuation adjustments, or partial write-downs, should be recorded. Other real estate owned is carried at the lower of cost or fair value of the property, less the estimated cost to sell. Factors considered in determining the fair value of the property generally include geographic sales trends, the value of comparable sales of surrounding property, pending purchase agreements, as well as the condition of the property.

W.T.B. is required to disclose the estimated fair value of financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate those values. These fair value estimates are made at December 31 based on relevant market information and information about the financial instruments. Fair value estimates are intended to represent the price an asset could be sold at or the price at which a liability could be settled. However, given there is no active market or observable market transactions for many of W.T.B.'s financial instruments, W.T.B.'s estimates of many of these fair values are subjective in nature, involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimated values. Nonfinancial instruments are excluded from disclosure requirements. Specifically, land and buildings are not disclosed at fair value, nor is the value derived from retaining customer deposit relationships, commonly referred to as a customer deposit base intangible. Accordingly, the aggregate fair value amounts presented are not intended to represent the fair value of W.T.B.'s assets and liabilities taken as a whole, nor W.T.B.'s shareholders' equity.

The following methods and assumptions were used by W.T.B. in estimating its fair value disclosures for each class of financial instruments:

Cash and Cash Equivalents

The carrying amounts reported in the statements of financial condition for cash and short-term instruments approximate those assets' fair values.

Securities

W.T.B. estimates fair values using external, independent pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, live trading levels, trade execution data, market consensus prepayment speeds and credit spreads. Examples of such instruments that would generally be classified within Level 2 of the valuation hierarchy include government-sponsored entity obligations, corporate bonds and other securities. Mortgage-backed securities are included in Level 2 if observable inputs are available. In certain cases where there is limited activity or less transparency around inputs to the valuation, W.T.B. classifies those securities as Level 3.

FHLB and PCBB Stock

The fair value is based upon the redemption value of the stock that equates to its carrying value.

Loans Held for Sale

Fair value is determined based on quoted secondary market prices for similar loans.

Loans Held in Portfolio

Fair values of loans are estimated using discounted cash flow analyses and interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for noncurrent loans are estimated using discounted cash flow analysis or underlying collateral values, where applicable. The fair values of lending commitments at year-end are estimated to approximate the remaining unamortized fees.

Cash Surrender Value of Life Insurance

The fair value of cash surrender value of life insurance is based upon the surrender value of the policies that equates to its carrying value.

Mortgage Servicing Rights

The fair value of mortgage servicing rights is estimated using discounted cash flows based on current market interest rates and current prepayment assumptions for serviced loans.

Note 16: Fair Value Measurements (continued)

Deposits

The fair values disclosed for interest- and noninterest-bearing demand deposits and savings are equal to the amounts payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts for variable-rate time deposits approximate their fair values at the reporting date. Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently offered on such deposits to a schedule of aggregated expected monthly maturities.

Securities Sold Under Agreements to Repurchase

The carrying amounts of securities sold under agreements to repurchase approximate their fair values.

Interest Rate Swaps

The fair value of interest rate swaps is estimated by discounting the estimated expected cash flows of the swap using a discount curve and implied forward rates.

The carrying amounts and estimated fair values of W.T.B.'s financial instruments at December 31 were as follows:

	2016		
	Level in Fair Value Hierarchy	Carrying Amount	Estimated Fair Value
Financial assets:			
Cash and due from banks and interest-bearing deposits with banks	1	$ 423,413,571	$ 423,413,571
Securities available for sale	2	932,788,461	932,788,461
Securities held to maturity	2	452,029,006	449,441,361
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock	2	6,421,500	6,421,500
Loans held for sale	2	27,972,608	27,972,608
Loans held in portfolio, net of allowance	3	3,671,316,767	3,699,151,729
Cash surrender value of life insurance	1	21,331,668	21,331,668
Mortgage servicing rights	3	555,113	1,212,228
Financial liabilities:			
Demand and savings deposits	1	4,633,383,304	4,633,383,304
Time deposits	2	290,306,504	289,847,620
Securities sold under agreements to repurchase	1	211,462,438	211,462,438
Interest rate swaps	2	266,026	266,026

