West Town Bancorp, Inc. Announces Second Quarter 2017 Financial Results

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RALEIGH, NC, July 31, 2017 -- West Town Bancorp, Inc. (OTC PINK: WTWB) (the "Company"), the holding company for West Town Bank & Trust (the "Bank"), announced today its financial results for the quarter ended June 30, 2017 and reported the Company earned net income of $514,000, or $0.34 per diluted common share, a decrease of $198,000, or 28%, as compared to net income of $712,000, or $0.49 per diluted common share for the quarter ended June 30, 2016. Return on average total assets was 0.75% and return on average shareholders' equity was 6.97% as compared to 1.21% and 11.17% respectively for the second quarter of 2016.

For the six months ended June 30, 2017, the Company earned net income of $1,393,000, or $0.91 per diluted common share, a decrease of $107,000, or 7%, as compared to net income of $1,500,000, or $1.04 per diluted common share for the same period prior year. Return on average total assets was 1.03% and return on average shareholders' equity was 9.69% as compared to 1.34% and 12.26% respectively.

Select financial highlights:

- Total assets increased $3,470,000 or 1% as compared to December 31, 2016 and increased $41,350,000 or 17% as compared to June 30, 2016.
- Total deposits increased $8,394,000 or 4% as compared to December 31, 2016 and increased $46,343,000 or 26% as compared to June 30, 2016.
- The Bank's allowance for loan and lease losses to loans held for investment increased 6 basis points to 1.28% as of June 30, 2017, from 1.22% at June 30, 2016 and decreased 8 basis points from 1.36% at December 31, 2016. On June 30, 2017, the Company reclassified $22.3 million of loans held for sale to held for investment due to a change in the Company's intent regarding this specific loan pool. Had these loans been categorized as held for investment at December 31, 2016, the Bank's allowance for loan and lease losses to loans held for investment at June 30, 2017 would have increased 9 basis points in comparison to the 1.19% at December 31, 2016.
- Net interest income increased $308,000 or 13% as compared to same three months ended June 30, 2016 and increased $861,000 or 19% as compared to the six months ended June 30, 2016.
- Noninterest income decreased $854,000 or 20% as compared to the second quarter of 2016 and decreased $1,257,000 or 15% as compared to the six months ended June 30, 2016. The reductions are driven by decreases in mortgage volumes and governmental guaranteed lending sales.
- With the recent rising of interest rates and expectations of this trend continuing well into 2018, the Company made a strategic decision to curtail its national mortgage operations that were predominantly dependent on refinance loans. The Bank divested five of its out of market loan production offices and downsized its corresponding operational staff in the mortgage administrative offices on June 30, 2017. For the last 18 months, the Company has experienced a dramatic increase in purchase loans as compared to refinance loans. The purchase loans were mainly originated through the Bank's retail deposit taking facilities in the local and surrounding markets. Accordingly, the Company has shifted its focus to local, in-market realtor relationships to capture the purchase loan transaction and expand cross-selling opportunities for deposit relationships.

Eric Bergevin, President and CEO commented, “We are pleased with our second quarter results which were expected to be modest in comparison to the prior year’s second quarter due to some seasonality in our government guaranteed lending loan pipeline. While the curtailment of our national mortgage operations will undoubtedly decrease top-line revenue going forward, we anticipate the net income impact to be minimal for the remaining half of 2017. The investment in Windsor Advantage, LLC made earlier this year has proved accretive with $778,000 in noninterest income recorded through June 30, 2017 but has been partially offset by higher than expected merger and acquisition costs. Additionally, as expected, our governmental guaranteed lending pipeline is robust heading into the second half of this year, setting the stage for more normalized higher revenue going forward. We remain excited about our pending acquisition of Sound Bank. Both management teams are working together to ensure the transition is smooth and seamless for its customers and employees.”

The Company’s previously announced acquisition of the Morehead City, North Carolina-based Sound Bank Company is progressing as expected. The Company has now received the requisite regulatory approvals for the transaction from the Federal Reserve Bank of Chicago and the North Carolina Commissioner of Banks. Subject to receipt of the remaining required regulatory approval from the FDIC, the approval of Sound Banking Company shareholders and the satisfaction of other customary closing conditions, the Company expects the acquisition to close in the third quarter of 2017. Following completion of the proposed merger, the Company would operate as a multi-bank holding company with two separately chartered banking subsidiaries.

