2017 Audited Financial Statements

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,				
	2017	2016	2015	2014	2013
PERFORMANCE					
Net interest revenue, fully tax-equivalent	**$ 208,018**	$ 182,948	$ 165,150	$ 157,228	$ 147,571
Fully tax-equivalent adjustment	**1,249**	1,387	1,349	1,393	1,315
Net interest revenue	**206,769**	181,561	163,801	155,835	146,256
Provision for loan losses	**-**	2,250	2,667	6,000	6,767
Net interest revenue after provision for loan losses	**206,769**	179,311	161,134	149,835	139,489
Noninterest revenue	**49,137**	48,541	48,857	44,498	53,482
Noninterest expense	**167,832**	148,429	140,369	130,542	126,210
Income before income taxes	**88,074**	79,423	69,622	63,791	66,761
Income taxes	**46,276**	27,696	23,262	21,927	22,967
Net income	**41,798**	51,727	46,360	41,864	43,794
Preferred stock dividends	**-**	-	142	418	1,724
Net income available to common shareholders	**$ 41,798**	$ 51,727	$ 46,218	$ 41,446	$ 42,070
SELECTED YEAR-END DATA					
Interest-bearing deposits with banks	**$ 748,822**	$ 326,002	$ 438,603	$ 344,438	$ 277,007
Securities	**1,387,176**	1,384,817	1,162,292	907,333	809,325
Total loans	**3,932,076**	3,785,076	3,556,598	3,351,052	3,175,764
Allowance for loan losses	**86,784**	85,787	84,969	81,210	82,427
Earning assets	**6,095,353**	5,522,413	5,165,726	4,615,066	4,280,783
Total assets	**6,246,093**	5,668,953	5,305,272	4,771,922	4,436,124
Deposits	**5,448,866**	4,923,690	4,540,548	4,082,517	3,793,077
Interest-bearing liabilities	**3,313,797**	3,106,707	2,980,365	2,770,756	2,527,040
Preferred equity	**-**	-	-	19,571	44,571
Common equity	**530,791**	496,286	464,407	422,027	393,498
Total shareholders' equity	**530,791**	496,286	464,407	441,598	438,069
Full-time equivalent employees	**965**	927	882	864	840
PER COMMON SHARE					
Net income available to common shareholders (basic)	**$ 16.42**	$ 20.33	$ 18.19	$ 16.37	$ 16.67
Net income available to common shareholders (diluted)	**16.36**	20.29	18.01	16.21	16.52
Common cash dividends	**3.36**	3.00	2.72	2.40	1.60
Common shareholders' equity	**206.48**	193.66	180.79	164.93	154.35
PERFORMANCE RATIOS					
Return on average assets	**0.72%**	0.98%	0.94%	0.92%	1.00%
Return on average shareholders' equity	**7.93%**	10.53%	10.12%	9.14%	10.21%
Margin on average earning assets	**3.66%**	3.53%	3.42%	3.57%	3.48%
Noninterest expense to average assets	**2.89%**	2.81%	2.83%	2.87%	2.89%
Efficiency ratio	**65.3%**	64.1%	65.6%	64.7%	62.8%
Net loans to deposits	**70.6%**	75.1%	76.5%	80.1%	81.6%
Total cash dividends to net income	**20.5%**	14.8%	15.2%	15.5%	13.2%
CAPITAL RATIOS					
Common equity to total assets	**8.50%**	8.75%	8.75%	8.84%	8.87%
Total equity to total assets	**8.50%**	8.75%	8.75%	9.25%	9.88%
Tier 1 leverage	**9.32%**	9.59%	9.41%	9.87%	10.27%
Common equity tier 1 capital	**12.41%**	11.90%	11.98%	N/A	N/A
Tier 1 risk-based capital	**12.41%**	11.90%	11.98%	12.70%	12.91%
Total risk-based capital	**13.67%**	13.16%	13.24%	13.96%	14.17%
ASSET QUALITY RATIOS					
Allowance for loan losses to total loans	**2.21%**	2.27%	2.39%	2.42%	2.60%
Allowance for loan losses to noncurrent loans	**755.32%**	597.57%	453.98%	285.36%	260.64%
Net charge-offs (recoveries) to total average loans	**(0.03%)**	0.04%	(0.03%)	0.22%	0.03%
Noncurrent loans and ORE to assets	**0.19%**	0.27%	0.36%	0.62%	0.84%
Noncurrent loans, ORE and TDRs to assets	**0.21%**	0.33%	0.64%	0.95%	1.38%

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

	December 31, 2017	December 31, 2016
ASSETS		
Cash and due from banks	**$ 106,151,555**	$ 97,412,042
Interest-bearing deposits with banks	**748,821,952**	326,001,529
Securities available for sale, at fair value	**906,663,938**	932,788,461
Securities held to maturity, at amortized cost	**480,511,844**	452,029,006
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**6,857,600**	6,421,500
Loans receivable:		
Held for sale	**21,068,365**	27,972,608
Held in portfolio	**3,911,007,180**	3,757,103,510
Total loans	**3,932,075,545**	3,785,076,118
Allowance for loan losses	**(86,784,229)**	(85,786,743)
Loans net of allowance for loan losses	**3,845,291,316**	3,699,289,375
Premises and equipment, net	**50,888,675**	42,986,615
Other real estate, net	**310,500**	870,500
Deferred income taxes, net	**25,539,866**	41,799,884
Cash surrender value of life insurance	**7,859,504**	21,331,668
Accrued interest receivable	**19,574,352**	17,061,492
Prepaid expenses and other assets	**47,621,692**	30,961,127
Total assets	**$ 6,246,092,794**	$ 5,668,953,199
LIABILITIES		
Deposits:		
Noninterest-bearing	**$ 2,357,204,208**	$ 2,028,445,434
Interest-bearing	**3,091,661,772**	2,895,244,374
Total deposits	**5,448,865,980**	4,923,689,808
Securities sold under agreements to repurchase	**222,135,525**	211,462,438
Accrued interest payable	**570,243**	439,921
Other liabilities	**43,730,063**	37,075,124
Total liabilities	**5,715,301,811**	5,172,667,291
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; 2,545,614 shares issued and outstanding at December 31, 2017; 2,537,618 shares issued and outstanding at December 31, 2016	**29,919,275**	28,292,925
Surplus	**32,665,000**	32,665,000
Undivided profits	**513,131,560**	471,885,130
	575,965,835	533,093,055
Accumulated other comprehensive loss	**(45,174,852)**	(36,807,147)
Total shareholders' equity	**530,790,983**	496,285,908
Total liabilities and shareholders' equity	**$ 6,246,092,794**	$ 5,668,953,199

See notes to consolidated financial statements.

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

	Years Ended December 31,		
	2017	2016	2015
INTEREST REVENUE			
Loans, including fees	**$ 179,649,629**	$ 161,242,023	$ 151,464,308
Deposits with banks	**4,173,196**	1,446,623	989,400
Securities:			
Taxable	**27,029,269**	22,571,811	15,665,705
Tax-exempt	**104,953**	110,020	86,878
Other interest and dividend income	**91,610**	129,549	31,418
Total interest revenue	**211,048,657**	185,500,026	168,237,709
INTEREST EXPENSE			
Demand and savings deposits	**2,931,580**	2,581,128	2,361,846
Time deposits	**1,164,993**	1,164,870	1,838,692
Securities sold under agreements to repurchase	**182,867**	181,777	235,953
Other borrowings	**69**	11,262	32
Total interest expense	**4,279,509**	3,939,037	4,436,523
Net interest revenue	**206,769,148**	181,560,989	163,801,186
Provision for loan losses	**-**	2,250,000	2,666,700
Net interest revenue after provision for loan losses	**206,769,148**	179,310,989	161,134,486
NONINTEREST REVENUE			
Fiduciary income	**14,643,254**	13,565,832	13,864,892
Investment services fees	**3,999,719**	4,009,562	4,420,838
Bank card and credit card fees, net	**11,667,417**	11,444,237	11,020,060
Mortgage banking revenue, net	**6,184,067**	8,253,908	5,751,736
Other fees on loans	**974,228**	1,124,701	1,221,989
Service charges on deposits	**6,909,474**	6,698,751	6,464,820
Other service charges, commissions and fees	**816,082**	761,017	796,613
Net gains (losses) on other real estate	**(11,649)**	56,418	742,204
Gains on sale of securities, net	**-**	1,000,753	605,669
Other income	**3,954,696**	1,626,011	3,968,336
Total noninterest revenue	**49,137,288**	48,541,190	48,857,157
NONINTEREST EXPENSE			
Salaries	**81,343,395**	71,631,756	64,479,547
Pension and employee benefits	**19,653,965**	19,058,371	17,408,294
Occupancy expense	**9,187,992**	7,821,361	7,504,188
Furniture and equipment expense	**6,399,417**	6,459,633	6,236,960
Software expense	**8,549,694**	7,305,595	6,887,709
Data processing expense	**9,506,732**	8,963,687	8,834,374
Marketing and public relations	**6,751,104**	4,627,305	5,318,014
Professional fees	**3,817,597**	3,337,492	3,528,142
State revenue taxes	**1,986,543**	1,672,319	1,473,916
FDIC assessments	**2,382,974**	2,491,772	2,845,366
Other real estate operations	**80,699**	87,470	87,483
Other expense	**18,172,305**	14,972,219	15,765,948
Total noninterest expense	**167,832,417**	148,428,980	140,369,941
Income before income taxes	**88,074,019**	79,423,199	69,621,702
Income taxes	**46,276,428**	27,696,541	23,261,988
NET INCOME	**$ 41,797,591**	$ 51,726,658	$ 46,359,714