	2015		
	Level in Fair Value Hierarchy	Carrying Amount	Estimated Fair Value
Financial assets:			
Cash and due from banks and interest-bearing deposits with banks	1	$ 518,398,245	$ 518,398,245
Securities available for sale	2	679,877,946	679,877,946
Securities held to maturity	2	482,414,445	480,988,458
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock	2	5,781,300	5,781,300
Loans held for sale	2	23,728,595	23,728,595
Loans held in portfolio, net of allowance	3	3,447,900,979	3,445,006,045
Cash surrender value of life insurance	1	20,245,980	20,245,980
Mortgage servicing rights	3	702,104	1,336,194
Financial liabilities:			
Demand and savings deposits	1	4,199,043,231	4,199,043,231
Time deposits	2	341,504,819	342,194,064
Securities sold under agreements to repurchase	1	264,887,110	264,887,110
Interest rate swaps	2	457,623	457,623

Note 17: Interest Rate Swaps

For certain long-term, fixed rate loans, the Bank has entered into interest rate swap agreements with a counterparty in order to serve as a hedge to changes in interest rates. Under the swap agreements, the Bank pays the counterparty a fixed rate equal to the rate on the borrower's note. In return, the Bank receives a variable rate from the counterparty. These stand-alone derivative instruments derive their value from underlying interest rates. These transactions may involve both credit and market risk. The notional amount is the amount on which calculations, payments and the value of the derivative are based. The notional amount does not represent direct credit exposure. The direct credit exposure is derived from the net present value of the future payment streams to be paid and received based on current market conditions.

Should the net present value of future payment streams to be received exceed those to be paid, then the Bank would be in an unrealized gain position, and the net difference would represent potential credit exposure. This difference also represents the fair value of the derivative instrument.

Credit risk of the financial contract is controlled through credit approval, limits, and monitoring procedures. W.T.B. is exposed to credit-related losses in the event of nonperformance by the counterparty to these agreements when W.T.B. is in an unrealized gain position. As of December 31, 2016 and 2015, W.T.B. was in an unrealized loss position and a liability was recorded relating to the interest rate swaps.

Information pertaining to outstanding interest rate swaps at December 31 was as follows:

	2016	2015
Notional amount	$ 4,302,296	$ 5,091,255
Weighted-average pay rate	6.12%	6.08%
Weighted-average receive rate	1.73%	1.32%
Average maturity in years	2.62	3.62
Liability relating to interest rate swaps	$ (266,026)	$ (457,623)

The net changes in fair value of the hedged asset and derivatives are recorded in loans and other liabilities. Net payments on interest rate swaps reduced interest revenue on loans by $212,505, $262,937and $299,807 for 2016, 2015 and 2014, respectively.

Note 18: Commitments and Contingencies

Lease Commitments

W.T.B. has various operating leases covering the use of certain premises. The lease expense under such arrangements amounted to $2,757,180, $2,500,394 and $2,296,415 for the years ended December 31, 2016, 2015 and 2014, respectively. All leases, not including renewal options, expire prior to the end of year 2026. Certain leases contain renewal clauses and rent escalation clauses based on the Consumer Price Index ("CPI"), or other factors contained in the lease agreement.

The following table sets forth future minimum lease payments under non-cancelable operating leases:

Years ending December 31,	
2017	$ 2,299,540
2018	2,469,609
2019	2,368,787
2020	2,092,944
2021	1,881,004
2022 and thereafter	5,832,266
Total future minimum lease payments	$ 16,944,150

Concentrations of Credit Risk

The Bank grants commercial and agricultural, real estate and consumer loans to customers, mainly in Washington, Idaho and Oregon, secured by business, real and personal property. The loans are expected to be repaid from cash flow or proceeds from the sale of selected assets of the borrowers. Although the loan portfolio is diversified, a substantial portion of the borrower's ability to honor their agreements is dependent upon economic conditions in Washington, Idaho and Oregon. The Bank has no significant exposure to foreign credits in its loan portfolio.

