W.T.B. Financial Corp

Audited Financial Statements
2022

MOSSADAMS

Report of Independent Auditors

The Board of Directors
W.T.B. Financial Corporation and Subsidiary (Washington Trust Bank)

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of W.T.B. Financial Corporation and Subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, 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, 2022, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of W.T.B. Financial Corporation and Subsidiary as of December 31, 2022 and 2021, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

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, 2022, 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 17, 2023, expressed an unmodified opinion.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of W.T.B. Financial Corporation and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about W.T.B. Financial Corporation and Subsidiary's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about W.T.B. Financial Corporation and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 3 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

Everett, Washington
March 17, 2023

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Selected Consolidated Financial Highlights

(unaudited) (dollars in thousands, except per share data)

	At or for the Years Ended December 31,				
	2022	2021	2020	2019	2018
PERFORMANCE					
Net interest revenue, fully tax-equivalent	**$ 323,305**	$ 299,320	$ 272,625	$ 255,519	$ 236,749
Fully tax-equivalent adjustment	**185**	263	368	461	497
Net interest revenue	**323,120**	299,057	272,257	255,058	236,252
(Recapture of) provision for loan losses	**(20,500)**	9,000	33,000	3,200	2,700
Net interest revenue after provision for loan losses	**343,620**	290,057	239,257	251,858	233,552
Noninterest revenue	**58,183**	67,848	67,372	48,297	52,926
Noninterest expense	**256,026**	229,910	208,740	193,416	182,042
Income before provision for income taxes	**145,777**	127,995	97,889	106,739	104,436
Provision for income taxes	**31,724**	27,965	21,577	23,455	21,380
Net income available to common shareholders	**$ 114,053**	$ 100,030	$ 76,312	$ 83,284	$ 83,056
SELECTED YEAR-END DATA					
Interest-bearing deposits with banks	**$ 273,938**	$ 1,987,135	$ 1,463,300	$ 523,953	$ 751,180
Debt securities	**3,759,164**	3,325,754	2,578,360	1,895,823	1,589,251
Total loans	**6,042,262**	5,536,076	5,591,532	4,542,597	4,047,398
Allowance for loan losses	**120,839**	140,603	132,811	96,415	90,749
Earning assets	**10,133,251**	10,854,717	9,561,272	6,958,855	6,420,888
Total assets	**10,423,090**	11,089,567	9,813,963	7,164,664	6,552,350
Deposits	**9,217,086**	9,890,270	8,698,791	6,226,866	5,638,923
Interest-bearing liabilities	**5,180,503**	5,556,691	4,763,925	3,572,797	3,485,267
Total shareholders’ equity	**867,129**	832,945	806,518	695,904	602,665
Full-time equivalent employees	**1,125**	1,095	1,070	1,021	996
PER COMMON SHARE					
Net income available to common shareholders (basic)	**$ 45.32**	$ 39.46	$ 30.09	$ 32.62	$ 32.52
Net income available to common shareholders (diluted)	**45.28**	39.40	30.06	32.56	32.42
Common cash dividends	**10.40**	9.40	7.40	7.00	4.60
Total shareholders’ equity	**344.59**	328.11	316.30	272.23	234.45
PERFORMANCE RATIOS					
Return on average assets	**1.06%**	0.96%	0.89%	1.26%	1.30%
Return on average shareholders’ equity	**13.45%**	12.34%	9.90%	12.70%	14.94%
Margin on average earning assets	**3.08%**	2.95%	3.28%	3.97%	3.77%
Noninterest expense to average assets	**2.38%**	2.21%	2.43%	2.93%	2.86%
Efficiency ratio	**67.1%**	62.6%	61.4%	63.7%	62.8%
Net loans to deposits	**64.2%**	54.6%	62.8%	71.4%	70.2%
Total cash dividends to net income	**22.9%**	23.8%	24.6%	21.5%	14.2%
CAPITAL RATIOS					
Total equity to total assets	**8.32%**	7.51%	8.22%	9.71%	9.20%
Tier 1 leverage	**8.62%**	7.64%	8.06%	10.34%	9.81%
Common equity tier 1 capital	**12.49%**	12.53%	13.29%	13.02%	13.36%
Tier 1 risk-based capital	**12.49%**	12.53%	13.29%	13.02%	13.36%
Total risk-based capital	**13.75%**	13.79%	14.55%	14.28%	14.62%
ASSET QUALITY RATIOS					
Allowance for loan losses to total loans	**2.00%**	2.54%	2.38%	2.12%	2.24%
Allowance for loan losses to noncurrent loans	**3,743%**	273%	1,162%	671%	755%
Net charge-offs (recoveries) to total average loans	**(0.01%)**	0.02%	(0.06%)	(0.06%)	(0.03%)
Noncurrent loans and ORE to assets	**0.03%**	0.46%	0.12%	0.20%	0.18%
Noncurrent loans, ORE and TDRs to assets	**0.04%**	0.47%	0.13%	0.22%	0.20%