See notes to consolidated financial statements.

Continued

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

	Years Ended December 31,		
	2017	2016	2015
NET INCOME	**$ 41,797,591**	$ 51,726,658	$ 46,359,714
Preferred stock dividends	**-**	-	141,346
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	**$ 41,797,591**	$ 51,726,658	$ 46,218,368
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,545,414**	2,543,917	2,541,339
Diluted	**2,554,837**	2,549,894	2,566,077
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 16.42**	$ 20.33	$ 18.19
Diluted	**$ 16.36**	$ 20.29	$ 18.01

See notes to consolidated financial statements.

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

	Years Ended December 31,		
	2017	2016	2015
NET INCOME	**$ 41,797,591**	$ 51,726,658	$ 46,359,714
Securities available for sale:			
Unrealized losses arising during the year	**(325,412)**	(16,645,512)	(3,103,413)
Income tax benefit related to unrealized losses	**113,894**	5,825,929	1,086,195
Reclassification adjustment for gains included in net income	**-**	(1,000,753)	(605,669)
Income tax expense related to reclassification adjustment for gains included in net income	**-**	350,264	211,984
Net change in unrealized losses	**(211,518)**	(11,470,072)	(2,410,903)
Defined benefit pension plan:			
Unrealized (loss) gain arising during the year	**(3,393,248)**	(2,687,260)	2,210,949
Income tax benefit (expense) related to unrealized (loss) gain	**1,187,637**	940,541	(773,832)
Reclassification adjustment for amounts included in net income	**3,161,683**	3,599,993	3,853,966
Income tax benefit related to reclassification adjustment for amounts included in net income	**(1,106,589)**	(1,259,998)	(1,348,888)
Net decrease (increase) in unrealized losses	**(150,517)**	593,276	3,942,195
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(362,035)**	(10,876,796)	1,531,292
COMPREHENSIVE INCOME	**$ 41,435,556**	$ 40,849,862	$ 47,891,006

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 Class C	Common Stock Class A	Common Stock Class B	Treasury Stock	Surplus	Other Comprehensive Loss	Undivided Profits
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
Net income, 2017	41,797,591	-	-	-	-	-	-	-	41,797,591
Other comprehensive loss, net of tax	(362,035)	-	-	-	-	-	-	(362,035)	-
Reclassification of certain tax effects	-	-	-	-	-	-	-	(8,005,670)	8,005,670
Cash dividends of $3.36 per share	(8,556,831)	-	-	-	-	-	-	-	(8,556,831)
Stock-based compensation	1,355,629	7,150	-	-	1,355,629	-	-	-	-
Stock-based directors' fees	270,721	846	-	-	270,721	-	-	-	-
Balance, December 31, 2017	$530,790,983	2,570,614	$ -	$ 250,000	$ 29,919,275	$ -	$ 32,665,000	$ (45,174,852)	$ 513,131,560

See notes to consolidated financial statements.

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

	Years Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income	**$ 41,797,591**	$ 51,726,658	$ 46,359,714
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**-**	2,250,000	2,666,700
Provision for losses on other real estate	**-**	183,878	39,000
Deferred income taxes (benefit)	**16,113,073**	(1,043,243)	(1,615,251)
Depreciation	**6,078,389**	6,407,146	6,386,618
Amortization of software	**1,325,692**	1,802,075	1,755,875
Amortization of intangibles	**-**	-	543,045
Net premium amortization of securities	**2,769,562**	3,824,015	4,276,157
Change in mortgage servicing rights	**151,310**	146,991	207,423
Gains on sales of securities, net	**-**	(1,000,753)	(605,669)
Losses on sales of premises and equipment	**892,546**	1,147	68,939
(Gains) losses on sale of other real estate, net	**11,649**	(240,296)	(781,204)
Origination of loans held for sale	**(210,035,622)**	(321,748,885)	(265,470,392)
Proceeds from sales of loans held for sale	**223,239,431**	326,021,310	256,462,995
Gains on sales of loans	**(6,299,566)**	(8,516,438)	(5,756,418)
Increase in accrued interest receivable	**(2,512,860)**	(3,379,342)	(699,573)
Increase in cash surrender value of life insurance	**(4,710,667)**	(1,085,688)	(4,161,285)
Stock-based compensation	**1,355,629**	1,363,219	1,276,286
Stock-based directors' fees	**270,721**	300,132	270,210
Contributions to pension plan	**(1,000,000)**	(10,750,000)	(6,000,000)
(Increase) decrease in other assets	**1,873,757**	(3,695,269)	4,060,108
Increase in accrued expenses and other liabilities	**6,785,261**	2,180,113	6,030,816
Net cash provided by operating activities	**78,105,896**	44,746,770	45,314,094
Cash flows from investing activities:			
Net (increase) decrease in interest-bearing deposits with banks	**(422,820,423)**	112,601,697	(94,164,882)
Securities available for sale:			
Payments for purchases	**(45,028,082)**	(755,428,728)	(365,604,858)
Proceeds from sales	**-**	376,814,325	74,244,982
Proceeds from maturities, calls, and paydowns	**69,235,914**	106,228,294	82,065,456
Securities held to maturity:			
Payments for purchases	**(177,933,803)**	(90,171,819)	(128,899,292)
Proceeds from maturities, calls, and paydowns	**148,272,682**	119,563,325	75,854,737
Net change in Federal Home Loan Bank stock	**(436,100)**	(640,200)	7,719,600
Net increase in loans held in portfolio	**(152,934,084)**	(226,551,115)	(190,763,463)
Purchases of premises and equipment	**(15,570,660)**	(5,461,468)	(5,722,212)
Proceeds from sales of premises and equipment	**170,697**	644,070	659,431
Purchases of software	**(226,687)**	(565,138)	(231,930)
Proceeds from investments	**35,484**	22,014	101,969
Proceeds from sales of other real estate	**576,251**	426,745	2,536,214
Proceeds from the settlement of life insurance	**-**	16,305,483	-
Net cash used in investing activities	**(596,658,811)**	(346,212,515)	(542,204,248)

See notes to consolidated financial statements.

Continued

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

	Years Ended December 31,		
	2017	2016	2015
Cash flows from financing activities:			
Net increase in deposits	**$ 525,176,172**	$ 383,141,758	$ 458,031,001
Net increase (decrease) in securities sold under repurchase agreements	**10,673,087**	(53,424,672)	58,593,195
Repurchase and retirement of common stock	**-**	(3,000,000)	-
Repurchase of preferred stock	**-**	-	(19,571,000)
Common stock dividends paid	**(8,556,831)**	(7,634,318)	(6,915,771)
Preferred stock dividends paid	**-**	-	(190,274)
Net cash provided by financing activities	**527,292,428**	319,082,768	489,947,151
Increase (decrease) in cash and cash equivalents	**8,739,513**	17,617,023	(6,943,003)
Cash and cash equivalents at beginning of year	**97,412,042**	79,795,019	86,738,022
Cash and cash equivalents at end of year	**$ 106,151,555**	$ 97,412,042	$ 79,795,019
Supplemental disclosures of cash flow information:			
Cash paid for interest	**$ 4,149,187**	$ 4,025,701	$ 5,022,367
Cash paid for income taxes	**35,858,626**	28,648,149	24,534,843
Transfer from loans to other real estate	**27,900**	885,327	1,073,048
Transfer from cash surrender value life insurance to other assets	**18,182,831**	-	16,182,537
Transfer between premises and equipment and prepaid expenses and other assets	**526,968**	81,989	219,097

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 wholly-owned 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, valuation of other real estate, and fair value measures.

