

## West Town Bancorp, Inc. (WTWB) Announces Second Quarter 2016 Financial Results

RALEIGH, N.C., July 29, 2016 /PRNewswire/ -- West Town Bancorp, Inc. (WTWB), the holding company for West Town Bank & Trust (the "Bank"), announced today its financial results for the quarter ended June 30, 2016 and reported the Company earned net income of \$712,000, or \$0.49 per diluted common share, a decrease of \$354,000 or 33% as compared to financial results reported for the Bank for the quarter ended June 30, 2015. Return on average total assets was 1.21% and return on average shareholder's equity was 11.17% for the quarter ended June 30, 2016 as compared to 2.02% and 18.85% respectively for the second quarter of 2015. In comparison to the linked quarter ended March 31, 2016, net income decreased \$76,000 or 9.6%. The second quarter 2016 financial results were negatively impacted by one-time non-recurring \$160,000 charges related to the conversion of the Company's core system and \$300,000 in charge-offs related to the strategic decision to sell a portion of its classified assets portfolio.



Select financial highlights for 2Q 2016:

- Increase in net interest income of \$302,000 or 15.3% as compared to second quarter 2015.
- Increase in net loans held for investment of \$11,769,000 or 8.0% as compared June 30, 2015.
- Increase in total deposits of \$16,868,000 or 10.4% as compared to June 30, 2015.
- Total nonperforming assets (NPAs) to total assets decreased from 1.94% at June 30, 2015 and 1.55% at March 31, 2016 to 1.52% at June 30, 2016.
- The Bank's Allowance for Loan and Lease Losses ("ALLL") to loans held for investment stood at 1.22% as of June 30, 2016, an increase of 10 basis points from 1.12% at December 31, 2015 and 5 basis points from 1.17% one year earlier.

The Company earned \$1,500,000 for the six months ended June 30, 2016, a \$515,000 or 25.6% decrease when compared to the \$2,015,000 earned for the same period last year. Return on average total assets was 1.33% and return on average shareholder's equity was 12.16% for the six-month period as compared to 2.09% and 18.93% respectively for the six-month period ending June 30, 2015. 2016 results have been negatively impacted by the one-time \$160,000 conversion costs, the \$300,000 charge-offs taken on the sale of a portion of its classified assets portfolio and the \$139,000 tax adjustment taken in the first quarter.

Eric Bergevin, President and CEO commented, "*While our financial performance for the first half of 2016 has been impacted by the one-time non-recurring charges noted above as well as the significant reduction in mortgage originations, we remain optimistic about the second half of 2016. Our SBA/USDA lending continues to hit on all cylinders and we see this as the primary driver to our business model moving forward. We have completed the initial restructure of the mortgage department and beginning in July, we will realize the savings and see the mortgage department, once again, contribute significantly to overall bank earnings. The core system conversion is also complete which has consumed significant time and expense on the operational side of our bank.*"

### **STRONG LOAN AND DEPOSIT GROWTH**

At June 30, 2016, the Company's total assets were \$242,778,000, loans held for sale at \$35,942,000, loans held for investment at \$159,362,000, total deposits were \$178,870,000 and total shareholder's

equity was \$25,762,000. Compared with June 30, 2015, total assets increased \$39,256,000 or 19.3%, loans held for sale increased \$14,700,000 or 69.2%, loans held for investment increased \$11,769,000 or 8.0%, total deposits increased \$16,868,000 or 10.4% and total shareholder's equity increased \$3,724,000 or 16.9%.

Total loan originations for the Bank across all sectors for the three months ended June 30, 2016 totaled \$89,912,000, a decrease of 25% as compared to the same prior year three months of \$120,253,000. The primary driver to the origination decrease was due to a 43% reduction in mortgage originations. The Bank's loans held for investment portfolio grew by 8.0% due mainly to the SBA/USDA loans retained in the portfolio.

The Bank has made great strides in changing the mix of its total deposit portfolio during the last 12 months. Total noninterest bearing deposits have increased \$7,025,000 or 83.5%, total checking deposits have increased \$20,631,000 or 650.6%, total money market deposits have increased \$3,137,000 or 16.5%, while total CDs have decreased \$14,327,000 or 11.9% year-over-year. CEO Bergevin commented, *"We are purposely running off our higher-cost CDs at maturity and supplementing the funding with overnight FHLB advances while we continue our drive to increase retail transactional deposits through our branches. However, we may take advantage of the recent reduction in interest rates to lock in longer-term funding to fund our increased governmental lending pipeline using brokered or other wholesale funding options in the second half of 2016."*

## CAPITAL LEVELS

West Town Bank & Trust continued to exceed "well capitalized" requirements for each of the four primary capital levels monitored by state and federal regulators:

	"Well Capitalized" Minimums	6/30/16	12/31/15	6/30/15
Common equity tier 1 capital	6.5%	13.61%	13.59%	13.81%
Tier 1 risk based capital ratio	8.0%	13.61%	13.59%	13.81%
Total risk based capital ratio	10.0%	14.66%	14.63%	15.06%
Tier 1 leverage ratio	5.0%	10.88%	11.24%	10.93%

The book value per common share increased from \$16.29 at June 30, 2015 and \$17.69 at December 31, 2015 to \$18.75 at June 30, 2016.

