

Peter F. Stanton
Chairman and
Chief Executive Officer

July 22, 2016

Dear Shareholders:

Company performance in the second quarter was strong with earnings coming in at \$13.7 million, which was \$1.5 million, or 12.4 percent higher than first quarter results and \$1.9 million, or 16.1 percent higher than our performance in the second quarter of 2015. The primary drivers of our improved net income were earning asset growth and widening margins, which contributed to a \$4.2 million, or 10.2 percent increase in net interest revenue year-over-year. Net interest revenue in the second quarter totaled \$44.9 million, a Company record. For the quarter, return on average assets was 1.08 percent, up 13 basis points from last quarter and 11 basis points from one year ago. Return on equity also was strong at 11.33 percent, up 101 basis points from last quarter and also 101 basis points from one year ago.

On a per share basis, our performance was very solid. For the quarter, diluted earnings per share came in at \$5.32, which was a 12.2 percent increase over first quarter results. For the year-to-date, earnings per share totaled \$10.06, which was 21.5 percent above 2015 levels. Book value per share at the end of June equaled \$192.07, which was \$20.15 per share, or 11.7 percent higher than book value per share one year ago. Against the backdrop of extremely low rates, volatile capital markets nationally and continued tough competition locally, we feel very good about our results.

Loan growth returned in the second quarter with total loans increasing \$139 million to \$3.7 billion. Agricultural loans, a good portion of which are seasonal in nature, were the biggest contributor to that growth, increasing \$59 million to \$268 million at quarter end. Loan growth was accompanied by good deposit growth as well, with total deposits increasing \$88 million to \$4.5 billion. In addition to deposit growth, our increase in loans was effectively funded by investable cash, which decreased \$29 million and bonds, which decreased \$51 million. Shifting earning assets from lower yielding cash and bonds to higher yielding loans helped support the increase in net interest revenue and improved return on assets.

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Year-over-year, the progress we have made and the performance we have achieved is quite gratifying. During the first half of 2016, net income totaled \$25.9 million, an improvement of \$4.6 million, or 21.4 percent over last year's performance. Strong deposit growth of \$382 million, or 9.3 percent since June of 2015 drove asset growth of \$330 million, or 6.8%, to \$5.2 billion. Year-over-year, loans also shown improvement growing \$153 million, or 4.3 percent to almost \$3.7 billion. That balance sheet growth, combined with improved margins, which widened 11 basis points to 3.58 percent, drove stronger net interest revenue. Net interest revenue so far in 2016 was up \$8.4 million, or 10.5 percent year-over-year to \$88.3 million. Noninterest revenue also improved, increasing \$889,000, or 3.9 percent to 23.4 million, largely as a result of gains from the sale of loans by our home loan center. Higher revenues were more than enough to cover higher operating costs, which increased \$2.9 million, or 4.2 percent year-over-year to \$71 million. Year-to-date our efficiency ratio came down from 66.1 percent to 63.2 percent reflecting revenue growth well in excess of expense growth.

Our risk metrics also continue to moderate and the strength we have built into our balance sheet is considerable. Noncurrent loans total just \$16.8 million, or 0.46 percent of total loans. Our allowance for loan loss position remains substantial at \$85.4 million, or 2.32 percent of loans. On balance sheet liquidity levels are ample, with cash and investments totaling over \$1.3 billion, or 25.8 percent of assets. We continue to grow our capital resources. Shareholders' equity year-over-year grew almost \$34 million, or 7.4 percent to \$495 million and our equity to assets ratio increased 5 basis points to 9.57 percent.

While we feel good about our performance and the positioning of our balance sheet, we also remain cautious about the operating environment and events around us. The Fed seems to favor more rate increases at the short end of the curve, but the attractiveness of US yields globally seems to be putting continued pressure on longer term rates here in the US. The drama of Great Britain's referendum to exit the European Union rattled the capital markets and helped drive the US Treasury rate on 10-year bonds to a record low of 1.37 percent, down 90 basis points from year end 2015. The presidential election is shifting into high gear and the nominees seem to have more than the typical level of controversy swirling around them. We are also well into what has been a historically weak economic recovery and there are emerging concerns over just how much longer this recovery can last.

Dealing with uncertainty isn't new to us, nor is it unique to the banking business. The competitive landscape is fierce, but stiff competition has always seemed to be the case ever since I started in this business. So despite ever present challenges, we will continue on the course we have set, evolve with the changing technology environment, remain committed to serving our customers and position ourselves to be competitive whatever the future may bring.