Legal Proceedings

During the normal course of business, W.T.B. and the Bank are involved as defendants in various legal matters. In the opinion of W.T.B.'s management, the potential liability, if any, upon resolution of all litigation currently pending would not have a material adverse effect on W.T.B.'s financial position or results of operations.

Note 19: Parent Company Statements

W.T.B.'s parent company statements are presented using the equity method of accounting; therefore, accounts of its subsidiary have not been included. Intercompany transactions and balances have not been eliminated. The condensed parent company statements follow:

Statements of Financial Condition	December 31, 2016	December 31, 2015
Assets		
Cash	$ 4,251,478	$ 2,201,969
U.S. Treasury securities available for sale, carried at fair value	1,000,078	995,859
Equity in underlying net book value of bank subsidiary	487,348,512	457,711,574
Premises and equipment, net	1,156,667	1,259,402
Other assets	2,564,553	2,267,344
Total assets	$ 496,321,288	$ 464,436,148
Liabilities		
Other liabilities	$ 35,380	$ 29,135
Shareholders' equity	496,285,908	464,407,013
Total liabilities and shareholders' equity	$ 496,321,288	$ 464,436,148

Statements of Income	Years Ended December 31, 2016	2015	2014
Revenue			
Dividends from banking subsidiary	$ 11,639,000	$ 7,079,741	$ 5,987,958
Other	1,208,761	1,133,177	1,357,416
Total revenue	12,847,761	8,212,918	7,345,374
Expense			
Salaries and employee benefits	732,465	733,866	710,812
Other	1,125,280	1,188,981	1,231,605
Total expense	1,857,745	1,922,847	1,942,417
Income before income tax benefit and equity in undistributed net income of subsidiary	10,990,016	6,290,071	5,402,957
Income tax benefit	(220,605)	(271,390)	(205,785)
Income before equity in undistributed net income of subsidiary	11,210,621	6,561,461	5,608,742
Equity in undistributed net income of banking subsidiary	40,516,037	39,798,253	36,255,326
Net income	51,726,658	46,359,714	41,864,068
Preferred stock dividends	-	141,346	417,932
Net income available to common shareholders	$ 51,726,658	$ 46,218,368	$ 41,446,136

Note 19: Parent Company Statements (continued)

Statements of Cash Flows	Years Ended December 31, 2016	2015	2014
Cash flows from operating activities:			
Net income	$ 51,726,658	$ 46,359,714	$ 41,864,068
Adjustments to reconcile net income to cash provided by operating activities:			
Undistributed net income of subsidiary	(40,516,037)	(39,798,253)	(36,255,326)
Depreciation	102,735	105,263	245,830
Deferred income tax benefit	(16,937)	(16,021)	(48,706)
Gains on sales of investments	-	-	(568,305)
Stock-based compensation	1,363,219	1,276,286	1,055,212
Stock-based directors' fees	300,132	270,210	180,329
Other, net	(9,047)	35,544	160,760
Net cash provided by operating activities	12,950,723	8,232,743	6,633,862
Cash flows from investing activities:			
Purchase of securities available for sale	-	(997,891)	-
Proceeds from maturities of securities available for sale	-	1,000,000	-
Proceeds from investments in subsidiary	-	12,571,000	25,000,000
Purchases of premises and equipment	-	-	(5,694)
Purchase of other assets and investments	(288,910)	(273,978)	(23,529)
Proceeds from investments	22,014	101,969	1,471,842
Net cash provided by investing activities	(266,896)	12,401,100	26,442,619
Cash flows from financing activities:			
Repurchase of preferred stock	-	(19,571,000)	(25,000,000)
Common share repurchase and retirement	(3,000,000)	-	-
Common stock dividends paid	(7,634,318)	(6,915,771)	(6,080,080)
Preferred stock dividends paid	-	(190,274)	(480,432)
Net cash used in financing activities	(10,634,318)	(26,677,045)	(31,560,512)
Increase (decrease) in cash	2,049,509	(6,043,202)	1,515,969
Cash at beginning of year	2,201,969	8,245,171	6,729,202
Cash at end of year	$ 4,251,478	$ 2,201,969	$ 8,245,171