## ASSET QUALITY

The Bank's nonperforming assets to total assets ratio decreased 3 basis points during the second quarter of 2016 from 1.55% at March 31, 2016 to 1.52% at June 30, 2016. In comparison to December 31, 2015, the Bank's nonperforming assets to total assets ratio decreased 50 basis points from 2.02%.

The Bank recorded a \$400,000 provision for loan losses during the second quarter of 2016, as compared to a provision of \$18,000 during the same period last year, primarily driven by the \$300,000 charge-offs taken during the second quarter related to the strategic decision to sell a portion of its classified assets portfolio.

The ratio of allowance for loan and lease losses as a percentage of total loans held for investment increased from 1.17% at June 30, 2015 and 1.12% at December 31, 2015 to 1.22% at June 30, 2016. Total reserves represented 73% of the non-accrual loan balances as of June 30, 2016 as compared to 54% reported a year earlier.

## NET INTEREST INCOME IMPROVES YEAR OVER YEAR

Net interest income for the three months ended June 30, 2016 was \$2,282,000, an increase of \$302,000 or 15.3% as compared to \$1,980,000 reported for the same prior year period. The increase was fueled by a 14.1% increase in interest and fee income earned on the Bank's loan portfolio as loan balances have

increased. The Bank's net interest margin was 4.25%, up 3 basis points as compared to the 4.22% reported for the second quarter of 2015.

### **NONINTEREST INCOME**

Noninterest income for the three months ended June 30, 2016 was \$4,266,000, a decrease of \$1,665,000 or 28.1% as compared to the same prior year period. The reduction is driven by a decrease in mortgage revenue of \$1,969,000 which was partially offset by an increase in SBA/USDA loan fees of \$427,000. The gains on the fair value related to loan servicing rights totaled \$260,000, a decrease of 222,000 or 46.1% from the prior year period as falling rates at the end of the quarter negatively impacted the fair value position.

For the six-month period ended June 30, 2016, noninterest income declined \$4,266,000 or 34.2% to \$8,225,000, driven by a \$5,270,000 or 54.9% reduction in mortgage revenue. SBA/USDA loan fees have increased by \$733,000 or 38.1% during this same time period.

### **NONINTEREST EXPENSE**

Noninterest expense for the three months ended June 30, 2016 totaled \$5,008,000, a decrease of \$1,101,000 or 18.0% as compared to the same prior year period. The decrease is primarily related to a \$1,224,000 or 28.5% reduction in compensation expense and a \$332,000 or 47.0% reduction in loan expenses. Data service expense increased \$209,000 or 117.4% in comparison to the prior year period due primarily to the \$160,000 de-conversion costs incurred in the second quarter related to the Company's core conversion.

For the six-month period ended June 30, 2016, noninterest expense declined \$3,212,000 or 25.3% to \$9,497,000. The decrease is primarily driven by a \$2,755,000 or 32.7% reduction in compensation expense and a \$768,000 or 51.9% reduction in loan expenses, both related to the reduction in mortgage originations. The Company anticipates further reductions in compensation expense during the second half of 2016 as the result of actions taken to right-size the mortgage department's infrastructure to align more properly with the origination volumes being generated. Professional fees increased \$366,000 for the six-month period ended June 30, 2016 as compared to the same period last year, driven primarily by increased litigation costs.

### **About West Town Bancorp, Inc.**

West Town Bancorp, Inc. is the holding company for West Town Bank & Trust, a North Riverside, IL based state chartered bank. The Bank provides banking services through its offices in Illinois and North Carolina and also maintains loan production offices in North Carolina, New York, Maryland, Pennsylvania, Florida, Idaho and New Jersey. Its primary deposit products are checking, savings, and time certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Additionally, the Bank engages in mortgage banking activities and, as such, originates and sells one-to-four family residential mortgage loans in multiple states. The Bank's primary regulator is the Illinois Department of Financial and Professional Regulation and FDIC.

For more information, visit [www.westtownbank.com](http://www.westtownbank.com).