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This was a strong start to the year and we feel very good about our results. We had an opportunity earlier this month to repurchase a 15,000 share block of Class B W.T.B. Financial Corporation stock. The trade cleared at \$200.00 per share, which works out to be just a little above book value. Our capital position remains strong and our liquidity is ample, so we took advantage of that opportunity and have since retired those shares. As always, we appreciate your continued support and you can learn more on our Investor Relations webpage at: www.watrust.com/about/investor-relations. Please let us know if we can be helpful in any way to your banking and financial needs.

Warm Regards,

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

Pete Stanton
Chairman and CEO

Enclosure

Summary Financial Statements and Selected Financial Highlights

(unaudited)

Second Quarter
2016



W.T.B. Financial Corporation

watrust.com

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

	<u>June 30,</u> <u>2016</u>	<u>March 31,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
ASSETS			
Cash and due from banks	\$ 81,339,858	\$ 71,523,447	\$ 81,860,917
Interest-bearing deposits with banks	95,452,863	123,975,316	213,095,655
Securities available for sale, at fair value	783,457,685	811,356,405	520,233,331
Securities held to maturity, at amortized cost	456,419,074	479,363,230	424,698,535
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	6,421,500	6,421,500	5,781,300
Loans receivable	3,687,400,513	3,548,740,521	3,534,319,516
Allowance for loan losses	(85,377,830)	(84,398,980)	(83,646,522)
Loans net of allowance for loan losses	3,602,022,683	3,464,341,541	3,450,672,994
Premises and equipment, net	45,044,135	44,254,110	45,433,757
Other real estate	310,500	310,500	968,675
Accrued interest receivable	14,693,332	12,761,519	12,714,838
Other assets	87,182,207	74,699,986	86,473,846
Total assets	<u>\$ 5,172,343,837</u>	<u>\$ 5,089,007,554</u>	<u>\$ 4,841,933,848</u>
LIABILITIES			
Deposits:			
Noninterest-bearing	\$ 1,829,135,907	\$ 1,743,906,900	\$ 1,552,816,340
Interest-bearing	2,662,096,776	2,659,087,911	2,556,749,041
Total deposits	4,491,232,683	4,402,994,811	4,109,565,381
Securities sold under agreements to repurchase	150,978,726	167,108,066	228,875,636
Accrued interest payable	512,124	510,724	809,189
Other liabilities	34,784,550	37,474,077	41,729,281
Total liabilities	4,677,508,083	4,608,087,678	4,380,979,487
SHAREHOLDERS' EQUITY			
Preferred stock	-	-	19,571,000
Common stock	30,592,793	30,204,574	29,059,365
Surplus	32,665,000	32,665,000	32,665,000
Undivided profits	449,858,718	438,069,299	406,263,676
	513,116,511	500,938,873	487,559,041
Accumulated other comprehensive loss	(18,280,757)	(20,018,997)	(26,604,680)
Total shareholders' equity	494,835,754	480,919,876	460,954,361
Total liabilities and shareholders' equity	<u>\$ 5,172,343,837</u>	<u>\$ 5,089,007,554</u>	<u>\$ 4,841,933,848</u>

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

	Three Months Ended		
	June 30,	March 31,	June 30,
	2016	2016	2015
INTEREST REVENUE			
Loans, including fees	\$ 39,864,480	\$ 38,686,986	\$ 37,862,147
Deposits with banks	111,473	474,453	205,045
Securities	5,865,724	5,170,332	3,809,129
Other interest and dividend income	14,462	83,497	10,714
Total interest revenue	<u>45,856,139</u>	<u>44,415,268</u>	<u>41,887,035</u>
INTEREST EXPENSE			
Deposits	914,571	925,854	1,099,021
Funds purchased and other borrowings	49,686	62,266	53,386
Total interest expense	<u>964,257</u>	<u>988,120</u>	<u>1,152,407</u>
Net interest revenue	<u>44,891,882</u>	<u>43,427,148</u>	<u>40,734,628</u>
Provision for loan losses	500,000	500,000	1,000,019
Net interest revenue after provision for loan losses	<u>44,391,882</u>	<u>42,927,148</u>	<u>39,734,609</u>
NONINTEREST REVENUE			
Fiduciary income	3,436,604	3,326,907	3,638,966
Mortgage banking revenue, net	1,795,154	1,513,534	1,753,217
Other fees on loans	226,001	209,941	401,664
Service charges, commissions and fees	5,704,397	5,646,552	5,719,766
Securities gains, net	344,461	622,075	-
Net gains on other real estate	-	51,452	360,102
Other income	214,014	341,321	291,689
Total noninterest revenue	<u>11,720,631</u>	<u>11,711,782</u>	<u>12,165,404</u>
NONINTEREST EXPENSE			
Salaries and benefits	21,293,876	22,253,231	20,360,379
Occupancy, furniture and equipment expense	3,439,913	3,427,384	3,322,660
Other expense	10,320,751	10,361,570	10,089,315
Total noninterest expense	<u>35,054,540</u>	<u>36,042,185</u>	<u>33,772,354</u>
Income before income taxes	<u>21,057,973</u>	<u>18,596,745</u>	<u>18,127,659</u>
Income taxes	7,354,349	6,406,032	6,322,548
NET INCOME	<u>\$ 13,703,624</u>	<u>\$ 12,190,713</u>	<u>\$ 11,805,111</u>
NET INCOME	<u>\$ 13,703,624</u>	<u>\$ 12,190,713</u>	<u>\$ 11,805,111</u>
Preferred stock dividends	-	-	(48,928)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 13,703,624</u>	<u>\$ 12,190,713</u>	<u>\$ 11,756,183</u>
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	2,552,273	2,546,826	2,542,563
Diluted	2,576,268	2,571,347	2,567,356
Earnings per common share (based on weighted average shares outstanding)			
Basic	\$ 5.37	\$ 4.79	\$ 4.62
Diluted	\$ 5.32	\$ 4.74	\$ 4.58