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, 2018, 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, 2017 and 2016, the Bank's investment in FHLB stock was $6,797,600 and $6,361,500, 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, 2017 and 2016, 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 other-than-temporary impairment on the stock investments as of December 31, 2017.

Cash Surrender Value of Life Insurance

The Bank has purchased life insurance policies on certain current and/or former 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. Impaired loans above a de minimis threshold are individually evaluated for impairment. The carrying value of individually evaluated 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.

Note 1: Summary of Significant Accounting Policies (continued)

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses in the portfolio. Management's determination of the allowance is based upon 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 minimis 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 instruments are contracts between two or more parties that have a notional and an underlying variable, require no net investment, and allow for the net settlement of positions. 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. The Bank is party to various interest rate swaps that are considered derivative instruments. For a fair value hedge, the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged item, are recognized in current earnings as fair values change. For stand-alone derivatives that have no hedging designation, changes in the fair value of a derivative are recorded in the consolidated statements of income.

The Bank utilizes forward sales contracts associated with mortgage banking activities in its derivative risk management strategy. The Bank enters into forward sales contracts with brokers/dealers 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, 2017, the estimated fair value of rate locks was $34,423 and the estimated fair value of forward sales agreements was $5,635. 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.

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 $1,454,424, $1,671,753 and $1,706,577 for 2017, 2016 and 2015, 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%; 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% 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 the basic earnings per share computation plus the dilutive effects of nonvested restricted stock using the treasury stock method.

Common Stock

At December 31, 2017 and 2016, 25,000 shares of Class A voting common stock were outstanding. Class B nonvoting common stock shares outstanding were 2,545,614 and 2,537,618 at December 31, 2017 and 2016, respectively. There were no Class C Series C-3 preferred stock shares outstanding at December 31, 2017 and 2016. Authorized Class C shares totaled 500,000 at December 31, 2017 and 2016.

Treasury Stock

Repurchased common stock shares that are not retired are recorded as treasury stock at cost. Treasury shares are not deemed outstanding for earnings per share calculations. There were no treasury shares held for reissue at December 31, 2017 and 2016.

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.

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.

Reclassifications

Certain amounts appearing in the consolidated financial statements and notes thereto for the years ended December 31, 2016 and 2015 have been reclassified to conform to the December 31, 2017 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.

Note 1: Summary of Significant Accounting Policies (continued)

Standards Adopted During the Current Period

ASU 2018-02, Income Statement – Reporting Comprehensive Income *(Topic 220)*. W.T.B. adopted this Accounting Standards Update ("ASU") on February 14, 2018 for the year ended 2017, a financial statement reporting period that had not been issued. This standard allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act ("Tax Act"). The amount of reclassification consists of the difference between the historical corporate income tax rates and the newly enacted 21% corporate income tax rate. As a result of the adoption, W.T.B. had a net reclassification of $8,005,670 from accumulated other comprehensive income to retained earnings. W.T.B.'s policy is to release material stranded tax effects on a specific identification basis.

ASU 2016-09, Compensation – Stock Compensation *(Topic 718)*. On January 1, 2017, W.T.B. adopted this standard. This 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 are now recognized through earnings, eliminating the tracking of windfalls previously recorded in additional paid in capital. The adoption of this standard also impacts entities that use the treasury stock method to compute diluted earnings per share. After adoption, W.T.B. excluded excess tax benefits and tax deficiencies from the calculation of assumed proceeds since such amounts are recognized in the income statement. The impact of applying this guidance reduced reported income tax expense for the year ended December 31, 2017 by $220,638.

Standards Not Yet Adopted

ASU 2017-12, Derivatives and Hedging *(Topic 815)*. This standard more closely aligns the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. The standard addresses the specific limitations in current GAAP by expanding hedge accounting for both nonfinancial and financial components and by refining the measurement of hedge results to better reflect W.T.B.'s hedging strategies. The amendments in this update are effective for annual periods beginning after December 15, 2018, 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.

ASU 2017-08, Receivables – Nonrefundable Fees and Other Costs *(Topic 310-20)*. This standard shortens the amortization period for certain callable debt securities held at a premium, requiring the premium to be amortized to the earliest call date. Securities held at a discount will continue to be amortized to maturity. The amendments in this update are effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods. This ASU is not expected to have a significant impact on W.T.B.'s consolidated financial statements.

ASU 2017-07, Compensation – Retirement Benefits *(Topic 715)*. This standard improves the presentation of net periodic pension cost and net periodic postretirement benefit cost in the financial statements. The amendments in this update require that an employer disaggregate the service cost component from the other components of net benefit cost. The amendments also provide explicit guidance on how to present the service cost component and other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. The amendments in this update are effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. This ASU is not expected to have a significant impact on W.T.B.'s consolidated financial statements.

ASU 2016-02, Leases *(Topic 842)*. This 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. Although an estimate of the impact of the leasing standard has not yet been determined, W.T.B. expects a significant new lease asset and related lease liability on the balance sheet due to the number of leased properties W.T.B. currently has that are accounted for under current operating lease guidance.

ASU 2016-13, Financial Instruments – Credit Losses *(Topic 326)*. This 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 judgment 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.

Note 1: Summary of Significant Accounting Policies (continued)

Standards Not Yet Adopted (continued)

ASU 2014-09, Revenue from Contracts with Customers *(Topic 606)*. In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which creates Topic 606 and supersedes Topic 605, Revenue Recognition. In August 2015, FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606), which postponed the effective date of 2014-09. Multiple ASUs and interpretative guidance have been issued in connection with ASU 2014-09. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In general, the new guidance requires companies to use more judgment and make more estimates than under current guidance, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The standard is effective for public entities for interim and annual periods beginning after December 15, 2017; early adoption is not permitted. For financial reporting purposes, the standard allows for either full retrospective adoption, meaning the standard is applied to all of the periods presented, or modified retrospective adoption, meaning the standard is applied only to the most current period presented in the financial statements with the cumulative effect of initially applying the standard recognized at the date of initial application. This ASU is not expected to have a material impact on W.T.B.'s consolidated financial statements starting in 2018.

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, 2017 and 2016, these reserve balance requirements were $29,564,000 and $23,073,000, respectively, which were met by the Bank.

Note 3: Securities

The amortized costs and fair values for securities as of December 31, 2017 and 2016 were as follows:

	2017			
Securities Available for Sale:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 589,442,039	$ 38,052	$ 13,522,444	$ 575,957,647
States and political subdivisions	1,294,158	51,869	-	1,346,027
Mortgage-backed securities	336,350,020	454,656	7,444,412	329,360,264
	$ 927,086,217	$ 544,577	$ 20,966,856	$ 906,663,938

	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

	2017			
Securities Held to Maturity:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 201,586,945	$ 92,477	$ 1,470,625	$ 200,208,797
States and political subdivisions	2,411,213	12,285	1,988	2,421,510
Mortgage-backed securities	276,513,686	11,332	4,024,316	272,500,702
	$ 480,511,844	$ 116,094	$ 5,496,929	$ 475,131,009

	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

Note 3: Securities (continued)

The following tables show the gross unrealized losses and fair values, aggregated by category and the length of time that individual securities have been in a continuous unrealized loss position at December 31, 2017 and 2016.

2017	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	$ 100,905,415	$ 1,049,875	$ 459,949,423	$ 12,472,569	$ 560,854,838	$ 13,522,444
Mortgage-backed securities	24,900,436	537,499	282,937,088	6,906,913	307,837,524	7,444,412
	$ 125,805,851	$ 1,587,374	$ 742,886,511	$ 19,379,482	$ 868,692,362	$ 20,966,856

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

2017	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	$ 88,580,200	$ 511,018	$ 44,890,318	$ 959,607	$ 133,470,518	$ 1,470,625
States and political subdivisions	570,090	1,988	-	-	570,090	1,988
Mortgage-backed securities	183,863,783	2,288,047	85,604,815	1,736,269	269,468,598	4,024,316
	$ 273,014,073	$ 2,801,053	$ 130,495,133	$ 2,695,876	$ 403,509,206	$ 5,496,929

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

The above table represents 62 available-for-sale and 46 held-to-maturity securities for which the fair value at December 31, 2017, was less than the amortized cost. There were 60 available-for-sale securities and 36 held-to-maturity securities in an unrealized loss position as of December 31, 2016.