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

	December 31, 2022	December 31, 2021
ASSETS		
Cash and due from banks	**$ 119,932,630**	$ 62,283,161
Interest-bearing deposits with banks	**273,938,004**	1,987,135,451
Securities available for sale, at fair value	**537,169,969**	538,718,995
Securities held to maturity, at amortized cost	**3,221,994,093**	2,787,035,395
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**10,060,000**	10,060,000
Loans receivable:		
Held for sale	**-**	4,283,439
Held in portfolio	**6,042,262,030**	5,531,792,118
Total loans	**6,042,262,030**	5,536,075,557
Allowance for loan losses	**(120,838,526)**	(140,603,388)
Loans, net of allowance for loan losses	**5,921,423,504**	5,395,472,169
Premises and equipment, net	**87,432,873**	88,114,622
Operating lease right of use assets	**12,552,387**	16,082,007
Deferred income taxes, net	**41,250,613**	30,795,996
Cash surrender value of life insurance, net	**85,416,642**	84,788,121
Accrued interest receivable	**32,246,663**	23,678,316
Prepaid expenses and other assets	**79,672,191**	65,403,261
Total assets	**$ 10,423,089,569**	$ 11,089,567,494
LIABILITIES		
Deposits:		
Noninterest-bearing	**$ 4,245,614,949**	$ 4,593,153,112
Interest-bearing	**4,971,470,925**	5,297,117,374
Total deposits	**9,217,085,874**	9,890,270,486
Securities sold under agreements to repurchase	**209,031,623**	239,510,563
Other borrowings	**-**	20,063,287
Operating lease liabilities	**13,461,452**	17,188,096
Accrued interest payable	**370,567**	662,208
Other liabilities	**116,010,801**	88,927,522
Total liabilities	**9,555,960,317**	10,256,622,162
COMMITMENTS AND CONTINGENCIES (NOTE 18)		
SHAREHOLDERS' EQUITY		
Class C preferred stock, no par value, 500,000 shares authorized; no shares issued and outstanding	**-**	-
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; 2,491,430 shares issued and outstanding at December 31, 2022; 2,513,617 issued and outstanding at December 31, 2021	**10,851,840**	19,012,049
Surplus	**32,665,000**	32,665,000
Undivided profits	**871,561,981**	783,617,442
	915,328,821	835,544,491
Accumulated other comprehensive loss, net of tax	**(48,199,569)**	(2,599,159)
Total shareholders' equity	**867,129,252**	832,945,332
Total liabilities and shareholders' equity	**$ 10,423,089,569**	$ 11,089,567,494

See notes to consolidated financial statements.

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

	Years Ended December 31,		
	2022	2021	2020
INTEREST REVENUE			
Loans, including fees	**257,234,036**	$ 243,317,106	$ 237,474,817
Deposits with banks	**13,712,397**	2,037,865	2,490,312
Securities:			
Taxable	**64,430,595**	62,773,249	46,969,474
Tax-exempt	**164,449**	176,582	227,645
Other interest and dividend income	**308,459**	332,345	307,834
Total interest revenue	**335,849,936**	308,637,147	287,470,082
INTEREST EXPENSE			
Demand and savings deposits	**11,789,555**	7,578,477	11,839,506
Time deposits	**588,684**	901,510	1,783,555
Securities sold under agreements to repurchase and other borrowings	**351,711**	1,100,531	1,589,790
Total interest expense	**12,729,950**	9,580,518	15,212,851
Net interest revenue	**323,119,986**	299,056,629	272,257,231
(Recapture of) provision for loan losses	**(20,500,000)**	9,000,004	33,000,000
Net interest revenue after (recapture of) provision for loan losses	**343,619,986**	290,056,625	239,257,231
NONINTEREST REVENUE			
Fiduciary income	**21,590,123**	21,805,428	18,855,810
Investment services fees	**3,985,839**	4,071,692	3,732,509
Bank card and credit card fees, net	**14,119,585**	17,064,063	12,887,206
Mortgage banking revenue, net	**2,140,229**	8,566,457	14,122,775
Other fees on loans	**1,173,917**	1,478,571	1,057,232
Service charges on deposits	**6,895,594**	6,087,808	5,845,480
Other service charges, commissions and fees	**952,160**	822,176	733,181
Gains on sale of securities available for sale, net	**-**	-	3,889,108
Rental income	**4,401,360**	5,688,450	5,652,498
Other income	**2,923,888**	2,264,225	596,207
Total noninterest revenue	**58,182,695**	67,848,870	67,372,006
NONINTEREST EXPENSE			
Salaries	**129,596,628**	118,230,490	107,490,938
Pension and employee benefits	**24,836,757**	23,685,392	22,621,974
Occupancy expense	**16,475,609**	16,036,941	15,166,946
Furniture and equipment expense	**8,474,491**	7,841,781	7,056,549
Software expense	**12,175,119**	9,713,734	9,475,349
Data processing expense	**11,969,849**	12,663,632	10,676,694
Marketing and public relations	**7,639,022**	6,079,193	5,206,226
Professional fees	**7,779,227**	6,712,360	6,079,253
State revenue taxes	**3,222,511**	3,467,056	3,422,236
FDIC assessments	**4,334,449**	5,775,751	2,773,324
Other expense	**29,522,132**	19,703,740	18,770,436
Total noninterest expense	**256,025,794**	229,910,070	208,739,925
Income before provision for income taxes	**145,776,887**	127,995,425	97,889,312
Provision for income taxes	**31,723,646**	27,965,314	21,577,556
NET INCOME	**$ 114,053,241**	$ 100,030,111	$ 76,311,756

See notes to consolidated financial statements.

