

Peter F. Stanton
Chairman and
Chief Executive Officer

January 25, 2016

Dear Shareholders:

2015 was a very good year for the Company in many important ways. The investments we made in our systems are paying off with an ability to deliver banking services from our branch system to our online banking platform to customer controlled mobile devices. Those capabilities, combined with our relationship based business strategy have helped us to continue to grow our Company. In 2015, we saw assets grow over 11 percent, exceeding \$5 billion for the first time in Company history. That growth was fueled by strong core deposit growth, reflecting an ability to compete successfully for new customers in this highly dynamic environment. Our success is spread across our three-state footprint, with our Puget Sound market exceeding \$1 billion in assets for the first time in Company history. This past fall, we also redeemed all of our outstanding Small Business Lending Fund (“SBLF”) Capital. Finally, our financial performance in 2015 was strong in many ways, including earnings, which were up over 10 percent to \$46.2 million.

Our accomplishments in 2015 were made against an economic landscape that presented more than its share of drama. This past fall, the Fed finally achieved its much anticipated policy “lift-off” by raising rates 25 basis points after seven years of a near zero short-term rate policy. It’s anyone’s guess just how far the Fed will be able to go towards interest rate normalization and how the economy may respond to its shift in policy. I continue to believe the Fed does not have much running room to raise rates significantly, though I must add that my record in predicting interest rate moves is less than perfect. We have been expecting volatility in the capital markets, and we are getting it across the spectrum from equity prices to commodities to currencies. This volatility has not yet shown a noticeable impact on our business, but we are watching these events carefully.

The Company’s strong performance in the fourth quarter helped make 2015 a very solid year. In the fourth quarter, deposit growth was strong with total balances increasing \$260 million, or 6.1 percent to \$4.5 billion and helped propel assets to \$5.3 billion. Fourth quarter earnings were strong at \$13.3 million, which were helped by increased earning assets, lower provision expense and an increase in noninterest revenue.

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For the year 2015, assets grew \$533 million, or 11.2 percent to \$5.3 billion. That asset growth was largely a result of strong deposit growth, with deposits up \$458 million, or 11.2 percent for the year to \$4.5 billion. Loan growth was solid at \$206 million, or 6.1 percent to \$3.6 billion. With deposit inflows exceeding loan growth, cash and investments surged almost \$342 million to \$1.7 billion, reflecting significant liquidity resources for opportunities in the future.

Earnings and financial performance measures for the year were pretty strong across the board. Net income increased \$4.5 million, or 10.7 percent to \$46.4 million. Strong earning asset growth presents the challenge of investing those funds prudently and profitably. Our growing portfolio of investment securities has tended to put pressure on net interest margin, which declined 15 basis points to 3.42 percent, but growing earning assets also tends to drive growth in net interest revenue. For the year, net interest revenue increased almost \$8.0 million, or 5.1 percent to \$163.8 million, the highest level in Company history. On a per share basis, net income improved \$1.80, or 11.1 percent to \$18.01. Return on assets increased 2 basis points to 0.94 percent, while return on equity improved 98 basis points to 10.12 percent. Our financial performance also helped drive book value higher, with book value per share increasing \$15.86, or 9.6 percent to \$180.79.

Asset quality is solid with noncurrent loans and other real estate falling by a third to \$19 million, or just 0.36 percent of assets. Our asset quality is supported by a substantial loan loss allowance position totaling nearly \$85 million, or 2.39 percent of loans. Liquidity levels are ample and our capital position is substantial, despite fully redeeming SBLF Capital in September. At year end, the Company's tangible equity to assets level was 8.75 percent.

Our success is the result of many, many people who have devoted their professional lives to helping make the Bank a highly successful and highly regarded institution, employer and member of the many communities we serve. Late in 2015, Tom Perko passed away and it feels appropriate to honor him here, given all he contributed to the Bank. He was not only a colleague, but a close personal friend over the 50 years that he was affiliated with the Bank as an officer, President and director. I will miss his valuable counsel and the personal friendship we shared.

On behalf of our employees and customers, we appreciate your continued support for the Bank. If we can help you in anyway, please reach out to us. For additional pertinent information, please visit our Investor Relations webpage at watrust.com/about/investor-relations.