W.T.B. reviews investment securities on an ongoing basis for the presence of OTTI. As of December 31, 2017, there were 54 available-for-sale securities and 24 held-to-maturity 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, 2017.

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, 2017, 2016 and 2015, no impairments through OCI or earnings. There were no securities with OTTI losses recognized as of December 31, 2017 and 2016.

Note 3: Securities (continued)

As of December 31, 2017, 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	$ 123,427,861	$ 120,226,513	$ 162,971,876	$ 160,705,044
State and local government public deposits	35,842,555	35,314,685	20,198,510	20,016,005
Other	36,247,125	35,730,442	52,336,953	51,986,371
	$ 195,517,541	$ 191,271,640	$ 235,507,339	$ 232,707,420

In 2017, W.T.B. did not sell any available-for-sale securities. 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.

The amortized costs and fair values of debt securities by years to maturity as of December 31, 2017 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 after one year through five years	$ 506,398,529	$ 495,242,677	$ 31,987,485	$ 31,788,972
Due after five years through ten years	141,058,027	138,199,864	123,534,774	122,774,271
Due after ten years	279,629,661	273,221,397	324,989,585	320,567,766
	$ 927,086,217	$ 906,663,938	$ 480,511,844	$ 475,131,009

Note 4: Loans and Allowance for Loan Losses

Loans

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

	2017	2016
Commercial and industrial	$ 1,256,795,585	$ 1,182,806,988
Agricultural	207,861,171	203,373,873
Commercial real estate		
Owner occupied	611,987,613	589,880,088
Non-owner occupied	646,910,988	643,024,655
Construction and development		
Commercial	210,418,356	230,863,039
Residential	188,667,094	165,083,605
Residential real estate		
First mortgage	432,064,400	394,217,072
Junior mortgage	33,628,571	36,336,329
Revolving	208,590,321	209,367,515
Consumer	114,083,081	102,150,346
Total portfolio loans	$ 3,911,007,180	$ 3,757,103,510

Loans are reduced by unamortized deferred fees and costs of $8,015,384 and $6,963,653 at December 31, 2017 and 2016, respectively. Loans of $1,933,007,073 and $1,729,377,067 were pledged at December 31, 2017 and 2016, 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 credit performance 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:

2017	Commercial and Agricultural	Real Estate Secured: Commercial	Real Estate Secured: Construction	Real Estate Secured: Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 33,705,783	$ 13,592,968	$ 14,670,051	$ 19,391,165	$ 1,487,414	$ 2,939,362	$ 85,786,743
Charge-offs	(4,404,767)	-	(53,112)	(916,416)	(914,119)	-	(6,288,414)
Recoveries	2,976,419	1,459,316	952,362	1,506,353	391,450	-	7,285,900
Provision (recapture)	2,608,673	1,272,385	(1,819,380)	(1,360,102)	543,345	(1,244,921)	-
Ending balance	$ 34,886,108	$ 16,324,669	$ 13,749,921	$ 18,621,000	$ 1,508,090	$ 1,694,441	$ 86,784,229
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 128,912	$ -	$ 338,402	$ 280,845	$ 24,111	$ -	$ 772,270
Collectively evaluated for impairment	34,757,196	16,324,669	13,411,519	18,340,155	1,483,979	1,694,441	86,011,959
Total allowance for loan losses	$ 34,886,108	$ 16,324,669	$ 13,749,921	$ 18,621,000	$ 1,508,090	$ 1,694,441	$ 86,784,229
Loans:							
Portfolio loans:							
Loans individually evaluated for impairment	$ 2,117,621	$ -	$ 2,406,652	$ 2,533,068	$ 193,662		$ 7,251,003
Loans collectively evaluated for impairment	1,462,539,135	1,258,898,601	396,678,798	671,750,224	113,889,419		3,903,756,177
Total portfolio loans	$ 1,464,656,756	$1,258,898,601	$ 399,085,450	$ 674,283,292	$ 114,083,081		$ 3,911,007,180

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

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

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

Impaired Loans

Impaired loans below a de minimis threshold are collectively evaluated for impairment. Impaired loans collectively evaluated for impairment were $5,462,483, $5,452,565 and $6,772,021 for the years ended December 31, 2017, 2016 and 2015, respectively. The following table presents impaired loans and the related valuation allowance.

	2017	2016	2015
December 31:			
Nonaccrual loans	$ 11,223,901	$ 14,275,269	$ 18,426,803
Accruing troubled debt restructurings	1,223,796	3,384,419	14,814,920
Loans past due 90 days or more and still accruing	265,789	80,673	289,618
Total impaired loans	$ 12,713,486	$ 17,740,361	$ 33,531,341
Impaired loans with no valuation allowance	$ 2,541,941	$ 4,194,624	$ 5,512,082
Impaired loans with a valuation allowance	10,171,545	13,545,737	28,019,259
Total impaired loans	$ 12,713,486	$ 17,740,361	$ 33,531,341
Allowance on impaired loans	$ 1,449,071	$ 2,514,877	$ 5,361,248
For the years ended December 31:			
Average impaired loans	$ 15,686,600	$ 25,103,380	$ 38,162,910
Cash-basis interest income	$ 399,897	$ 501,685	$ 1,131,725

Commitments to advance additional funds in connection with impaired loans were $27,034 and $11,856 at December 31, 2017 and 2016, 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:

	2017				
	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:					
Commercial and industrial	$ 1,155,986	$ 3,955,986	$ -	$ 96,332	$ 8,375
Agricultural	-	-	-	79,032	-
Commercial real estate					
Owner occupied	-	-	-	-	16,691
Non-owner occupied	-	-	-	-	11,086
Construction and development					
Commercial	-	-	-	-	-
Residential	243,879	356,313	-	2,436,631	-
Residential real estate					
First mortgage	442,579	690,712	-	258,171	11,344
Junior mortgage	-	-	-	-	14,891
Revolving	699,497	699,497	-	233,166	4,560
Consumer	-	-	-	-	4,128
Total loans with no related allowance recorded	2,541,941	5,702,508	-	3,103,332	71,075
Loans with related allowance recorded:					
Commercial and industrial	2,076,047	2,754,791	266,987	1,670,183	-
Agricultural	148,514	148,514	18,401	321,047	107,183
Commercial real estate					
Owner occupied	423,717	423,717	52,499	466,812	41,739
Non-owner occupied	230,539	255,413	28,564	266,202	47,675
Construction and development					
Commercial	56,441	56,441	6,993	28,221	-
Residential	2,325,228	6,668,686	358,530	4,282,822	54,271
Residential real estate					
First mortgage	2,340,698	3,309,014	392,224	2,521,303	67,010
Junior mortgage	1,195,030	1,514,252	148,064	1,542,534	10,944
Revolving	1,057,000	1,344,119	137,252	1,084,770	-
Consumer	318,331	330,742	39,557	399,374	-
Total loans with related allowance recorded	10,171,545	16,805,689	1,449,071	12,583,268	328,822
Total impaired loans:					
Commercial and industrial	3,232,033	6,710,777	266,987	1,766,515	8,375
Agricultural	148,514	148,514	18,401	400,079	107,183
Commercial real estate					
Owner occupied	423,717	423,717	52,499	466,812	58,430
Non-owner occupied	230,539	255,413	28,564	266,202	58,761
Construction and development					
Commercial	56,441	56,441	6,993	28,221	-
Residential	2,569,107	7,024,999	358,530	6,719,453	54,271
Residential real estate					
First mortgage	2,783,277	3,999,726	392,224	2,779,474	78,354
Junior mortgage	1,195,030	1,514,252	148,064	1,542,534	25,835
Revolving	1,756,497	2,043,616	137,252	1,317,936	4,560
Consumer	318,331	330,742	39,557	399,374	4,128
Total impaired loans	$ 12,713,486	$ 22,508,197	$ 1,449,071	$ 15,686,600	$ 399,897

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

	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)

Troubled Debt Restructurings

Included in impaired loans are troubled debt restructurings. At December 31, 2017 and 2016, respectively, the Bank reported loans totaling $5,041,883 and $8,878,409 that were troubled debt restructurings and on nonaccrual status. In addition to these amounts, the Bank had troubled debt restructurings of $1,223,796 and $3,384,419 at December 31, 2017 and 2016, respectively, which were performing in accordance with their modified terms and were on accrual status. The Bank has committed to lend additional amounts totaling up to $7,700 and $4,959 to customers with outstanding loans that were classified as troubled debt restructurings as of December 31, 2017 and 2016, 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, the Bank 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:

	2017			2016		
	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	-	$ -	$ -	-	$ -	$ -
Residential real estate						
First mortgage	1	43,200	43,200	1	340,000	340,000
Revolving	1	687,013	687,013	-	-	-
Consumer	-	-	-	-	-	-
Total	2	$ 730,213	$ 730,213	1	$ 340,000	$ 340,000

	2015		
	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	4,948	4,698
Revolving	-	-	-
Consumer	1	27,833	27,833
Total	5	$ 976,612	$ 983,447

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

Troubled Debt Restructurings (continued)

During 2017, the Bank had two restructured loans that were combination modifications. 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.