STRONG YEAR-OVER-YEAR LOAN AND DEPOSIT GROWTH
At June 30, 2017, the Company’s total assets were $283,628,000, loans held for sale were $30,166,000, net loans held for investment were $198,283,000, total deposits were $225,213,000 and total shareholders’ equity was $29,920,000. Compared with June 30, 2016, total assets increased $41,350,000 or 17%, loans held for sale decreased $5,776,000 or 16%, net loans held for investment increased $38,921,000 or 24%, total deposits increased $46,343,000 or 26% and total shareholders’ equity increased $4,158,000 or 16%.

Total loan originations for the Bank across all sectors for the three months ended June 30, 2017 totaled $79,929,000, a decrease of $4,809,000 or 6% as compared to the same prior year three months of $84,738,000. The primary driver to the origination decrease was a $4,546,000 or 35% reduction in community banking originations. For the six months ended June 30, 2017, loan originations totaled $148,770,000, a decrease of $19,420,000 or 12% from the prior year period.

Noninterest bearing deposits increased $8,706,000, or 56%, from $15,435,000 at June 30, 2016 to $24,141,000 at June 30, 2017. Interest bearing deposits increased $37,637,000 or 23%, from $163,435,000 at June 30, 2016 to $201,072,000 at June 30, 2017.

CAPITAL LEVELS
The Bank continued to exceed "well capitalized" requirements for each of the four primary capital levels monitored by state and federal regulators:

	“Well Capitalized” Minimums	6/30/17	12/31/16	6/30/16
Common equity tier 1 capital	6.5%	12.11%	12.92%	13.61%
Tier 1 risk based capital ratio	8.0%	12.11%	12.92%	13.61%
Total risk based capital ratio	10.0%	13.25%	14.01%	14.66%
Tier 1 leverage ratio	5.0%	10.31%	10.34%	10.88%

The book value per common share increased from $18.75 at June 30, 2016 to $20.38 at June 30, 2017.

ASSET QUALITY
The Company’s nonperforming assets to total assets ratio increased 114 basis points during the second quarter of 2017 from 1.48% at March 31, 2017 to 2.62% at June 30, 2017. The increase is primarily attributable to two credits with combined balances of $3.1 million which were moved to nonaccrual status during the second quarter of

2017. The first of the two loans is secured by real estate, and the Company has received an executed letter-of-intent for the sale. The Company anticipates the sale to take place prior to December 31, 2017 without any loss exposure. The second loan is an owner operator business loan, secured by real estate. The Company believes the loan is well secured without any potential loss exposure at June 30, 2017.

The Company recorded a $281,000 provision for loan losses during the second quarter of 2017, as compared to a provision of $400,000 during the same period in 2016. The Company recorded $237,000 in net charge-offs during the quarter. The ratio of allowance for loan and lease losses as a percentage of total loans held for investment increased from 1.22% at June 30, 2016 to 1.28% at June 30, 2017. Total reserves represented 37.0% of the non-accrual loan balances as of June 30, 2017, as compared to 73.1% a year earlier.

NET INTEREST INCOME IMPROVES YEAR OVER YEAR

Net interest income for the three months ended June 30, 2017 was $2,590,000, an increase of $308,000 or 13% as compared to $2,282,000 reported for the quarter ended June 30, 2016. The increase was attributable to a $479,000 or 17% increase in interest and fee income earned on the Company's loan portfolio which was driven by volume. The Company's net interest margin was 4.12%, a decrease of 13 basis points from the 4.25% reported from the same period last year, primarily related to a 22 basis point increase in the cost of funds due to the $6.0 million borrowing at the holding company that was incurred in the 2017 first quarter. For the six months ended June 30, 2017, net interest income totaled $5,303,000, an increase of $861,000 or 19% as compared to $4,442,000 reported for the same prior year period.