Note 20: Related Parties

In the ordinary course of business, W.T.B. and its subsidiary make loans and enter into other transactions with certain related parties, its directors and entities having a specified relationship with the directors. Such transactions are made on substantially the same terms and conditions as transactions with other customers. Total deposits from these related parties were $43,600,477, $35,217,517 and $29,184,804 at December 31, 2016, 2015 and 2014, respectively. Related party loan amounts for the years ended December 31, 2016, 2015 and 2014, are summarized in the table below. The reclassifications represent loans that were not related party that subsequently became related party loans, or loans that were once considered related party but are no longer considered related party.

	2016	2015	2014
Balance at beginning of year	$ 43,181,161	$ 43,199,742	$ 35,880,803
New loans and advances	17,521,720	11,229,802	15,420,416
Repayments	(23,090,884)	(13,140,883)	(8,162,810)
Other and reclassifications	(1,372,377)	1,892,500	61,333
Balance at end of year	$ 36,239,620	$ 43,181,161	$ 43,199,742

Under current federal regulations, W.T.B. is limited in the amount that may be borrowed from Washington Trust Bank. At December 31, 2016, 2015 and 2014, a maximum of $4,319,875, $4,319,875 and $5,576,975, respectively, could be loaned to W.T.B. No such loans have been made.

Note 21: Earnings per Share

The numerators and denominators used in computing basic and diluted earnings per common share for the years ended December 31, 2016, 2015 and 2014, can be reconciled as follows:

	2016	2015	2014
Numerator:			
Net income	$ 51,726,658	$ 46,359,714	$ 41,864,068
Preferred stock dividends	-	141,346	417,932
Net income available to common shareholders	$ 51,726,658	$ 46,218,368	$ 41,446,136
Denominator:			
Weighted-average number of common shares outstanding - basic	2,543,917	2,541,339	2,532,116
Effect of potentially dilutive common shares	5,977	24,738	24,399
Weighted-average number of common shares - diluted	2,549,894	2,566,077	2,556,515
Earnings per common share:			
Basic	$ 20.33	$ 18.19	$ 16.37
Diluted	$ 20.29	$ 18.01	$ 16.21

Note 22: Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss includes the after tax change in unrealized market value adjustment of securities available for sale and the unrealized net losses and prior service costs related to W.T.B.'s defined benefit plan.

	Unrealized Gains (Losses) on Securities Available for Sale	Unrealized Losses on Defined Benefit Pension Plan	Total
Balance, December 31, 2013	$ (2,508,526)	$ (16,880,249)	$ (19,388,775)
Net change	3,326,538	(11,399,406)	(8,072,868)
Balance, December 31, 2014	818,012	(28,279,655)	(27,461,643)
Net change	(2,410,903)	3,942,195	1,531,292
Balance, December 31, 2015	(1,592,891)	(24,337,460)	(25,930,351)
Net change	(11,470,072)	593,276	(10,876,796)
Balance, December 31, 2016	$ (13,062,963)	$ (23,744,184)	$ (36,807,147)

The following table shows the significant amounts reclassified out of each component of accumulated other comprehensive loss:

Details About Accumulated Other Comprehensive Loss Components	Years Ended December 31, 2016	2015	2014	Affected Line in the Consolidated Statements of Income
Securities available for sale:				
Gains on sale of securities	$ (1,000,753)	$ (605,669)	$ (77,126)	Gains on sale of securities, net
Total before tax	(1,000,753)	(605,669)	(77,126)	
Income tax expense	350,264	211,984	26,994	Income taxes
Net of tax	(650,489)	(393,685)	(50,132)	
Defined benefit pension plan:				
Amortization of net loss	3,591,956	3,845,929	2,144,557	Pension and employee benefits
Amortization of prior service cost	8,037	8,037	8,037	Pension and employee benefits
Total before tax	3,599,993	3,853,966	2,152,594	
Income tax benefit	(1,259,998)	(1,348,888)	(753,408)	Income taxes
Net of tax	2,339,995	2,505,078	1,399,186	
Total reclassifications for the period, net of tax	$ 1,689,506	$ 2,111,393	$ 1,349,054	

Note 23: Regulatory Matters

W.T.B. (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on W.T.B.'s and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, W.T.B. and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. W.T.B.'s and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

Washington Trust Bank is well capitalized under the regulatory framework for prompt corrective action as of December 31, 2016. W.T.B. is not subject to the regulatory framework for prompt corrective action. To be categorized as well capitalized, a bank must maintain minimum capital ratios as set forth in the table below.

The capital amounts and ratios, as calculated under regulatory guidelines at December 31, 2016 and 2015, are as follows (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2016						
Tier 1 capital to average assets:						
W.T.B. Financial Corporation	$533,093	9.59%	$222,408	4.00%	N/A	N/A
Washington Trust Bank	524,157	9.43%	222,238	4.00%	277,797	5.00%
Common equity tier 1 capital to risk-weighted assets:						
W.T.B. Financial Corporation	533,093	11.90%	201,524	4.50%	N/A	N/A
Washington Trust Bank	524,157	11.71%	201,374	4.50%	290,874	6.50%
Tier 1 risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	533,093	11.90%	268,699	6.00%	N/A	N/A
Washington Trust Bank	524,157	11.71%	268,499	6.00%	357,998	8.00%
Total risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	589,452	13.16%	358,265	8.00%	N/A	N/A
Washington Trust Bank	580,475	12.97%	357,998	8.00%	447,498	10.00%
December 31, 2015						
Tier 1 capital to average assets:						
W.T.B. Financial Corporation	$490,337	9.41%	$208,330	4.00%	N/A	N/A
Washington Trust Bank	483,641	9.29%	208,165	4.00%	260,206	5.00%
Common equity tier 1 capital to risk-weighted assets:						
W.T.B. Financial Corporation	490,337	11.98%	184,243	4.50%	N/A	N/A
Washington Trust Bank	483,641	11.82%	184,102	4.50%	265,924	6.50%
Tier 1 risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	490,337	11.98%	245,657	6.00%	N/A	N/A
Washington Trust Bank	483,641	11.82%	245,469	6.00%	327,292	8.00%
Total risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	541,945	13.24%	327,543	8.00%	N/A	N/A
Washington Trust Bank	535,210	13.08%	327,292	8.00%	409,115	10.00%

Note 23: Regulatory Matters (continued)

The payment of cash dividends is subject to Federal regulatory requirements for capital levels and other restrictions. In addition, the cash dividends paid by Washington Trust Bank to W.T.B. are subject to both Federal and State regulatory requirements.

The Federal Reserve and the Federal Deposit Insurance Corporation approved new regulations (the "Basel III Capital Regulation") that became effective on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The Basel III Capital Regulation implements a conservation buffer, 2.5% of risk-weighted assets upon full implementation, that will be added to adequately capitalized regulatory minimums across all three risk-based capital ratios. The capital conservation buffer is being phased in beginning on January 1, 2016 with full implementation by January 1, 2019. The capital conservation buffer was 0.625% for 2016. An institution that does not maintain risk-based capital ratio levels above the sum of adequately capitalized levels plus the phased in portion of the conservation buffer, will be subject to restrictions on certain activities including payment of dividends, stock repurchases, and discretionary bonuses to executive officers. W.T.B. and the Bank made a one-time election as of March 31, 2015 to exclude accumulated other comprehensive income or loss from regulatory capital. Management believes as of December 31, 2016, W.T.B. and the Bank meet all capital adequacy requirements to which it is subject.