A default on a troubled debt restructuring is when a loan is more than 90 days delinquent on its contractual payment subsequent to restructuring. There were no restructured loans in which a default occurred within twelve months of the restructure date within the years ended December 31, 2017 and 2015. The following table presents restructured loans which incurred a default within the years ended December 31, 2016 for which the default occurred within twelve months of the restructure date.

	2016	
	Number of Contracts	Recorded Investment
Troubled debt restructurings that subsequently defaulted:		
Commercial and industrial	2	$ 147,867
Agricultural	1	782,970
	3	$ 930,837

Credit Quality Indicators

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

	2017					
	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	$ 3,061,594	$ 14,123	$ 3,075,717	$ 988,995	$ 1,252,730,873	$ 1,256,795,585
Agricultural	148,514	-	148,514	656,518	207,056,139	207,861,171
Commercial real estate						
Owner occupied	159,703	-	159,703	196,592	611,631,318	611,987,613
Non-owner occupied	23,910	-	23,910	6,690,859	640,196,219	646,910,988
Construction and development						
Commercial	56,441	-	56,441	-	210,361,915	210,418,356
Residential	2,569,107	-	2,569,107	-	186,097,987	188,667,094
Residential real estate						
First mortgage	2,523,270	175,169	2,698,439	1,968,215	427,397,746	432,064,400
Junior mortgage	838,203	-	838,203	1,610,119	31,180,249	33,628,571
Revolving	1,612,669	59,998	1,672,667	440,146	206,477,508	208,590,321
Consumer	230,490	16,499	246,989	63,240	113,772,852	114,083,081
Total portfolio loans	$ 11,223,901	$ 265,789	$ 11,489,690	$ 12,614,684	$ 3,886,902,806	$ 3,911,007,180

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

	2016					
	Noncurrent Loans			Loans Past Due		
	Nonaccrual	Past Due 90 or More Days and Still Accruing	Total	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

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)

Loans included in the risk category of impaired below include the following: 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:

	2017				
	Pass	Special Mention	Substandard	Impaired	Total
Commercial and industrial	$ 1,215,677,359	$ 24,001,415	$ 13,884,778	$ 3,232,033	$ 1,256,795,585
Agricultural	204,642,904	2,205,415	864,338	148,514	207,861,171
Commercial real estate					
Owner occupied	589,782,093	14,146,570	7,635,233	423,717	611,987,613
Non-owner occupied	644,060,184	2,606,687	13,578	230,539	646,910,988
Construction and development					
Commercial	209,402,474	959,441	-	56,441	210,418,356
Residential	184,274,121	-	1,823,866	2,569,107	188,667,094
Residential real estate					
First mortgage	424,133,949	2,543,870	2,603,304	2,783,277	432,064,400
Junior mortgage	31,761,082	606,732	65,727	1,195,030	33,628,571
Revolving	206,241,451	220,344	372,029	1,756,497	208,590,321
Consumer	113,664,550	86,799	13,401	318,331	114,083,081
Total portfolio loans	$ 3,823,640,167	$ 47,377,273	$ 27,276,254	$ 12,713,486	$ 3,911,007,180

	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

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, 2017 and 2016, were $136,623,667 and $164,195,633, respectively. Custodial escrow balances maintained in connection with the loan servicing, and included in the Bank's demand deposits, were $806,665 and $915,505 at December 31, 2017 and 2016, respectively. The balances of loans serviced for others related to servicing rights that have been capitalized at December 31, 2017 and 2016, were $136,237,473 and $163,745,924, 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:

	2017	2016
Unamortized cost	$ 789,127	$ 953,728
Valuation allowance	(385,324)	(398,615)
Carrying value	$ 403,803	$ 555,113
Fair value	$ 1,012,878	$ 1,212,228

At December 31, 2017 and 2016, the key economic assumptions of the current fair value of mortgage servicing rights were as follows:

	2017	2016
Prepayment speed assumption (constant prepayment rate)	14.54%	13.99%
Discount rate	9.50%	9.50%

Originated loans that were sold with servicing retained were $2,844,866, $8,525,805 and $8,626,814 in 2017, 2016 and 2015, respectively. Following is an analysis of the activity for mortgage servicing rights and the related valuation allowance for the years ended December 31:

	2017	2016	2015
Unamortized cost:			
Balance at beginning of year	$ 953,728	$ 1,134,504	$ 1,374,246
Mortgage servicing rights capitalized	23,501	60,930	63,764
Amortization	(188,102)	(241,706)	(303,506)
Balance at end of year	$ 789,127	$ 953,728	$ 1,134,504

	2017	2016	2015
Valuation allowance:			
Balance at beginning of year	$ (398,615)	$ (432,400)	$ (464,719)
Additions	(14,847)	(71,945)	(91,673)
Reductions	28,138	105,730	123,992
Balance at end of year	$ (385,324)	$ (398,615)	$ (432,400)

Note 6: Other Real Estate

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

	2017	2016	2015
Balance at beginning of year	$ 870,500	$ 355,500	$ 1,076,462
Properties acquired	27,900	885,327	1,073,048
Sales of foreclosed properties, net	(587,900)	(186,449)	(1,755,010)
Valuation adjustments	-	(183,878)	(39,000)
Balance at end of year	$ 310,500	$ 870,500	$ 355,500

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

	2017	2016	2015
Gains (losses) on sales	$ (11,649)	$ 240,296	$ 781,204
Valuation adjustments on other real estate	-	(183,878)	(39,000)
Net gains (losses) on other real estate	(11,649)	56,418	742,204
Operating expenses	(80,699)	(87,470)	(87,483)
Total other real estate related net income (loss)	$ (92,348)	$ (31,052)	$ 654,721

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, 2017.

Note 7: Premises and Equipment

A summary of W.T.B. premises and equipment at December 31 follows:

	2017	2016
Land	$ 15,843,264	$ 15,192,217
Buildings	72,776,648	68,886,457
Furniture and equipment	68,037,922	59,007,187
	156,657,834	143,085,861
Less accumulated depreciation	(105,769,159)	(100,099,246)
	$ 50,888,675	$ 42,986,615

Depreciation on W.T.B. premises and equipment was charged to occupancy expense or furniture and equipment expense in the amounts of $6,078,389, $6,407,146 and $6,386,618 in 2017, 2016 and 2015, respectively.

Note 8: Deposits

At December 31 deposits were as follows:

	2017	2016
Noninterest-bearing demand	$ 2,357,204,208	$ 2,028,445,434
Interest-bearing:		
Demand	969,024,197	811,139,949
Savings	1,829,361,599	1,793,797,921
Time deposits under $250,000	197,729,759	203,476,045
Time deposits $250,000 or more	69,529,095	64,601,264
Brokered time deposits	26,017,122	22,229,195
Total interest-bearing	3,091,661,772	2,895,244,374
	$ 5,448,865,980	$ 4,923,689,808

At December 31, 2017, the scheduled maturities of time deposits, including brokered time deposits, were as follows:

2018	$ 219,947,897
2019	43,116,342
2020	12,856,396
2021	10,849,648
2022 and thereafter	6,505,693
	$ 293,275,976

At December 31, 2017 and 2016, overdraft deposit accounts with balances of $2,211,745 and $825,589, 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:

	2017	2016
December 31:		
Repurchase amount	$ 222,135,525	$ 211,462,438
Rate	0.08%	0.08%
Average for the year:		
Amount	$ 231,033,386	$ 199,578,130
Rate	0.08%	0.09%
Maximum outstanding at any month end	$ 248,494,448	$ 256,351,698

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, 2017 and 2016, 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, 2017. 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 $530,881,583 at December 31, 2017.