Continued

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

	Years Ended December 31,		
	2022	2021	2020
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,516,636**	2,535,053	2,535,908
Diluted	**2,518,920**	2,538,529	2,538,290
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 45.32**	$ 39.46	$ 30.09
Diluted	**$ 45.28**	$ 39.40	$ 30.06

See notes to consolidated financial statements.

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

	Years Ended December 31,		
	2022	2021	2020
NET INCOME	**$ 114,053,241**	$ 100,030,111	$ 76,311,756
Securities available for sale:			
Unrealized (losses) gains arising during the year	**(52,135,213)**	(53,886,287)	73,020,843
Income tax benefit (expense) related to unrealized (losses) gains	**10,948,395**	11,316,120	(15,334,377)
Reclassification adjustment for gains included in net income	**-**	-	(3,889,108)
Income tax expense related to reclassification adjustment for gains included in net income	**-**	-	816,713
Reclassification of unrealized gains on securities transferred to held to maturity	**-**	(22,367,146)	-
Income tax expense related to unrealized gains on securities transferred to held to maturity	**-**	4,697,099	-
Net change in unrealized (losses) gains	**(41,186,818)**	(60,240,214)	54,614,071
Securities held to maturity:			
Reclassification of unrealized net gains on securities transferred from available for sale	**-**	22,367,146	-
Income tax expense related to unrealized gains on securities transferred to held to maturity	**-**	(4,697,099)	-
Amortization of previously unrealized net gains on securities reclassified to held to maturity	**(4,903,041)**	(6,191,614)	-
Income tax expense related to amortization of net unrealized gains	**1,029,639**	1,300,239	-
Net change in unrealized gains	**(3,873,402)**	12,778,672	-
Defined benefit pension plan:			
Unrealized (loss) gain arising during the year	**(2,604,477)**	1,010,815	(1,107,261)
Income tax benefit (expense) related to unrealized (loss) gain	**546,940**	(212,271)	232,525
Reclassification adjustment for amounts included in net income	**1,920,692**	2,329,786	2,314,033
Income tax benefit related to reclassification adjustment for amounts included in net income	**(403,345)**	(489,255)	(485,947)
Net change in unrealized losses	**(540,190)**	2,639,075	953,350
OTHER COMPREHENSIVE (LOSS) GAIN, NET OF TAX	**(45,600,410)**	(44,822,467)	55,567,421
COMPREHENSIVE INCOME	**$ 68,452,831**	$ 55,207,644	$ 131,879,177

See notes to consolidated financial statements.

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Changes in Shareholders' Equity

	Number of Common Shares Outstanding	Total Shareholders' Equity	Common Stock		Treasury Stock	Surplus	Accumulated Other Comprehensive (Loss) Gain, Net of Tax	Undivided Profits
			Class A	Class B				
Balance, December 31, 2019	2,556,355	$ 695,904,048	$ 250,000	$ 26,505,819	$ (18,428)	$ 32,665,000	$ (13,344,113)	$ 649,845,770
Net income, 2020	-	76,311,756	-	-	-	-	-	76,311,756
Other comprehensive gain, net of tax	-	55,567,421	-	-	-	-	55,567,421	-
Cash dividends of $7.40 per share	-	(18,768,749)	-	-	-	-	-	(18,768,749)
Share repurchases, net of retirements	(16,108)	(5,403,355)	-	(5,421,783)	18,428	-	-	-
Stock-based compensation	7,832	2,364,531	-	2,364,531	-	-	-	-
Stock-based directors' fees	1,764	542,095	-	542,095	-	-	-	-
Balance, December 31, 2020	2,549,843	806,517,747	250,000	23,990,662	-	32,665,000	42,223,308	707,388,777
Net income, 2021	-	100,030,111	-	-	-	-	-	100,030,111
Other comprehensive loss, net of tax	-	(44,822,467)	-	-	-	-	(44,822,467)	-
Cash dividends of $9.40 per share	-	(23,801,446)	-	-	-	-	-	(23,801,446)
Share repurchases, net of retirements	(20,442)	(7,915,606)	-	(7,915,606)	-	-	-	-
Stock-based compensation	7,698	2,354,294	-	2,354,294	-	-	-	-
Stock-based directors' fees	1,518	582,699	-	582,699	-	-	-	-
Balance, December 31, 2021	2,538,617	832,945,332	250,000	19,012,049	-	32,665,000	(2,599,159)	783,617,442
Net income, 2022	-	114,053,241	-	-	-	-	-	114,053,241
Other comprehensive loss, net of tax	-	(45,600,410)	-	-	-	-	(45,600,410)	
Cash dividends of $10.40 per share	-	(26,108,702)	-	-	-	-	-	(26,108,702)
Share repurchases, net of retirements	(31,817)	(11,253,088)	-	(11,253,088)	-	-	-	-
Stock-based compensation	7,920	2,506,999	-	2,506,999	-	-	-	-
Stock-based directors' fees	1,710	585,880	-	585,880	-	-	-	-
Balance, December 31, 2022	2,516,430	$ 867,129,252	$ 250,000	$ 10,851,840	$ -	$ 32,665,000	$ (48,199,569)	$ 871,561,981

See notes to consolidated financial statements.