*This release contains certain forward looking statements with respect to the financial condition, results of operations and business of the Company. These forward looking statements involve risks and uncertainties and are based on the beliefs and assumptions of management of the Company and on the information available to management at the time that these disclosures were prepared. These statements can be identified by the use of words like "expect," "anticipate," "estimate" and "believe," variations of these words and other similar expressions. Readers should not place undue reliance on forward looking statements as a number of important factors could cause actual results to differ materially from those in the forward looking statements. Factors that could cause a difference include, among others: changes in the national and local economies or market conditions; changes in interest rates, deposit flows, loan*

demand and asset quality, including real estate and other collateral values; changes in banking regulations and accounting principles, policies or guidelines; and the impact of competition from traditional or new sources. These and other factors that may emerge could cause decisions and actual results to differ materially from current expectations. West Town Bank & trust takes no obligation to revise, update, or clarify forward looking statements to reflect events or conditions after the date of this release.

**West Town Bank & Trust**  
**Consolidated Balance Sheets**

	<b>Three Month Ended (Unaudited)</b>		<b>Six Month Ended (Unaudited)</b>	
	<b>6/30/16</b>	<b>6/30/15</b>	<b>6/30/16</b>	<b>6/30/15</b>
<b>PER COMMON SHARE</b>				
Earning per common share - basic	\$ 0.52	\$ 0.80	\$ 1.10	\$ 1.52
Earning per common share - diluted	\$ 0.49	\$ 0.76	\$ 1.04	\$ 1.45
Tangible book value per common share			\$ 18.75	\$ 16.29
<b>FINANCIAL RATIOS (ANNUALIZED)</b>				
Return on average assets	1.21%	2.02%	1.33%	2.09%
	11.17	18.85	12.16	18.93
Return on average shareholders' equity	%	%	%	%
Net interest margin (FTE)	4.25%	4.22%	4.29%	4.35%
	76.48	77.22	74.97	77.99
Efficiency ratio	%	%	%	%
Net charge-offs to average loans	0.64%	0.04%	0.42%	0.10%
<b>CAPITAL RATIOS</b>				
			13.61	13.81
Tier 1 common risk based capital			%	%
			13.61	13.81
Tier 1 risk based capital			%	%
			14.66	15.06
Total risk based capital			%	%
			10.88	10.93
Leverage ratio			%	%
<b>ALLOWANCE FOR LOAN LOSSES</b>				
<i>(in thousands)</i>				
			1,834	1,600
Beginning balance			\$	\$
Provision for loan losses			523	229
Charge-offs			(389)	(80)
Recoveries			2	1
Ending Balance			<u>\$ 1,970</u>	<u>\$ 1,750</u>
<b>ASSET QUALITY RATIOS</b>				
Nonperforming assets to total assets			1.52%	1.94%
Allowance for loan losses to total loans held for investment			1.22%	1.17%
Allowance for loan losses to nonaccrual loans			73.1%	53.9%

**COMPOSITION OF RISK ASSETS***(in thousands)***Nonperforming assets:**

Nonaccrual loans	2,69	3,24
	\$ 7	\$ 5
Foreclosed assets	993	270
	<u>3,69</u>	<u>3,51</u>
Total nonperforming assets	<u>\$ 0</u>	<u>\$ 5</u>

**West Town Bank & Trust****Consolidated Balance Sheets***In thousands*

	(Unaudited)	(Audited)	(Audited)
	June 30, 2016	December 31, 2015	June 30, 2015
<b>ASSETS</b>			
Cash & due from banks	\$ 1,186	\$ 883	\$ 980
Interest bearing deposits	<u>18,491</u>	<u>11,462</u>	<u>7,372</u>
Total cash and cash equivalents	19,677	12,345	8,352
Securities available for sale	5,616	6,371	6,066
Loans held for sale	35,942	14,194	21,242
Loans held for investment, net of loan losses, 6/30/16: \$1,970; 12/31/15: \$1,834; 6/30/15: \$1,750	159,362	161,683	147,593
Premises and equipment, net	6,915	6,092	6,009
Foreclosed assets	993	270	270
Servicing rights on loans	4,975	4,276	3,737
Bank owned life insurance	4,583	4,509	4,440
Accrued interest receivable	858	825	701
Other assets	<u>3,357</u>	<u>4,044</u>	<u>4,612</u>
<b>TOTAL ASSETS</b>	<u>\$ 242,278</u>	<u>\$ 214,609</u>	<u>\$ 203,022</u>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
Noninterest bearing deposits	\$ 15,435	\$ 15,892	\$ 8,410
Interest bearing deposits	<u>163,435</u>	<u>162,277</u>	<u>153,592</u>
<b>Total deposits</b>	178,870	178,169	162,002
FHLB borrowings	35,000	8,900	15,000
Accrued interest payable	53	21	11
Other liabilities	<u>2,593</u>	<u>3,372</u>	<u>3,971</u>
<b>Total borrowings/other liabilities</b>	37,646	12,293	18,982
Common stock and surplus	10,441	10,335	10,188
Retained earnings	15,255	13,756	11,770
Accumulated other comprehensive income	<u>66</u>	<u>56</u>	<u>80</u>
<b>Total equity</b>	25,762	24,147	22,038