NONINTEREST INCOME

Noninterest income for the three months ended June 30, 2017 was $3,412,000, a decrease of $854,000 or 20% as compared to the same prior year period. Specific items to note:

- Mortgage revenue decreased $207,000 or 10% compared to same period last year.
- As anticipated, gains on the sale of government guaranteed loans decreased $953,000 or 60% compared to same period last year due to the seasonal nature of this portfolio. The Company expects a strong rebound in the second half of 2017.
- The fair value adjustment on loan servicing rights decreased $163,000 or 63% as compared to the quarter ended June 30, 2016. The reduction is attributable to the maturing of the government lending portfolio.
- These reductions were partially offset with income totaling $573,000 earned from the Company's investment in Windsor Advantage LLC ("Windsor") that was made in February of this year.

For the six months ended June 30, 2017, the Company recorded noninterest income of $6,968,000, a decrease of $1,257,000, or 15%, compared to $8,225,000 in the same period last year. Reductions in mortgage revenue, governmental lending revenue and the fair value adjustment on loan servicing rights totaled $1,832,000 while noninterest income increased $607,000 primarily due to income earned from the Company's investment in Windsor.

NONINTEREST EXPENSE

Noninterest expense for the three months ended June 30, 2017 totaled $4,806,000, a decrease of $202,000 or 4% as compared to the same prior-year period. Specific items to note:

- Salaries and benefits expenses decreased $265,000 or 9% primarily due to reduced commissions;
- Professional fees increased $245,000 or 154% primarily due to litigation expense of $248,000 which is now believed to be fully accrued;
- Data processing and communications expense decreased $158,000 or 41% due to the $159,000 in core conversion costs recorded in the second quarter of 2016;
- Advertising expenses decreased $50,000 or 39% due to decreased mortgage activity as well as a concentrated effort to reduce overall advertising expenses for the Company;
- Merger and acquisition expenses related to the pending acquisition of Sound Bank totaled $124,000 for the quarter compared to $0 in the prior year. Note that a large majority of these expenses are not tax deductible, thereby contributing to the Company's increased current year effective tax rate from 37.5% to 43.8%;

For the six months ended June 30, 2017, the Company recorded noninterest expense of $9,228,000, a decrease of $269,000, or 3%, compared to $9,497,000 in the same period last year.

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. 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 Company is registered with, and supervised by, the Federal Reserve, and the Bank's primary regulators are the Illinois Department of Financial and Professional Regulation and FDIC.

For more information, visit 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 the 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: required FDIC and shareholder approvals for the Sound Bank acquisition may be delayed or not received at all; our governmental guaranteed lending business may not grow as expected; 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 of competitors in the financial services industry. These and other factors that may emerge could cause decisions and actual results to differ materially from current expectations. The Company assumes no obligation to revise, update, or clarify forward-looking statements to reflect events or conditions after the date of this release.

WEST TOWN BANCORP, INC.
Consolidated Financial Highlights

	Three Months Ended (Unaudited)		Six Months Ended (Unaudited)	
	6/30/17	**6/30/16**	**6/30/17**	**6/30/16**
PER COMMON SHARE				
Earnings per common share - basic	$ 0.35	$ 0.52	$ 0.35	$ 1.10
Earnings per common share – diluted	$ 0.34	$ 0.49	$ 0.34	$ 1.04
Tangible book value per common share			$ 20.38	$ 18.75
FINANCIAL RATIOS (ANNUALIZED)				
Return on average assets	0.75%	1.21%	1.03%	1.34%
Return on average shareholders' equity	6.97%	11.17%	9.69%	12.26%
Net interest margin (FTE)	4.12%	4.25%	4.25%	4.33%
Efficiency ratio	80.07%	76.48%	80.07%	76.48%
Net charge-offs to average loans	0.43%	0.64%	0.26%	0.42%
CAPITAL RATIOS - BANK				
Common equity tier 1 risk based capital			12.11%	13.61%
Tier 1 risk based capital			12.11%	13.61%
Total risk based capital			13.25%	14.66%
Leverage ratio			10.31%	10.88%
ALLOWANCE FOR LOAN LOSSES				
(in thousands)				
Beginning balance			$ 2,318	$ 1,834
Provision for loan losses			557	523
Charge-offs			(378)	(389)
Recoveries			83	2
Ending Balance			$ 2,580	$ 1,970
ASSET QUALITY RATIOS				
Nonperforming assets to total assets			2.62%	1.52%
Allowance for loan losses to total loans held for investment			1.28%	1.22%
Allowance for loan losses to nonaccrual loans			37.0%	73.1%
COMPOSITION OF RISK ASSETS				
(in thousands)				
Nonperforming assets:				
Nonaccrual loans			6,967	2,697
Foreclosed assets			270	993
Total nonperforming assets			$ 7,237	$ 3,690