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

	Years Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net income	**$ 114,053,241**	$ 100,030,111	$ 76,311,756
Adjustments to reconcile net income to net cash provided by operating activities:			
(Recapture of) provision for loan losses	**(20,500,000)**	9,000,004	33,000,000
Deferred income taxes expense (benefit)	**1,411,310**	(3,041,039)	(10,902,813)
Depreciation	**8,640,001**	8,393,485	7,521,522
Amortization of software	**105,554**	124,873	740,495
Net premium amortization of securities	**6,834,157**	14,339,810	9,281,490
Change in mortgage servicing rights	**81,902**	30,339	(62,461)
Gains on sales of securities available for sale, net	**-**	-	(3,889,108)
Losses (gains) on sales of premises and equipment	**484,839**	(26,523)	263,295
Origination of loans held for sale	**(71,754,205)**	(221,306,787)	(432,660,349)
Proceeds from sales of loans held for sale	**77,500,667**	253,561,651	446,889,661
Gains on sales of loans	**(1,463,023)**	(7,966,350)	(13,535,033)
(Increase) decrease in accrued interest receivable	**(8,568,347)**	5,336,375	(7,856,477)
Increase in cash surrender value of life insurance, net	**(2,270,250)**	(955,417)	(329,400)
Stock-based compensation	**2,506,999**	2,354,294	2,364,531
Stock-based directors' fees	**585,880**	582,699	542,095
Contributions to pension plan	**-**	-	(17,251)
Decrease (increase) in other assets	**14,552,484**	(4,139,844)	2,283,009
Increase in accrued expenses and other liabilities	**4,327,344**	5,467,059	13,401,433
Net cash provided by operating activities	**126,528,553**	161,784,740	123,346,395
Cash flows from investing activities:			
Net decrease (increase) in interest-bearing deposits with banks	**1,713,197,447**	(523,835,358)	(939,346,748)
Securities available for sale:			
Payments for purchases	**(101,158,109)**	(214,306,746)	(1,021,688,360)
Proceeds from sales	**-**	-	535,600,228
Proceeds from maturities, calls, and paydowns	**49,985,977**	135,710,061	99,558,392
Securities held to maturity:			
Payments for purchases	**(630,946,146)**	(981,434,800)	(330,576,827)
Proceeds from maturities, calls, and paydowns	**184,836,195**	238,219,140	98,309,586
Net change in Federal Home Loan Bank stock	**-**	(1,417,600)	(730,800)
Net (increase) decrease in loans held in portfolio	**(529,798,061)**	50,023,380	(1,046,232,928)
Purchases of premises and equipment	**(8,563,361)**	(4,567,720)	(13,253,160)
Proceeds from sales of premises and equipment	**120,270**	164,947	71,900
Purchases of software	**-**	(245,811)	-
Purchase of investments	**(7,169,683)**	(7,226,662)	(7,248,650)
Proceeds from equity investments	**-**	5,669	41,514
Purchase of life insurance	**-**	(75,000,000)	-
Proceeds from the settlement of life insurance	**1,641,729**	-	-
Net cash provided by (used) in investing activities	**672,146,258**	(1,383,911,500)	(2,625,495,853)

See notes to consolidated financial statements.

Continued

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

	Years Ended December 31,		
	2022	2021	2020
Cash flows from financing activities:			
Net (decrease) increase in deposits	**$ (673,184,612)**	$ 1,191,479,828	$ 2,471,924,657
Net (decrease) increase in securities sold under repurchase agreements	**(30,478,940)**	23,082,262	53,358,985
Repurchase of common stock	**(11,253,088)**	(7,915,606)	(5,403,355)
Common stock dividends paid	**(26,108,702)**	(23,801,446)	(18,768,749)
Net cash (used in) provided by financing activities	**(741,025,342)**	1,182,845,038	2,501,111,538
Increase (decrease) in cash and cash equivalents	**57,649,469**	(39,281,722)	(1,037,920)
Cash and cash equivalents at beginning of year	**62,283,161**	101,564,883	102,602,803
Cash and cash equivalents at end of year	**$ 119,932,630**	$ 62,283,161	$ 101,564,883
Supplemental disclosures of cash flow information:			
Cash paid for interest	**$ 13,021,591**	$ 9,593,420	$ 15,672,098
Cash paid for income taxes	**27,352,803**	35,205,484	30,821,422
Transfer of securities from available for sale to held to maturity	**-**	1,181,588,879	-

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 and is used to hold mortgage loans and other real estate ("ORE") properties.

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, and fair value of financial instruments.

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. 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 17, 2023, the date these consolidated financial statements were available to be issued.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold, and securities purchased under resale agreements. Federal funds sold and securities purchased under resale agreements typically have original maturities of three months or less.

Securities

Debt 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. Debt 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. Securities transferred from available for sale to held to maturity are recorded at fair value at the date of transfer. The unrealized pre-tax gain or loss resulting from the difference between the fair value and amortized cost at the date of transfer becomes part of the new amortized cost basis of the transferred securities and remains in accumulated other comprehensive income. Such unrealized gains or losses are amortized to interest revenue as an adjustment to yield over the remaining life of the securities, offset by the amortization of the premium or discount resulting from the transfer at fair value, with no effect to net income. 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 debt 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, calculated as the difference between the present value of the cash flows expected to be collected and fair value, is recognized as a charge to OCI.