**TOTAL LIABILITIES & EQUITY**   \$ 242,278   \$ 214,609   \$ 203,022

**West Town Bank & Trust**  
**Consolidated Statements of Operations**  
*In thousands*

	Three Month Ended (Unaudited)		Six Month Ended (Unaudited)	
	6/30/16	6/30/15	6/30/16	6/30/15
<b>Interest income</b>				
Interest on investment securities & deposits	\$ 55	\$ 37	\$ 95	\$ 68
Interest and fees on loans	<u>2,809</u>	<u>2,462</u>	<u>5,473</u>	<u>4,701</u>
<b>Total interest income</b>	<b>2,864</b>	<b>2,499</b>	<b>5,568</b>	<b>4,769</b>
<b>Interest expense</b>				
Interest on checking, savings and money market	105	37	166	64
Interest on CDs & IRAs	451	478	919	892
Interest expense on borrowed funds	<u>26</u>	<u>4</u>	<u>41</u>	<u>9</u>
<b>Total interest expense</b>	<b>582</b>	<b>519</b>	<b>1,126</b>	<b>965</b>
<b>Net interest income</b>	<b>2,282</b>	<b>1,980</b>	<b>4,442</b>	<b>3,804</b>
<b>Provision for loan losses</b>	<b>400</b>	<b>18</b>	<b>523</b>	<b>229</b>
<b>Noninterest income</b>				
Mortgage revenue	2,144	4,113	4,324	9,594
Government lending revenue	1,586	1,159	2,659	1,926
Bank owned life insurance income	40	43	73	78
Fair value adjustment on loan servicing rights	260	482	707	571
Service charge fee income	34	38	59	65
Other noninterest income	<u>202</u>	<u>96</u>	<u>403</u>	<u>257</u>
<b>Total noninterest income</b>	<b>4,266</b>	<b>5,931</b>	<b>8,225</b>	<b>12,491</b>
<b>Noninterest expense</b>				
Compensation expense	3,077	4,301	5,679	8,434
Occupancy and equipment expense	343	372	691	745
Loan expense	375	707	712	1,480
Professional fees	159	50	438	72
Data service expense	387	178	628	412
Advertising expense	127	257	363	470
Other operating expenses	<u>540</u>	<u>244</u>	<u>986</u>	<u>1,096</u>
<b>Total noninterest expense</b>	<b>5,008</b>	<b>6,109</b>	<b>9,497</b>	<b>12,709</b>
<b>Income before income taxes</b>	<b>1,140</b>	<b>1,784</b>	<b>2,647</b>	<b>3,357</b>
Income tax expense	<u>428</u>	<u>718</u>	<u>1,147</u>	<u>1,342</u>
<b>Net income</b>	<b>\$ 712</b>	<b>\$ 1,066</b>	<b>\$ 1,500</b>	<b>\$ 2,015</b>
Basic earnings per common share	<u>\$ 0.52</u>	<u>\$ 0.80</u>	<u>\$ 1.10</u>	<u>\$ 1.52</u>

Diluted earnings per common share	\$	<u>0.49</u>	\$	<u>0.76</u>	\$	<u>1.04</u>	\$	<u>1.45</u>
Weighted average common shares outstanding ( <i>actuals</i> )		<u>1,364,948</u>		<u>1,337,699</u>		<u>1,364,948</u>		<u>1,326,087</u>
Diluted average common shares outstanding ( <i>actuals</i> )		<u>1,437,279</u>		<u>1,401,597</u>		<u>1,439,052</u>		<u>1,394,025</u>

<b>Loan Types</b>	<b>Source</b>	<b>2Q 2016</b>	<b>2Q 2015</b>	<b>Chg \$</b>	<b>Chg %</b>
SBA/USDA New Loans	new loan listings	21,477,500.00	25,356,798.00	(3,879,298.00)	-15%
Retail Mortgage Originations	Lindsay's schedule	50,261,949.00	88,626,655.00	(38,364,706.00)	-43%
All other new notes	new loan listings	18,173,003.86	6,269,687.00	11,903,316.86	190%
		<u>89,912,452.86</u>	<u>120,253,140.00</u>	<u>(30,340,687.14)</u>	<u>-25%</u>

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