There were no outstanding FHLB advances as of December 31, 2017 and 2016, respectively. The following table summarizes FHLB advances for the years ended December 31:

	2017	2016
Average for the year:		
Amount	$ 1,096	$ 2,175,956
Rate	1.17%	0.52%
Maximum outstanding at any month-end	$ -	$ 42,000,000

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 $871,631,415 at December 31, 2017 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, 2017 or 2016.

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.

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, 2017, and a statement of the funded status at December 31 of both years:

	2017	2016
Accumulated benefit obligation at end of year	$ 88,544,629	$ 82,152,230
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 88,606,734	$ 86,120,796
Service cost - benefits earned during the period	1,809,633	1,904,153
Interest cost	3,556,181	3,688,037
Actuarial loss	6,363,616	2,084,729
Benefits paid	(5,297,997)	(5,190,981)
Projected benefit obligation at end of year	95,038,167	88,606,734
Change in Pension Plan assets:		
Fair value of Pension Plan assets at beginning of year	94,951,622	86,025,541
Actual return on Pension Plan assets	7,201,796	3,367,062
Employer contributions	1,000,000	10,750,000
Benefits paid	(5,297,997)	(5,190,981)
Fair value of Pension Plan assets at end of year	97,855,421	94,951,622
Funded status of projected benefit obligation at end of year	$ 2,817,254	$ 6,344,888
Amounts recognized in the consolidated statements of financial condition at end of year:		
Other assets	$ 2,817,254	$ 6,344,888
Amounts not yet reflected in net periodic pension cost and included in accumulated other comprehensive income (pre-tax):		
Accumulated net loss	$ (36,761,077)	$ (36,527,741)
Prior service cost	-	(1,771)
Accumulated other comprehensive loss	(36,761,077)	(36,529,512)
Cumulative employer contributions in excess of net periodic pension cost	39,578,331	42,874,400
Amounts recognized in the consolidated statements of financial condition at end of year	$ 2,817,254	$ 6,344,888

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.

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.

	2017	2016	2015
Assumptions used in computing the present value of the accumulated benefit obligation and the projected benefit obligation at year-end:			
Discount rate	3.47%	4.15%	4.30%
Rates of increase in compensation	5.00%	5.00%	5.00%
Expected long-term rate of return on assets used in computing the net pension expense determined at beginning of year	4.50%	4.50%	4.75%

Net periodic pension costs for 2017, 2016 and 2015, included the following components:

	2017	2016	2015
Service cost	$ 1,809,633	$ 1,904,153	$ 2,109,490
Interest cost	3,556,181	3,688,037	3,550,241
Expected return on Pension Plan assets	(4,231,428)	(3,969,593)	(4,097,860)
Amortization of net loss	3,159,912	3,591,956	3,845,929
Amortization of prior service cost	1,771	8,037	8,037
Net periodic pension cost	$ 4,296,069	$ 5,222,590	$ 5,415,837

The estimated amortization from accumulated other comprehensive loss into net periodic benefit cost over the next year includes $3,250,456 of accumulated net loss. 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, 2017 and 2016, by asset category, were as follows:

	2017	2016
Asset category:		
Equity securities	27%	50%
Fixed income securities	29%	44%
Group annuity contract	42%	0%
Cash equivalents	2%	6%
Total	100%	100%

W.T.B.'s target asset allocation as of December 31, 2017, by asset category, is as follows:

Asset category:	
Equity securities	30%
Fixed income securities	29%
Group annuity contract	40%
Cash equivalents	1%
Total	100%

Note 12: Pension and Employee Benefit Plans (continued)

Qualified Defined Benefit Pension Plan (continued)

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.

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:

2018	$ 4,127,813
2019	4,293,872
2020	4,391,132
2021	4,517,809
2022	4,699,557
Five years thereafter	26,379,618

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

	Fair Value Measurements at December 31, 2017			
	Total	Level 1	Level 2	Level 3
Corporate obligations	$ 5,196,024	$ -	$ 5,196,024	$ -
U.S. Treasury and government agency securities	6,681,872	-	6,681,872	-
U.S. Treasury inflation indexed bonds	2,642,779	-	2,642,779	-
Domestic equity securities	9,733,346	9,733,346	-	-
Closed-end REIT	389,201	389,201	-	-
Mutual funds:				
Market neutral	2,741,798	2,741,798	-	-
Hedged equity	1,804,343	1,804,343	-	-
International equity funds	5,274,387	5,274,387	-	-
High yield	2,933,206	2,933,206	-	-
Domestic equity funds	2,523,637	2,523,637	-	-
Global macro	2,081,504	2,081,504	-	-
Floating rate	2,080,130	2,080,130	-	-
Diversified real estate	1,397,683	1,397,683	-	-
Managed futures	1,407,119	1,407,119	-	-
Global infrastructure	1,383,797	1,383,797	-	-
Diversified commodities	1,443,597	1,443,597	-	-
International bonds	4,589,215	4,589,215	-	-
Group annuity contract	41,551,388	-	-	41,551,388
Marketable CDs	439,342	-	439,342	-
Money market fund	1,485,998	-	1,485,998	-
Assets at fair value	97,780,366	$ 39,782,963	$ 16,446,015	$ 41,551,388
Dividends and accrued interest	75,055			
Total assets reported	$ 97,855,421			

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

	Fair Value Measurements at December 31, 2016			
	Total	Level 1	Level 2	Level 3
Corporate obligations	$ 8,457,681	$ -	$ 8,457,681	$ -
U.S. Treasury and government agency securities	15,851,302	-	15,851,302	-
U.S. Treasury inflation indexed bonds	3,434,108	-	3,434,108	-
State and municipal securities	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	-
Assets at fair value	94,821,781	$ 59,863,952	$ 34,957,829	$ -
Dividends and accrued interest	129,841			
Total assets reported	$ 94,951,622			

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 qualified employee contributions. Matching contribution expense for 2017, 2016 and 2015 was $1,944,124, $1,776,997 and $1,635,864, 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 2017, 2016 and 2015 was $1,386,360, $1,217,956 and $1,030,000, respectively. Contributions are invested at the employees' direction among a variety of investment alternatives.

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. At December 31, 2017 and 2016, liabilities recorded for the various supplemental retirement and salary continuation plan benefits totaled $5,228,741 and $5,437,521, respectively, and were recorded in other liabilities. Changes in the valuation of those liabilities reduced benefit expense by $93,639, and $87,051 for the years ended December 31, 2017 and 2016, respectively.

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 $5,452,310, $4,829,315 and $4,103,268 for 2017, 2016 and 2015, respectively. Self-insurance reserves were $597,453 and $457,219 for 2017 and 2016, 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 2017, 2016 and 2015 was $1,572,066, $1,310,517 and $1,156,524, 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 2017, 2016 and 2015 were $190,482, $152,124 and $121,807, respectively.

A summary of changes in the Phantom Stock Plan follows:

	Number of Shares	Total Share Value
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
Granted	5,983	1,158,668
Increase in value	-	726,778
Settled	-	-
Balance, December 31, 2017	56,691	$ 11,705,558

At December 31, 2017 and 2016, there were 12,000 and 10,255 unvested phantom shares with total share values of $2,477,760 and $1,985,984 and those unvested shares had related liabilities recorded in the amounts of $897,156 and $503,516, respectively. Included in other liabilities are Phantom Stock Plan liabilities in the amounts of $9,909,595 and $8,337,644 at December 31, 2017 and 2016, 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 63,928 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.