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

	Six Months Ended	
	June 30, 2016	June 30, 2015
INTEREST REVENUE		
Loans, including fees	\$ 78,551,466	\$ 74,399,410
Deposits with banks	585,926	401,256
Securities	11,036,056	7,557,849
Other interest and dividend income	97,959	19,936
Total interest revenue	90,271,407	82,378,451
INTEREST EXPENSE		
Deposits	1,840,425	2,318,250
Funds purchased and other borrowings	111,952	104,546
Total interest expense	1,952,377	2,422,796
Net interest revenue	88,319,030	79,955,655
Provision for loan losses	1,000,000	1,666,685
Net interest revenue after provision for loan losses	87,319,030	78,288,970
NONINTEREST REVENUE		
Fiduciary income	6,763,511	7,018,050
Mortgage banking revenue, net	3,308,688	2,624,599
Other fees on loans	435,942	735,875
Service charges, commissions and fees	11,350,949	11,238,676
Securities gains, net	966,536	-
Net gains on other real estate	51,452	396,030
Other income	555,335	530,569
Total noninterest revenue	23,432,413	22,543,799
NONINTEREST EXPENSE		
Salaries and benefits	43,547,107	40,900,140
Occupancy, furniture and equipment expense	6,867,297	6,715,780
Other expense	20,682,321	20,588,191
Total noninterest expense	71,096,725	68,204,111
Income before income taxes	39,654,718	32,628,658
Income taxes	13,760,381	11,299,428
NET INCOME	\$ 25,894,337	\$ 21,329,230
NET INCOME	\$ 25,894,337	\$ 21,329,230
Preferred stock dividends	-	(97,855)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 25,894,337	\$ 21,231,375
PER SHARE DATA		
Weighted average number of common stock shares outstanding		
Basic	2,549,550	2,539,903
Diluted	2,573,808	2,564,585
Earnings per common share (based on weighted average shares outstanding)		
Basic	\$ 10.16	\$ 8.36
Diluted	\$ 10.06	\$ 8.28

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

(dollars in thousands)

	Quarters Ended				
	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
SELECTED DATA					
Interest-bearing deposits with banks	\$ 95,453	\$ 123,975	\$ 438,603	\$ 369,892	\$ 213,096
Securities	1,239,877	1,290,720	1,162,292	990,747	944,932
Total loans	3,687,401	3,548,741	3,556,598	3,563,965	3,534,320
Allowance for loan losses	85,378	84,399	84,969	84,760	83,647
Earning assets ¹	5,019,834	4,963,213	5,165,726	4,925,887	4,695,551
Total assets	5,172,344	5,089,008	5,305,272	5,069,283	4,841,934
Deposits	4,491,233	4,402,995	4,540,548	4,280,436	4,109,565
Interest-bearing liabilities	2,813,076	2,826,196	2,980,365	2,882,205	2,785,625
Preferred equity	-	-	-	-	19,571
Common equity	494,836	480,920	464,407	452,819	441,383
Total shareholders' equity	494,836	480,920	464,407	452,819	460,954
Common equity to total assets	9.57%	9.45%	8.75%	8.93%	9.12%
Total equity to total assets	9.57%	9.45%	8.75%	8.93%	9.52%
Full-time equivalent employees	901	881	880	876	861

ASSET QUALITY RATIOS

Allowance for loan losses to total loans	2.32%	2.38%	2.39%	2.38%	2.37%
Allowance for loan losses to noncurrent loans	507%	457%	454%	395%	339%
Net charge-offs (recoveries) to total average loans	-0.01%	0.03%	-0.01%	0.00%	0.02%
Noncurrent loans and ORE to assets	0.33%	0.37%	0.36%	0.43%	0.53%
Noncurrent loans, ORE and TDRs to assets	0.40%	0.63%	0.64%	0.73%	0.83%