Warm Regards,



Pete Stanton
Chairman and CEO

Enclosures

Summary Financial Statements and Selected Financial Highlights

(unaudited)

Fourth Quarter
2015



W.T.B. Financial Corporation

watrust.com

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

	December 31, 2015	September 30, 2015	December 31, 2014
ASSETS			
Cash and due from banks	\$ 79,795,019	\$ 74,731,132	\$ 86,738,022
Interest-bearing deposits with banks	438,603,226	369,891,659	344,438,344
Securities available for sale, at fair value	679,877,946	519,276,697	476,870,956
Securities held to maturity, at amortized cost	482,414,445	471,470,331	430,462,030
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	5,781,300	5,781,300	13,500,900
Loans receivable	3,556,598,459	3,563,965,146	3,351,051,979
Allowance for loan losses	(84,968,885)	(84,760,450)	(81,209,935)
Loans net of allowance for loan losses	3,471,629,574	3,479,204,696	3,269,842,044
Premises and equipment, net	44,659,499	44,375,287	45,833,178
Other real estate	355,500	549,900	1,076,462
Accrued interest receivable	13,682,150	12,136,610	12,982,577
Other assets	88,473,701	91,865,863	90,177,293
Total assets	\$ 5,305,272,360	\$ 5,069,283,475	\$ 4,771,921,806
LIABILITIES			
Deposits:			
Noninterest-bearing	\$ 1,825,070,343	\$ 1,690,492,732	\$ 1,518,055,367
Interest-bearing	2,715,477,707	2,589,943,475	2,564,461,682
Total deposits	4,540,548,050	4,280,436,207	4,082,517,049
Securities sold under agreements to repurchase	264,887,110	292,261,464	206,293,915
Accrued interest payable	526,585	548,248	1,112,429
Other liabilities	34,903,602	43,218,527	40,400,785
Total liabilities	4,840,865,347	4,616,464,446	4,330,324,178
SHAREHOLDERS' EQUITY			
Preferred stock	-	-	19,571,000
Common stock	29,879,574	29,334,365	28,333,078
Surplus	32,665,000	32,665,000	32,665,000
Undivided profits	427,792,790	416,175,401	409,979,660
	490,337,364	478,174,766	490,548,738
Less treasury stock, at cost	-	-	(21,489,467)
	490,337,364	478,174,766	469,059,271
Accumulated other comprehensive loss	(25,930,351)	(25,355,737)	(27,461,643)
Total shareholders' equity	464,407,013	452,819,029	441,597,628
Total liabilities and shareholders' equity	\$ 5,305,272,360	\$ 5,069,283,475	\$ 4,771,921,806

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

	Three Months Ended		
	December 31, 2015	September 30, 2015	December 31, 2014
INTEREST REVENUE			
Loans, including fees	\$ 38,499,523	\$ 38,565,375	\$ 38,004,843
Deposits with banks	371,302	216,842	292,893
Securities	4,416,322	3,778,412	3,299,158
Other interest and dividend income	8,217	3,265	4,520
Total interest revenue	<u>43,295,364</u>	<u>42,563,894</u>	<u>41,601,414</u>
INTEREST EXPENSE			
Deposits	933,641	948,647	1,302,383
Funds purchased and other borrowings	67,554	63,885	49,770
Total interest expense	<u>1,001,195</u>	<u>1,012,532</u>	<u>1,352,153</u>
Net interest revenue	<u>42,294,169</u>	<u>41,551,362</u>	<u>40,249,261</u>
Provision for loan losses	4	1,000,011	1,500,000
Net interest revenue after provision for loan losses	<u>42,294,165</u>	<u>40,551,351</u>	<u>38,749,261</u>
NONINTEREST REVENUE			
Fiduciary income	3,396,764	3,450,078	3,292,109
Mortgage banking revenue, net	1,408,917	1,718,220	1,104,323
Other fees on loans	286,002	200,112	179,478
Service charges, commissions and fees	5,738,534	5,725,121	5,514,961
Net gains on other real estate	13,019	333,155	350,291
Other income	3,066,849	370,918	682,004
Total noninterest revenue	<u>14,515,754</u>	<u>11,797,604</u>	<u>11,126,367</u>
NONINTEREST EXPENSE			
Salaries and benefits	20,319,939	20,667,762	19,617,461
Occupancy, furniture and equipment expense	3,745,690	3,279,678	3,264,022
Other expense	13,700,200	10,452,561	11,370,412
Total noninterest expense	<u>37,765,829</u>	<u>34,400,001</u>	<u>34,251,895</u>
Income before income taxes	<u>19,044,090</u>	<u>17,948,954</u>	<u>15,623,733</u>
Income taxes	5,697,762	6,264,798	5,325,991
NET INCOME	<u>\$ 13,346,328</u>	<u>\$ 11,684,156</u>	<u>\$ 10,297,742</u>
NET INCOME	<u>\$ 13,346,328</u>	<u>\$ 11,684,156</u>	<u>\$ 10,297,742</u>
Preferred stock dividends	-	(43,491)	(83,648)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 13,346,328</u>	<u>\$ 11,640,665</u>	<u>\$ 10,214,094</u>
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	2,542,941	2,542,563	2,533,637
Diluted	2,567,734	2,567,356	2,558,091
Earnings per common share (based on weighted average shares outstanding)			
Basic	\$ 5.25	\$ 4.58	\$ 4.03
Diluted	\$ 5.20	\$ 4.53	\$ 3.99