The following is a summary of W.T.B.'s unvested restricted stock activity for the years ended December 31, 2017, 2016 and 2015:

	Number of Shares	Weighted Average Grant Date Fair Value
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
Granted	7,150	232.90
Vested	(8,053)	153.22
Forfeited	-	-
Balance, December 31, 2017	23,092	191.79

Note 13: Stock-Based Compensation Plans (continued)

The grant date fair value of the restricted shares is estimated using recent observable sales. Compensation expense related to the restricted shares was $1,355,629, $1,216,615 and $1,096,631 for the years ended December 31, 2017, 2016 and 2015, respectively. The total income tax benefit recognized related to restricted stock awards was $695,229, $572,195 and $563,477 for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017, there was $3,277,365 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 Tax Act was enacted December 22, 2017. The law includes significant changes to the U.S. corporate tax system, including a federal corporate rate reduction from 35% to 21%. As a result of when the Tax Act was signed into law, W.T.B.'s deferred tax assets and liabilities were required to be re-measured using the lower 21% federal rate as of December 31, 2017. The accounting for income tax effects of the Tax Act was complete as of December 31, 2017. This resulted in a one-time unfavorable charge to tax expense of approximately $16,786,807. This was based on certain estimates of deferred tax balances and as such, additional adjustments may arise during 2018 as these calculations are finalized. Management does not anticipate that these adjustments will be material to the financial statements.

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

	2017	2016	2015
Current expense:			
Federal	$ 28,947,529	$ 27,692,160	$ 23,943,290
State	1,215,826	1,047,624	933,949
	30,163,355	28,739,784	24,877,239
Deferred expense (benefit):			
Federal	16,250,852	(1,010,571)	(1,582,257)
State	(137,779)	(32,672)	(32,994)
	16,113,073	(1,043,243)	(1,615,251)
Income taxes	$ 46,276,428	$ 27,696,541	$ 23,261,988

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

	2017		2016		2015	
Federal income taxes at statutory rate	$30,825,907	35.00%	$27,798,120	35.00%	$24,367,595	35.00%
State income taxes, net of federal tax benefit	700,731	0.80%	649,024	0.82%	585,620	0.84%
Decrease in income taxes due to tax-exempt interest on securities and loans of states and political subdivisions	(827,205)	-0.94%	(917,969)	-1.16%	(893,054)	-1.28%
Nondeductible interest expense from carrying tax-exempt assets	15,186	0.02%	16,517	0.02%	16,389	0.02%
Bank owned life insurance	(1,554,125)	-1.77%	(332,984)	-0.42%	(1,279,275)	-1.84%
Other nondeductible expenses	336,617	0.38%	481,160	0.61%	455,054	0.66%
Deferred tax assets write-down	16,786,807	19.06%	-	0.00%	-	0.00%
Other	(7,490)	-0.01%	2,673	-0.01%	9,659	0.00%
Income taxes	$46,276,428	52.54%	$27,696,541	34.86%	$23,261,988	33.40%

There were no taxes on net securities gains included in income taxes for the year ended December 31, 2017. Included in income taxes are taxes of $350,264 and $211,984 on net securities gains for the years ended December 31, 2016 and 2015, respectively.

Note 14: Income Taxes (continued)

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:

	2017	2016
Deferred tax assets:		
Allowance for loan losses	$ 19,299,020	$ 31,065,060
Allowance for off-balance sheet credit exposures	222,397	362,120
Unrealized loss on securities available for sale	4,288,678	7,033,904
Deferred compensation	4,741,560	6,765,370
Financial-over-tax depreciation	-	1,934,824
Other real estate	39,338	130,638
Interest on nonaccrual loans	282,690	483,480
Commitment fees	81,080	173,014
Other	268,899	353,397
Total deferred tax assets	29,223,662	48,301,807
Deferred tax liabilities:		
Pension benefits	1,082,258	3,102,451
Financial-over-tax depreciation	409,507	-
Deferred loan origination costs	1,620,935	2,635,535
Mortgage servicing	89,804	201,017
Prepaid expenses	183,448	144,141
Discount accretion	4,405	6,565
State income tax	197,461	279,813
Other	95,978	132,401
Total deferred tax liabilities	3,683,796	6,501,923
Net deferred tax assets	$ 25,539,866	$ 41,799,884

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 2014.

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, 2017 and 2016, 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, 2017 or 2016; 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.

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.

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

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:

	2017	2016
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 1,956,917,426	$ 1,917,998,731
Standby letters of credit	72,873,172	82,005,968
Commercial letters of credit	174,428	5,546,574

A reserve for credit losses on off-balance-sheet credit exposures is maintained at a level management considers adequate. As of December 31, 2017 and 2016, 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:

	2017			
	Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. Treasury and federal agencies	$ 575,957,647	$ -	$ 575,957,647	$ -
States and political subdivisions	1,346,027	-	1,346,027	-
Mortgage-backed securities	329,360,264	-	329,360,264	-
Interest rate swap assets	225,177	-	225,177	-
Total assets	$ 906,889,115	$ -	$ 906,889,115	$ -
Interest rate swap liabilities	$ 355,195	$ -	$ 355,195	$ -
Total liabilities	$ 355,195	$ -	$ 355,195	$ -

	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	$ -

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:

	2017			
	Total	Level 1	Level 2	Level 3
Impaired loans	$ 531,360	$ -	$ -	$ 531,360
Other real estate	310,500	-	-	310,500
Total	$ 841,860	$ -	$ -	$ 841,860

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

Note 16: Fair Value Measurements (continued)

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:

2017

Financial Instrument	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Impaired loans	$ 531,360	Market approach	Selling costs	10.0%
			Discount to appraised value	10.0%
Other real estate owned	310,500	Market approach	Selling costs	11.0%
	$ 841,860			

2016

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

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 at which an asset could be sold 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 values of loans held for sale are based upon the redemption value of the stock that equates to its carrying value.

Note 16: Fair Value Measurements (continued)

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.

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.

Carrying Amounts and Estimated Fair Values

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

	2017		
	Level in Fair Value Hierarchy	Carrying Amount	Estimated Fair Value
Financial assets:			
Cash and due from banks and interest-bearing deposits with banks	1	$ 854,973,507	$ 854,973,507
Securities available for sale	2	906,663,938	906,663,938
Securities held to maturity	2	480,511,844	475,131,009
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock	2	6,857,600	6,857,600
Loans held for sale	2	21,068,365	21,068,365
Loans held in portfolio, net of allowance	3	3,824,222,951	3,855,523,275
Cash surrender value of life insurance	1	7,859,504	7,859,504
Mortgage servicing rights	3	403,803	1,012,878
Interest rate swaps	2	225,177	225,177
Financial liabilities:			
Demand and savings deposits	1	5,155,590,004	5,155,590,004
Time deposits	2	293,275,976	292,337,144
Securities sold under agreements to repurchase	1	222,135,525	222,135,525
Interest rate swaps	2	355,195	355,195

Note 16: Fair Value Measurements (continued)

	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

Note 17: Interest Rate Swaps

The Bank is party to various interest rate swap derivative instruments that are used for asset and liability management and customer financing needs. These interest rate swap derivative arrangements help the Bank manage exposure to both credit risk and market risk. The fair value of interest rate swaps is determined by netting discounted future fixed cash receipts (or payments) and the discounted expected variable payments (or receipts). The variable cash payments (or receipts) are based on the expectation of future interest rates derived from observed market interest rate curves.

Credit risk of the financial contract is controlled through credit approval, limits, and monitoring procedures. The Bank is exposed to credit-related losses in the event of nonperformance by the counterparty to these agreements when the Bank is in an unrealized gain position.

Interest Rate Swaps Designated in Hedge Relationships

For certain long-term, fixed rate loans, the Bank has entered into interest rate swap agreements with a counterparty 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.

As of December 31, the notional values and fair values of the Bank's interest rate swaps designated in hedge relationships were as follows:

Asset Derivatives				Liability Derivatives			
2017		2016		2017		2016	
Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
$ -	$ -	$ -	$ -	$ 2,667,256	$ 130,018	$ 4,302,296	$ 266,026

The changes in fair value of the hedged asset and derivatives are recorded in income. Since loans are the item being hedged, net cash settlements on interest rate swaps that qualify for hedge accounting are recorded in interest revenue on loans. Net payments on interest rate swaps reduced interest revenue on loans by $118,719, $212,505 and $262,937 for 2017, 2016 and 2015, respectively.

Interest Rate Swaps Not Designated in Hedge Relationships

The Bank executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. The Bank simultaneously enters into an offsetting interest rate swap with a third party such that the Bank minimizes its net risk exposure. These swaps do not qualify as designated hedges; therefore, each interest rate swap is accounted for as a free standing derivative with changes in fair value reported in income. Net cash settlements for stand-alone derivatives are reported in noninterest revenue.