WEST TOWN BANCORP, INC.
Consolidated Statements of Condition
In thousands

	Unaudited June 30, 2017	Audited December 31, 2016
ASSETS	$	$
Cash & due from banks	1,308	1,295
Interest bearing deposits	21,894	24,537
Total cash and cash equivalents	23,202	25,832
Securities available for sale	4,690	5,043
Loans held for sale	30,166	58,923
Loans held for investment, net of loan losses, 6/30/17: $2,580; 12/31/16: $2,318	198,283	167,794
Premises and equipment, net	6,638	6,781
Foreclosed assets	270	873
Servicing rights on loans	5,721	5,569
Bank owned life insurance	4,716	4,648
Accrued interest receivable	951	1,055
Other assets	8,991	3,640
TOTAL ASSETS	**$ 283,628**	**$ 280,158**
LIABILITY & SHARHOLDERS' EQUITY		
Noninterest bearing deposits	$ 24,141	$ 20,820
Interest bearing deposits	201,072	195,999
Total deposits	225,213	216,819
FHLB borrowings	17,000	30,000
Other borrowings	5,599	0
Accrued interest payable	162	102
Other liabilities	5,734	5,282
Total borrowings & other liabilities	28,495	35,384
Preferred stock and surplus	500	0
Common stock and surplus	12,421	12,359
Retained earnings	16,949	15,556
Accumulated other comprehensive income	50	40
Total shareholders' equity	29,920	27,955
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**$ 283,628**	**$ 280,158**

WEST TOWN BANCORP, INC.
Consolidated Statements of Operation
In thousands (except per share information)

	Three Months Ended		Six Months Ended	
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Interest income	**6/30/17**	**6/30/16**	**6/30/17**	**6/30/17**
Interest on investment securities & deposits	$ 78	$ 55	$ 151	$ 95
Interest and fees on loans	3,288	2,809	6,661	5,473
Total interest income	3,366	2,864	6,812	5,568
Interest expense				
Interest on checking, savings and money market	284	105	532	166
Interest on CDs and IRAs	400	451	829	919
Interest on borrowed funds	92	26	148	41
Total interest expense	776	582	1,509	1,126
Net interest income	2,590	2,282	5,303	4,442
Provision for loan losses	281	400	557	523
Noninterest income				
Mortgage revenue	1,937	2,144	3,492	4,324
Government lending revenue	633	1,586	2,214	2,659
Fair value adjustment on loan servicing rights	97	260	152	707
Bank owned life insurance income	38	40	68	73
Service charge revenue	15	34	32	59
Other noninterest income	692	202	1,010	403
Total noninterest income	3,412	4,266	6,968	8,225
Noninterest expense				
Compensation expense	2,812	3,077	5,613	5,692
Occupancy and equipment expense	314	343	680	678
Loan expense	394	375	558	702
Professional expense	404	159	662	558
Data processing and communication expense	229	387	460	628
Advertising expense	77	127	169	363
Foreclosed asset expense, net	15	6	(130)	13
Merger and acquisition expense	124	0	296	0
Other operating expense	437	534	920	863
Total noninterest expense	4,806	5,008	9,228	9,497
Income before income taxes	915	1,140	2,486	2,647
Income tax expense	401	428	1,093	1,147
Net income	$ 514	$ 712	$ 1,393	$ 1,500
Basic earnings per common share	$ 0.35	$ 0.52	$ 0.95	$ 1.10
Diluted earnings per common share	$ 0.34	$ 0.49	$ 0.91	$ 1.04
Weighted average common shares outstanding	1,466,775	1,364,948	1,465,736	1,364,948
Diluted average common shares outstanding	1,533,679	1,437,279	1,532,498	1,439,052