Equity securities are carried at fair value, with changes reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

Federal Home Loan Bank and Pacific Coast Bankers' Bancshares Stock

The Bank is a member of the Federal Home Loan Bank of Des Moines ("FHLB") and is required to maintain a minimum level of investment in FHLB stock based on the Bank's membership, the level of FHLB borrowings and other factors, and may invest in additional amounts. 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, is carried at par value ($100 per share), and is classified as a restricted security. Ownership of FHLB stock is restricted to members and former members of the FHLB, and is purchased and redeemed at par. At December 31, 2022 and 2021, the Bank's investment in FHLB stock was $10,000,000.

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 and classified as a restricted security. At December 31, 2022 and 2021, 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 no other-than-temporary impairment on its investments in FHLB or PCBB stock as of December 31, 2022 or 2021.

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, net of surrender charges, 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, as determined based on quoted secondary market prices for similar loans. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

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. Restructured loans on nonaccrual status that are subsequently placed on accrual status are still accounted for as a TDR.

In conjunction with the passage of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in March 2020 and with the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus ("Interagency Statement"), financial institutions have been provided the option, for loans meeting specific criteria, to temporarily suspend certain requirements under GAAP related to TDR's for a limited time to assist borrowers experiencing financial hardship due to the COVID-19 Pandemic ("the Pandemic"). As a result, the Bank has not recognized eligible loan modifications as TDRs. Additionally, loans qualifying for these modifications are not required to be reported as delinquent, nonaccrual, impaired, or criticized solely as a result of loan modification resulting from the economic effects of the Pandemic. Modifications include deferral of payments and interest only periods. The Bank accrues and recognizes interest income on loans under payment relief based on the original contractual interest rates. When payments resume at the end of the relief period, the payments will generally be applied to accrued interest due until accrued interest is fully paid. Accrued interest balances are assessed for collectability on a periodic basis.

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 could affect credit performance.

Mortgage Servicing Rights

Mortgage servicing rights result from the sale of mortgage loans while retaining loan servicing responsibilities. Mortgage servicing rights are initially recorded at fair value with the income statement effect recorded in mortgage banking revenue, net. Fair value is based on a model that calculates the present value of estimated future net servicing income. 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. 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 calculated fair value.

Fees earned for servicing loans are recorded as noninterest income 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 in other income.

The Bank utilizes forward sales contracts and interest rate lock commitments associated with mortgage banking activities in its derivative risk management strategy. The fair value of interest rate lock commitments are recorded at the time the commitment to fund residential mortgage loan commitments and residential loans held for sale are executed and are adjusted for the expected exercise of the commitment before the loans are funded. In order to hedge the change in interest rates resulting from its commitments to fund these loans, 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 these locked loans. 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, 2022, the estimated fair value of interest rate lock commitments was $(7,774). There were no forward sales agreements at December 31, 2022. At December 31, 2021, the estimated fair value of interest rate lock commitments was ($23,094) and the estimated fair value of forward sales agreements was $14,549.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Bank, 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 the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. Transfers of financial assets that do not meet the criteria to be accounted for as sales are accounted for under the secured borrowing accounting model in which the assets continue to be reported in the consolidated statements of financial condition and any cash proceeds received are treated as secured borrowings.

Premises and Equipment

Premises and equipment, including leasehold improvements, are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line method 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.

Other Real Estate

ORE acquired through, or in lieu of, loan foreclosure is recorded at fair value less costs to sell, which becomes the property's new basis. A provision to the valuation allowance on ORE is made for subsequent declines in fair value on a specific property basis. Direct costs incurred in connection with holding ORE are charged to expense when incurred. For the years ended December 31, 2022, 2021, and 2020, there was no activity related to ORE included in the consolidated statements of income. At December 31, 2022 and 2021, there was no ORE included in the consolidated statements of financial condition and the Bank had no recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process.

Qualified Affordable Housing Tax Credit Investments

The Bank invests in unconsolidated limited partnerships that operate affordable housing projects in order to receive tax benefits from tax deductible operating losses and tax credits. These investments qualify to be accounted for using the proportional amortization method under which amortization of the investment is recorded in the provision for income taxes in the consolidated statements of income, together with the tax credits and benefits received.

Advertising Costs

W.T.B. expenses advertising costs as incurred, which are included in marketing and public relations expense. Advertising expenses were $3,581,905, $2,746,500, and $2,607,228 for 2022, 2021, and 2020, 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 percent; 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 percent 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. Forfeitures are recognized as they occur.

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.

Stock
Class A common stock has the right to vote on certain matters. Class B common stock does not have voting rights except in those circumstances for which class voting is required by law. Class C preferred stock may be issued in one or more series. The Board of Directors of W.T.B. has the express authority to fix and designate the preferences and various other rights of Class C preferred stock. Repurchased common stock shares not retired are recorded as treasury stock at cost. Treasury shares are not deemed outstanding for earnings per share calculations.