Note 17: Interest Rate Swaps (continued)

Interest Rate Swaps Not Designated in Hedge Relationships (continued)

As of December 31, the notional values and fair values of the Bank's interest rate swaps not designated in hedge relationships were as follows:

Asset Derivatives				Liability Derivatives			
2017		2016		2017		2016	
Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
$ 4,941,486	$ 225,177	$ -	$ -	$ 4,941,486	$ 225,177	$ -	$ -

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 $2,987,577, $2,757,180 and $2,500,394 for the years ended December 31, 2017, 2016 and 2015, respectively. All leases, not including renewal options, expire prior to the end of year 2027. Certain leases contain renewal clauses and rent escalation clauses based on the Consumer Price Index, 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,	
2018	$ 3,793,498
2019	3,600,912
2020	3,257,555
2021	3,050,320
2022	2,765,951
2023 and thereafter	5,723,275
Total future minimum lease payments	$ 22,191,511

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, 2017	December 31, 2016
Assets		
Cash	$ 1,631,580	$ 4,251,478
U.S. Treasury securities available for sale, carried at fair value	993,750	1,000,078
Equity in underlying net book value of bank subsidiary	517,148,063	487,348,512
Premises and equipment, net	8,073,140	1,156,667
Other assets	3,555,108	2,564,553
Total assets	$ 531,401,641	$ 496,321,288
Liabilities		
Other liabilities	$ 610,658	$ 35,380
Shareholders' equity	530,790,983	496,285,908
Total liabilities and shareholders' equity	$ 531,401,641	$ 496,321,288

Statements of Income	Years Ended December 31, 2017	2016	2015
Revenue			
Dividends from banking subsidiary	$ 11,158,000	$ 11,639,000	$ 7,079,741
Other	1,219,677	1,208,761	1,133,177
Total revenue	12,377,677	12,847,761	8,212,918
Expense			
Salaries and employee benefits	748,540	732,465	733,866
Other	1,398,555	1,125,280	1,188,981
Total expense	2,147,095	1,857,745	1,922,847
Income before income tax benefit and equity in undistributed net income of subsidiary	10,230,582	10,990,016	6,290,071
Income tax benefit	(1,409,975)	(220,605)	(271,390)
Income before equity in undistributed net income of subsidiary	11,640,557	11,210,621	6,561,461
Equity in undistributed net income of banking subsidiary	30,157,034	40,516,037	39,798,253
Net income	41,797,591	51,726,658	46,359,714
Preferred stock dividends	-	-	141,346
Net income available to common shareholders	$ 41,797,591	$ 51,726,658	$ 46,218,368

Note 19: Parent Company Statements (continued)

Statements of Cash Flows	Years Ended December 31, 2017	2016	2015
Cash flows from operating activities:			
Net income	$ 41,797,591	$ 51,726,658	$ 46,359,714
Adjustments to reconcile net income to cash provided by operating activities:			
Undistributed net income of subsidiary	(30,157,034)	(40,516,037)	(39,798,253)
Depreciation	57,607	102,735	105,263
Deferred income taxes (benefit)	1,670,801	(16,937)	(16,021)
Stock-based compensation	1,355,629	1,363,219	1,276,286
Stock-based directors' fees	270,721	300,132	270,210
Other, net	(2,009,786)	(9,047)	35,544
Net cash provided by operating activities	12,985,529	12,950,723	8,232,743
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
Purchases of premises and equipment	(6,974,080)	-	-
Purchase of other assets and investments	(110,000)	(288,910)	(273,978)
Proceeds from investments	35,484	22,014	101,969
Net cash provided (used) by investing activities	(7,048,596)	(266,896)	12,401,100
Cash flows from financing activities:			
Repurchase of preferred stock	-	-	(19,571,000)
Common share repurchase and retirement	-	(3,000,000)	-
Common stock dividends paid	(8,556,831)	(7,634,318)	(6,915,771)
Preferred stock dividends paid	-	-	(190,274)
Net cash used in financing activities	(8,556,831)	(10,634,318)	(26,677,045)
Increase (decrease) in cash	(2,619,898)	2,049,509	(6,043,202)
Cash at beginning of year	4,251,478	2,201,969	8,245,171
Cash at end of year	$ 1,631,580	$ 4,251,478	$ 2,201,969

Note 20: Related Parties

In the ordinary course of business, W.T.B. and the Bank 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 $44,994,771, $43,600,477 and $35,217,517 at December 31, 2017, 2016 and 2015, respectively. Related party loan amounts for the years ended December 31, 2017, 2016 and 2015, 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.

	2017	2016	2015
Balance at beginning of year	$ 36,239,620	$ 43,181,161	$ 43,199,742
New loans and advances	7,129,144	17,521,720	11,229,802
Repayments	(19,857,192)	(23,090,884)	(13,140,883)
Other and reclassifications	-	(1,372,377)	1,892,500
Balance at end of year	$ 23,511,572	$ 36,239,620	$ 43,181,161

Under current federal regulations, W.T.B. is limited in the amount that may be borrowed from the Bank. At December 31, 2017, 2016 and 2015, a maximum of $4,319,875 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, 2017, 2016 and 2015, can be reconciled as follows:

	2017	2016	2015
Numerator:			
Net income	$ 41,797,591	$ 51,726,658	$ 46,359,714
Preferred stock dividends	-	-	141,346
Net income available to common shareholders	$ 41,797,591	$ 51,726,658	$ 46,218,368
Denominator:			
Weighted-average number of common shares outstanding - basic	2,545,414	2,543,917	2,541,339
Effect of potentially dilutive common shares	9,423	5,977	24,738
Weighted-average number of common shares - diluted	2,554,837	2,549,894	2,566,077
Earnings per common share:			
Basic	$ 16.42	$ 20.33	$ 18.19
Diluted	$ 16.36	$ 20.29	$ 18.01

Note 22: 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.

The Bank is well capitalized under the regulatory framework for prompt corrective action as of December 31, 2017. 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, 2017 and 2016, 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, 2017						
Tier 1 capital to average assets:						
W.T.B. Financial Corporation	$575,966	9.32%	$247,321	4.00%	N/A	N/A
Washington Trust Bank	562,319	9.10%	247,104	4.00%	308,880	5.00%
Common equity tier 1 capital to risk-weighted assets:						
W.T.B. Financial Corporation	575,966	12.41%	208,899	4.50%	N/A	N/A
Washington Trust Bank	562,319	12.14%	208,385	4.50%	301,000	6.50%
Tier 1 risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	575,966	12.41%	278,532	6.00%	N/A	N/A
Washington Trust Bank	562,319	12.14%	277,846	6.00%	370,462	8.00%
Total risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	634,361	13.67%	371,376	8.00%	N/A	N/A
Washington Trust Bank	620,572	13.40%	370,462	8.00%	463,077	10.00%

Note 22: Regulatory Matters (continued)

	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%

The payment of cash dividends by W.T.B. to its shareholders is subject to federal regulatory requirements for capital levels and other restrictions. In addition, the cash dividends paid by the 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. The Basel III Capital Regulation included a capital conservation buffer that will equal 2.5% of risk-weighted assets once fully phased in on January 1, 2019, that is in addition 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 1.25% for 2017. 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. As part of the implementation of the Basel III Capital Regulation, W.T.B. and the Bank made a one-time election to exclude accumulated other comprehensive income or loss from regulatory capital calculations. Management believes as of December 31, 2017, W.T.B. and the Bank meet all capital adequacy requirements to which it is subject.

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
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 (Company), which comprise the consolidated statements of financial condition as of December 31, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2017, 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, 2017, 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, 2018, expressed an unmodified opinion.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the 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 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, 2018

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

(As of 12/31/2017)

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
- Christopher Ackerley
  - Managing Partner, Ackerley Partners, LLC
- Steven M. Helmbrecht
  - President and Chief Executive Officer, Lakeside Capital Group, LLC
- John J. Luger
  - President, JDL Enterprises, LLC
- Thomas B. Tilford
  - Retired, President, Western Mine Services, Inc.

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
- Peter F. Stanton
  - 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
- Scott H. Luttinen
  - 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
- Peter Bentley
  - Senior Vice President and Chief Credit Officer
- Paul M. Koenigs
  - Senior Vice President

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

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

LEGAL
- Burke D. Jackowich
  - Senior Vice President and General Counsel

RETAIL BANKING
- Jim D. Branson
  - Senior Vice President

WEALTH MANAGEMENT & ADVISORY SERVICES
- Robert A. Blume
  - Senior Vice President