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

	Twelve Months Ended	
	December 31, 2015	December 31, 2014
INTEREST REVENUE		
Loans, including fees	\$ 151,464,308	\$ 147,675,052
Deposits with banks	989,400	770,513
Securities	15,752,583	12,987,722
Other interest and dividend income	31,418	29,171
Total interest revenue	168,237,709	161,462,458
INTEREST EXPENSE		
Deposits	4,200,538	5,428,737
Funds purchased and other borrowings	235,985	198,896
Total interest expense	4,436,523	5,627,633
Net interest revenue	163,801,186	155,834,825
Provision for loan losses	2,666,700	6,000,000
Net interest revenue after provision for loan losses	161,134,486	149,834,825
NONINTEREST REVENUE		
Fiduciary income	13,864,892	13,001,381
Mortgage banking revenue, net	5,751,736	3,806,138
Other fees on loans	1,221,989	763,416
Service charges, commissions and fees	22,702,331	22,177,389
Securities gains, net	605,669	77,126
Net gains on other real estate	742,204	2,727,617
Other income	3,968,336	1,945,154
Total noninterest revenue	48,857,157	44,498,221
NONINTEREST EXPENSE		
Salaries and benefits	81,887,841	75,392,323
Occupancy, furniture and equipment expense	13,741,148	13,205,896
Other expense	44,740,952	41,944,006
Total noninterest expense	140,369,941	130,542,225
Income before income taxes	69,621,702	63,790,821
Income taxes	23,261,988	21,926,753
NET INCOME	\$ 46,359,714	\$ 41,864,068
NET INCOME	\$ 46,359,714	\$ 41,864,068
Preferred stock dividends	(141,346)	(417,932)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 46,218,368	\$ 41,446,136
PER SHARE DATA		
Weighted average number of common stock shares outstanding		
Basic	2,541,339	2,532,116
Diluted	2,566,077	2,556,515
Earnings per common share (based on weighted average shares outstanding)		
Basic	\$ 18.19	\$ 16.37
Diluted	\$ 18.01	\$ 16.21

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

(dollars in thousands)

	Quarters Ended				
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
SELECTED DATA					
Interest-bearing deposits with banks	\$ 438,603	\$ 369,892	\$ 213,096	\$ 351,054	\$ 344,438
Securities	1,162,292	990,747	944,932	979,982	907,333
Total loans	3,556,598	3,563,965	3,534,320	3,377,588	3,351,052
Allowance for loan losses	84,969	84,760	83,647	83,250	81,210
Earning assets ¹	5,165,726	4,925,887	4,695,551	4,717,351	4,615,066
Total assets	5,305,272	5,069,283	4,841,934	4,853,476	4,771,922
Deposits	4,540,548	4,280,436	4,109,565	4,145,015	4,082,517
Interest-bearing liabilities	2,980,365	2,882,205	2,785,625	2,799,084	2,770,756
Preferred equity	-	-	19,571	19,571	19,571
Common equity	464,407	452,819	441,383	432,311	422,027
Total shareholders' equity	464,407	452,819	460,954	451,882	441,598
Common equity to total assets	8.75%	8.93%	9.12%	8.91%	8.84%
Total equity to total assets	8.75%	8.93%	9.52%	9.31%	9.25%
Full-time equivalent employees	880	876	861	852	864

ASSET QUALITY RATIOS

Allowance for loan losses to total loans	2.39%	2.38%	2.37%	2.46%	2.42%
Allowance for loan losses to noncurrent loans	454%	395%	339%	322%	285%
Net charge-offs (recoveries) to total average loans	-0.01%	0.00%	0.02%	-0.04%	0.01%
Noncurrent loans and ORE to assets	0.36%	0.43%	0.53%	0.56%	0.62%
Noncurrent loans, ORE and TDRs to assets	0.64%	0.73%	0.83%	0.90%	0.95%