Report of Independent Auditors

To the Board of Directors
W.T.B. Financial Corporation
Washington Trust Bank and subsidiary (Washington Trust Bank)

Report on Financial Statements

We have audited the accompanying consolidated financial statements of W.T.B. Financial Corporation and subsidiary (the Company), which comprise the consolidated statements of financial condition as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of W.T.B. Financial Corporation and subsidiary, as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Washington Trust Bank’s internal control over financial reporting as of December 31, 2016, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 20, 2017, expressed an unmodified opinion.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Consolidated Financial Highlights on page 1 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on it.

Moss Adams LLP

Spokane, Washington
March 20, 2017

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Directors and Officers

(As of 12/31/2016)

W.T.B. Financial Corporation

BOARD OF DIRECTORS

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

John E. (Jack) Heath, III
Vice-Chairman of the Board, Executive Vice President and Chief Operating Officer

Steven M. Helmbrecht
President and Chief Executive Officer, Lakeside Capital Group, LLC

Thomas B. Tilford
Retired, President, Western Mine Services, Inc.

Parker G. Woodall
Retired President, North Idaho Region, Washington Trust Bank

ADMINISTRATION

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

John E. (Jack) Heath, III
Vice-Chairman of the Board, Executive Vice President and Chief Operating Officer

Larry V. Sorensen
Senior Vice President and Chief Financial Officer

Burke D. Jackowich
Senior Vice President and General Counsel

Daniel A. Clark
Senior Vice President and Director of Internal Audit

Washington Trust Bank

BOARD OF DIRECTORS

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Chairman of the Board and Chief Executive Officer

John E. (Jack) Heath, III
President and Chief Operating Officer

Christopher Ackerley
Managing Partner, Ackerley Partners, LLC

Steven M. Helmbrecht
President and Chief Executive Officer, Lakeside Capital Group, LLC

Molly J. Scammell Hurley
Retired Officer, Washington Trust Bank

Michael J. Lee
President, Lakeside Industries, Inc.

John J. Luger
President, JDL Enterprises, LLC

Dennis P. Murphy
Chief Executive Officer, Hayden Homes, LLC

Nancy Sue Wallace
Community Volunteer

Jeffrey Wright
Chairman, Space Needle Corporation

ADMINISTRATION

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

John E. (Jack) Heath, III
President and Chief Operating Officer

Additional information or copies of this report may be obtained by writing to:

W.T.B. Financial Corporation
P.O. Box 2127
Spokane, Washington 99210-2127

Visit Washington Trust Bank's web site at www.watrust.com

COMMERCIAL BANKING

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Executive Vice President, Commercial Division and President, Western Washington Region

J. Jay Lewis
Senior Vice President

Michael L. Shellenberger
Senior Vice President

David J. Terrell
President, Southern Idaho Region

Linda A. Williams
President, Oregon Region

CREDIT ADMINISTRATION

Paul M. Koenigs
Senior Vice President and Chief Credit Officer

FINANCE

Larry V. Sorensen
Senior Vice President and Chief Financial Officer

Laura M. Gingrich
Vice President and Chief Accounting Officer

HUMAN RESOURCES

Katy J. Bruya
Senior Vice President

INFORMATION TECHNOLOGY AND OPERATIONS

James E. Brockett
Senior Vice President and Bank Support Services Director

Sharry J. Ditzler
Senior Vice President and Chief Information Officer

Mack Wood
Senior Vice President and Director of Operations

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Senior Vice President and Director of Internal Audit

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