Comprehensive Income
Comprehensive income consists of net income and other comprehensive (loss) gain. Other comprehensive (loss) gain includes unrealized gains and losses on securities available for sale, the unrealized gains and losses on securities reclassified to held to maturity, and unrealized gains and losses related to the defined benefit pension plan, which are reported as a separate component of shareholders' 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 active markets that convey significant transaction-based pricing signals for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Standards Not Yet Adopted
Accounting Standards Update ("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. For W.T.B, this standard becomes effective for annual periods beginning after December 15, 2022, and interim periods within those annual periods. 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. adopted the provisions of this ASU, using a modified retrospective approach, effective January 1, 2023. As a result of the adoption, the allowance for loan losses will be referred to as the allowance for credit losses. The adoption of this ASU is expected to have a material impact on the allowance for credit losses on loans, the allowance for credit losses on off-balance-sheet credit exposures, and undivided profits. The adoption of this ASU is not expected to have a material impact on investment securities held to maturity. In addition, current accounting policy and procedures for other-than-temporary impairment on investment securities available for sale will be replaced with an allowance approach and the adoption of this ASU is not expected to have a significant impact on investment securities available for sale.

ASU 2020-04, Reference Rate Reform *(Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this standard provide temporary, optional guidance to ease the potential burden in accounting for reference rate reform. This standard provides for expedients and exceptions when accounting for contracts, hedging relationships, and other transactions that reference London Inter-Bank Offered Rate ("LIBOR") or other reference rates expected to be discontinued because of reference rate reform. The standard includes relief related to contract modifications and hedging relationships, as well as provides a one-time election for the sale or transfer of debt securities classified as held to maturity. The guidance in ASU 2020-04 is effective immediately upon issuance in March 2020. The Financial Accounting Standards Board ("FASB") also issued ASU 2021-01, Reference Rate Reform (*Topic 848) – Scope* in January 2021. ASU 2021-01 clarifies certain optional expedients and exceptions in Topic 848 applying to derivatives that are affected by the reference rate transition. The amendments in ASU 2021-01 affect the guidance in ASU 2020-04 and are effective in the same timeframe as ASU 2020-04. In December 2022, the FASB issued ASU 2022-06 Reference Rate Reform *(Topic 848) – Deferral of the Sunset Date of Topic 848*, which extends the period the relief guidance can be applied and defers the sunset date of Topic 848 to December 31, 2024. The adoption of the provisions of these ASU's are not expected to have a significant impact on W.T.B.'s consolidated financial statements.

ASU 2022-02, Financial Instruments – Credit Losses *(Topic 326): Troubled Debt Restructurings and Vintage Disclosures.* The amendments in this standard eliminate the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, *Receivables – Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinances and restructurings by creditors when a borrower is experiencing financial difficulty. In addition, for public business entities, the amendments in this standard require that entities disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments – Credit Losses – Measured at Amortized Cost*. For W.T.B., the effective dates for the amendments in this standard are the same as the effective dates in ASU 2016-13, which W.T.B. adopted on January 1, 2023. The adoption of the provisions of ASU 2022-02 is not expected to have a significant impact on W.T.B.'s consolidated financial statements.

Note 2: Cash and Due from Banks

Federal Reserve Board regulations may require depository institutions to maintain minimum reserve balances in the form of cash on hand or deposits with the Federal Reserve Bank. Beginning March 26, 2020, the Federal Reserve Board reduced the reserve requirement to zero percent. At December 31, 2022 and 2021, W.T.B. was in compliance with the Federal Reserve Board reserve requirements.

Note 3: Securities

The amortized costs and fair values for securities as of December 31, 2022 and 2021, were as follows:

	2022			
Securities Available for Sale:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 249,992,206	$ -	$ 13,669,124	$ 236,323,082
States and political subdivisions	6,449,254	94	18,696	6,430,652
Commercial mortgage-backed securities	121,244,686	-	6,474,850	114,769,836
Residential mortgage-backed securities	207,310,856	-	27,664,457	179,646,399
	$ 584,997,002	$ 94	$ 47,827,127	$ 537,169,969

	2021			
Securities Available for Sale:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 151,752,679	$ 1,426,867	$ 219,755	$ 152,959,791
States and political subdivisions	4,295,571	76,205	-	4,371,776
Commercial mortgage-backed securities	126,717,411	3,413,588	71,091	130,059,908
Residential mortgage-backed securities	251,645,154	2,225,499	2,543,133	251,327,520
	$ 534,410,815	$ 7,142,159	$ 2,833,979	$ 538,718,995

	2022			
Securities Held to Maturity:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 1,812,696,506	$ 862,801	$ 188,541,495	$ 1,625,017,812
States and political subdivisions	1,843,118	825	45,061	1,798,882
Commercial mortgage-backed securities	554,346,326	249,610	82,270,295	472,325,641
Residential mortgage-backed securities	853,108,143	115,458	149,028,553	704,195,048
	$ 3,221,994,093	$ 1,228,694	$ 419,885,404	$ 2,803,337,383

	2021			
Securities Held to Maturity:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 1,371,759,723	$ 12,362,064	$ 17,201,654	$ 1,366,920,133
States and political subdivisions	3,531,847	116,121	-	3,647,968
Commercial mortgage-backed securities	618,360,940	1,180,278	8,144,128	611,397,090
Residential mortgage-backed securities	793,382,885	1,298,903	16,887,503	777,794,285
	$ 2,787,035,395	$ 14,957,366	$ 42,233,285	$ 2,759,759,476

There were no transfers of debt securities from available for sale to held to maturity for the year ended December 31, 2022. During the year ended December 31, 2021, debt securities with a fair value of $1,181,588,879, which were previously classified as available for sale, were transferred to held to maturity. The $22,367,146 pre-tax net gain associated with these securities that existed at the date of the transfer is being amortized to interest income as an adjustment to yield over the remining life of the securities. For securities transferred from available for sale to held to maturity, the amortized cost of securities in the preceding tables includes any previously unrealized pre-tax gains or losses at the date of the transfer and unrealized gains and losses presented in the preceding tables represent the change in fair value of the securities since the date of the transfer.