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

(dollars in thousands, except per share data)

	Quarters Ended			% Change	
	December 31, 2015	September 30, 2015	December 31, 2014	Sequential Quarter	Year over Year
PERFORMANCE					
Net interest revenue, fully tax-equivalent	\$ 42,658	\$ 41,876	\$ 40,608	1.9%	5.0%
Fully tax-equivalent adjustment	364	325	359	12.0%	1.4%
Net interest revenue	42,294	41,551	40,249	1.8%	5.1%
Provision for loan losses	-	1,000	1,500	-100.0%	-100.0%
Net interest revenue after provision for loan losses	42,294	40,551	38,749	4.3%	9.1%
Noninterest revenue	14,516	11,798	11,126	23.0%	30.5%
Noninterest expense	37,766	34,400	34,251	9.8%	10.3%
Income before income taxes	19,044	17,949	15,624	6.1%	21.9%
Income taxes	5,698	6,265	5,326	-9.1%	7.0%
Net income	13,346	11,684	10,298	14.2%	29.6%
Preferred stock dividends	-	43	84	-100.0%	-100.0%
Net income available to common shareholders	\$ 13,346	\$ 11,641	\$ 10,214	14.6%	30.7%

PER COMMON SHARE

Net income available to common shareholders (basic)	\$ 5.25	\$ 4.58	\$ 4.03	14.6%	30.3%
Net income available to common shareholders (diluted)	5.20	4.53	3.99	14.8%	30.3%
Common cash dividends	0.68	0.68	0.60	0.0%	13.3%
Common shareholders' equity	180.79	176.38	164.93	2.5%	9.6%

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

	Quarters Ended			% Change	
	December 31, 2015	September 30, 2015	December 31, 2014	Sequential Quarter	Year over Year
PERFORMANCE RATIOS					
Return on average assets	1.01%	0.93%	0.86%	0.08%	0.15%
Return on average shareholders' equity	11.56%	9.94%	8.80%	1.62%	2.76%
Margin on average earning assets ¹	3.33%	3.45%	3.49%	-0.12%	-0.16%
Noninterest expense to average assets	2.87%	2.75%	2.85%	0.12%	0.02%
Noninterest revenue to average assets	1.10%	0.94%	0.93%	0.16%	0.17%
Efficiency ratio	66.10%	64.10%	66.20%	2.00%	-0.10%
Common cash dividends to net income	12.96%	14.80%	14.76%	-1.84%	-1.80%
Preferred cash dividends to net income	0.00%	0.37%	0.82%	-0.37%	-0.82%
Total cash dividends to net income	12.96%	15.17%	15.58%	-2.21%	-2.62%

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

(dollars in thousands, except per share data)

	Twelve Months Ended		% Change
	December 31, 2015	December 31, 2014	Year over Year
PERFORMANCE			
Net interest revenue, fully tax-equivalent	\$ 165,150	\$ 157,228	5.0%
Fully tax-equivalent adjustment	1,349	1,393	-3.2%
Net interest revenue	163,801	155,835	5.1%
Provision for loan losses	2,667	6,000	-55.6%
Net interest revenue after provision for loan losses	161,134	149,835	7.5%
Noninterest revenue	48,857	44,498	9.8%
Noninterest expense	140,369	130,542	7.5%
Income before income taxes	69,622	63,791	9.1%
Income taxes	23,262	21,927	6.1%
Net income	46,360	41,864	10.7%
Preferred stock dividends	142	418	-66.0%
Net income available to common shareholders	\$ 46,218	\$ 41,446	11.5%

PER COMMON SHARE

Net income available to common shareholders (basic)	\$ 18.19	\$ 16.37	11.1%
Net income available to common shareholders (diluted)	18.01	16.21	11.1%
Common cash dividends	2.72	2.40	13.3%
Common shareholders' equity	180.79	164.93	9.6%

PERFORMANCE RATIOS

Return on average assets	0.94%	0.92%	0.02%
Return on average shareholders' equity	10.12%	9.14%	0.98%
Margin on average earning assets ¹	3.42%	3.57%	-0.15%
Noninterest expense to average assets	2.83%	2.87%	-0.04%
Noninterest revenue to average assets	0.99%	0.98%	0.01%
Efficiency ratio	65.60%	64.70%	0.90%
Common cash dividends to net income	14.92%	14.52%	0.40%
Preferred cash dividends to net income	0.30%	1.00%	-0.70%
Total cash dividends to net income	15.22%	15.52%	-0.30%

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