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

(dollars in thousands, except per share data)

	Quarters Ended			% Change	
	June 30, 2016	March 31, 2016	June 30, 2015	Sequential Quarter	Year over Year
PERFORMANCE					
Net interest revenue, fully tax-equivalent	\$ 45,256	\$ 43,799	\$ 41,039	3.3%	10.3%
Fully tax-equivalent adjustment	364	372	304	-2.2%	19.7%
Net interest revenue	44,892	43,427	40,735	3.4%	10.2%
Provision for loan losses	500	500	1,000	0.0%	-50.0%
Net interest revenue after provision for loan losses	44,392	42,927	39,735	3.4%	11.7%
Noninterest revenue	11,721	11,712	12,165	0.1%	-3.6%
Noninterest expense	35,055	36,042	33,772	-2.7%	3.8%
Income before income taxes	21,058	18,597	18,128	13.2%	16.2%
Income taxes	7,354	6,406	6,323	14.8%	16.3%
Net income	13,704	12,191	11,805	12.4%	16.1%
Preferred stock dividends	-	-	49	NM	-100.0%
Net income available to common shareholders	<u>\$ 13,704</u>	<u>\$ 12,191</u>	<u>\$ 11,756</u>	12.4%	16.6%

PER COMMON SHARE

Net income available to common shareholders (basic)	\$ 5.37	\$ 4.79	\$ 4.62	12.1%	16.2%
Net income available to common shareholders (diluted)	5.32	4.74	4.58	12.2%	16.2%
Common cash dividends	0.75	0.75	0.68	0.0%	10.3%
Common shareholders' equity	192.07	186.67	171.92	2.9%	11.7%

NM = not meaningful

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

	Quarters Ended			% Change	
	June 30, 2016	March 31, 2016	June 30, 2015	Sequential Quarter	Year over Year
PERFORMANCE RATIOS					
Return on average assets	1.08%	0.95%	0.97%	0.13%	0.11%
Return on average shareholders' equity	11.33%	10.32%	10.32%	1.01%	1.01%
Margin on average earning assets ¹	3.67%	3.49%	3.47%	0.18%	0.20%
Noninterest expense to average assets	2.77%	2.80%	2.77%	-0.03%	0.00%
Noninterest revenue to average assets	0.93%	0.91%	1.00%	0.02%	-0.07%
Efficiency ratio	61.5%	64.9%	63.5%	-3.4%	-2.0%
Common cash dividends to net income	13.97%	15.70%	14.64%	-1.73%	-0.67%
Preferred cash dividends to net income	0.00%	0.00%	0.42%	0.00%	-0.42%
Total cash dividends to net income	13.97%	15.70%	15.06%	-1.73%	-1.09%

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

(dollars in thousands, except per share data)

	Six Months Ended		% Change
	June 30, 2016	June 30, 2015	Year over Year
PERFORMANCE			
Net interest revenue, fully tax-equivalent	\$ 89,056	\$ 80,615	10.5%
Fully tax-equivalent adjustment	737	659	11.8%
Net interest revenue	88,319	79,956	10.5%
Provision for loan losses	1,000	1,667	-40.0%
Net interest revenue after provision for loan losses	87,319	78,289	11.5%
Noninterest revenue	23,433	22,544	3.9%
Noninterest expense	71,097	68,204	4.2%
Income before income taxes	39,655	32,629	21.5%
Income taxes	13,761	11,300	21.8%
Net income	25,894	21,329	21.4%
Preferred stock dividends	-	98	-100.0%
Net income available to common shareholders	\$ 25,894	\$ 21,231	22.0%

PER COMMON SHARE

Net income available to common shareholders (basic)	\$ 10.16	\$ 8.36	21.5%
Net income available to common shareholders (diluted)	10.06	8.28	21.5%
Common cash dividends	1.50	1.36	10.3%
Common shareholders' equity	192.07	171.92	11.7%

PERFORMANCE RATIOS

Return on average assets	1.01%	0.89%	0.12%
Return on average shareholders' equity	10.83%	9.48%	1.35%
Margin on average earning assets ¹	3.58%	3.47%	0.11%
Noninterest expense to average assets	2.79%	2.86%	-0.07%
Noninterest revenue to average assets	0.92%	0.94%	-0.02%
Efficiency ratio	63.2%	66.1%	-2.9%
Common cash dividends to net income	14.78%	16.21%	-1.43%
Preferred cash dividends to net income	0.00%	0.46%	-0.46%
Total cash dividends to net income	14.78%	16.67%	-1.89%

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