At December 31, 2022, unrealized losses on held to maturity securities in the preceding tables were $11,272,492 more than the unrealized losses in the following tables and at December 31, 2021, unrealized losses on held to maturity securities in the preceding tables were $4,814,796 less than the unrealized losses presented in the following tables. The following tables compare the securities' amortized cost, prior to any unrealized gains or losses recognized in other comprehensive income as a result of the transfer of securities from available for sale to held to maturity, to its current estimated fair value.

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, 2022 and 2021:

	2022					
	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	$ 124,152,249	$ 5,733,639	$ 112,170,833	$ 7,935,485	$ 236,323,082	$ 13,669,124
States and political subdivisions	6,160,568	18,696	-	-	6,160,568	18,696
Commercial mortgage-backed securities	113,416,918	6,168,335	1,352,918	306,515	114,769,836	6,474,850
Residential mortgage-backed securities	48,394,802	2,223,767	131,251,597	25,440,690	179,646,399	27,664,457
	$ 292,124,537	$ 14,144,437	$ 244,775,348	$ 33,682,690	$ 536,899,885	$ 47,827,127

	2021					
	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	$ 69,924,203	$ 219,755	$ -	$ -	$ 69,924,203	$ 219,755
States and political subdivisions	-	-	-	-	-	-
Commercial mortgage-backed securities	-	-	1,818,270	71,091	1,818,270	71,091
Residential mortgage-backed securities	153,054,126	1,739,259	18,129,439	803,874	171,183,565	2,543,133
	$ 222,978,329	$ 1,959,014	$ 19,947,709	$ 874,965	$ 242,926,038	$ 2,833,979

	2022					
	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	$ 809,163,536	$ 43,882,695	$ 739,482,321	$ 136,837,325	$ 1,548,645,857	$ 180,720,020
States and political subdivisions	1,298,057	45,061	-	-	1,298,057	45,061
Commercial mortgage-backed securities	116,589,448	13,055,478	333,721,646	63,049,744	450,311,094	76,105,222
Residential mortgage-backed securities	154,303,158	14,022,048	538,671,195	137,720,560	692,974,353	151,742,608
	$ 1,081,354,199	$ 71,005,282	$ 1,611,875,162	$ 337,607,629	$ 2,693,229,361	$ 408,612,911

	2021					
	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	$ 449,237,108	$ 9,020,638	$ 254,005,612	$ 12,180,591	$ 703,242,720	$ 21,201,229
States and political subdivisions	-	-	-	-	-	-
Commercial mortgage-backed securities	322,866,957	5,865,242	37,285	12,751	322,904,242	5,877,993
Residential mortgage-backed securities	382,040,817	7,622,460	288,857,692	12,346,399	670,898,509	19,968,859
	$ 1,154,144,882	$ 22,508,340	$ 542,900,589	$ 24,539,741	$ 1,697,045,471	$ 47,048,081

The above tables represent 71 available for sale and 178 held to maturity securities for which the fair value at December 31, 2022, was less than the amortized cost. There were 35 available for sale securities and 85 held to maturity securities in an unrealized loss position as of December 31, 2021 (excluding any unrealized gains or losses included in other comprehensive income on available for sale securities transferred to held to maturity).

W.T.B. reviews investment securities on an ongoing basis for the presence of OTTI. As of December 31, 2022, there were 36 available for sale securities and 101 held to maturity securities in a 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, risk of issuer default and loss, its intent to sell the security, or if it is likely that W.T.B. 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. The unrealized losses on these securities were largely due to increases in market interest rates and are not due to the underlying creditworthiness of the issuers. W.T.B. does not consider the unrealized losses on these securities to be OTTI as of December 31, 2022.

W.T.B. recorded, during the years ended December 31, 2022, 2021, and 2020, no impairments through OCI or earnings. There were no securities with OTTI losses recognized as of December 31, 2022 and 2021.

As of December 31, 2022, 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	$ 36,265,652	$ 34,814,973	$ 267,723,662	$ 235,303,741
State and local government public deposits	-	-	63,484,562	55,071,931
Other	808,765	764,368	96,271,556	84,612,727
	$ 37,074,417	$ 35,579,341	$ 427,479,780	$ 374,988,399

In 2022 and 2021, there were no sales of available for sale securities. In 2020, proceeds from the sales of available for sale securities were $535,600,228 resulting in gross gains of $6,591,112 and gross losses of $2,702,004.

The amortized costs and fair values of debt securities by years to maturity as of December 31, 2022 and 2021, are in the table below. Securities not due at a single maturity date are shown separately. Expected maturities on certain securities may differ from contractual maturities since issuers may have the right to call or prepay obligations.

	2022			
	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 19,422,153	$ 19,210,019	$ 41,300,004	$ 40,804,690
Due after one year through five years	234,452,354	220,979,590	1,080,132,214	1,001,882,818
Due after five years through ten years	-	-	585,554,342	499,990,549
Due after ten years	2,566,953	2,564,125	107,553,064	84,138,637
Commercial mortgage-backed securities	121,244,686	114,769,836	554,346,326	472,325,641
Residential mortgage-backed securities	207,310,856	179,646,399	853,108,143	704,195,048
	$ 584,997,002	$ 537,169,969	$ 3,221,994,093	$ 2,803,337,383

	2021			
	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 1,300,010	$ 1,301,189	$ 1,702,706	$ 1,695,090
Due after one year through five years	154,748,240	156,030,378	474,447,874	480,112,128
Due after five years through ten years	-	-	741,324,944	733,541,560
Due after ten years	-	-	157,816,046	155,219,323
Commercial mortgage-backed securities	126,717,411	130,059,908	618,360,940	611,397,090
Residential mortgage-backed securities	251,645,154	251,327,520	793,382,885	777,794,285
	$ 534,410,815	$ 538,718,995	$ 2,787,035,395	$ 2,759,759,476

Note 4: Loans and Allowance for Loan Losses

Loans

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

	2022	2021
Commercial and industrial	$ 1,372,871,116	$ 1,501,219,789
Agricultural	233,986,937	279,784,887
Commercial real estate		
Owner occupied	859,788,765	744,790,582
Non-owner occupied	1,335,675,554	1,157,733,989
Construction and development		
Commercial	376,414,627	357,679,751
Residential	238,901,555	184,268,097
Residential real estate		
First mortgage	1,254,516,243	987,480,421
Junior mortgage	16,357,870	15,049,904
Revolving	228,309,336	179,011,931
Consumer	125,440,027	124,772,767
Total portfolio loans	$ 6,042,262,030	$ 5,531,792,118

Loans were reduced by unamortized deferred fees and costs of $12,047,165 and $15,108,016 at December 31, 2022 and 2021, respectively. Loans with a principal balance of $3,363,856,059 and $3,021,593,462 were pledged at December 31, 2022 and 2021, respectively, to the FHLB and Federal Reserve to secure open borrowing lines of credit.

In 2020, the Bank participated in the Small Business Administration's Paycheck Protection Program ("PPP"). This program came about through the CARES Act passed by Congress to help small businesses keep their employees employed through the COVID-19 shelter in place orders. In 2020, the Bank assisted over 5,400 businesses with more than $1.25 billion in PPP loan originations. In 2021, the Bank assisted over 3,300 businesses with more than $470 million in PPP loan originations. As of December 31, 2022 and 2021, there were $15,767,347 and $205,929,312, respectively of PPP loans outstanding, net of deferred fees and costs, which were categorized as commercial and industrial. The entire principal amount of PPP loans, along with accrued interest, is forgivable, assuming the borrower complies with the terms of the use of funds under the CARES Act and is fully guaranteed by the Small Business Administration ("SBA").

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:

	2022						
	Commercial and Agricultural	Real Estate Secured Commercial	Real Estate Secured Construction	Real Estate Secured Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 39,017,331	$ 42,142,977	$ 18,774,758	$ 31,742,793	$ 2,033,057	$ 6,892,472	$ 140,603,388
Charge-offs	(2,179,388)	-	-	-	(299,612)	-	(2,479,000)
Recoveries	2,251,533	-	52,043	644,559	266,003	-	3,214,138
Provision (recapture)	(8,395,130)	(6,425,067)	(1,549,503)	760,290	(468,750)	(4,421,840)	(20,500,000)
Ending balance	$ 30,694,346	$ 35,717,910	$ 17,277,298	$ 33,147,642	$ 1,530,698	$ 2,470,632	$ 120,838,526
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	30,694,346	35,717,910	17,277,298	33,147,642	1,530,698	2,470,632	120,838,526
Total allowance for loan losses	$ 30,694,346	$ 35,717,910	$ 17,277,298	$ 33,147,642	$ 1,530,698	$ 2,470,632	$ 120,838,526
Loans:							
Portfolio loans:							
Loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -		$ -
Loans collectively evaluated for impairment	1,606,858,053	2,195,464,319	615,316,182	1,499,183,449	125,440,027		6,042,262,030
Total portfolio loans	$1,606,858,053	$2,195,464,319	$ 615,316,182	$1,499,183,449	$ 125,440,027		$6,042,262,030

	2021						
	Commercial and Agricultural	Real Estate Secured Commercial	Real Estate Secured Construction	Real Estate Secured Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 48,567,101	$ 40,089,173	$ 17,195,503	$ 22,943,008	$ 1,768,838	$ 2,247,460	$ 132,811,083
Charge-offs	(6,968,004)	-	-	-	(443,844)	-	(7,411,848)
Recoveries	2,414,287	-	2,405,527	918,711	465,624	-	6,204,149
Provision (recapture)	(4,996,053)	2,053,804	(826,272)	7,881,074	242,439	4,645,012	9,000,004
Ending balance	$ 39,017,331	$ 42,142,977	$ 18,774,758	$ 31,742,793	$ 2,033,057	$ 6,892,472	$ 140,603,388
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 3,418,095	$ -	$ -	$ 195,522	$ 84,517	$ -	$ 3,698,134
Collectively evaluated for impairment	35,599,236	42,142,977	18,774,758	31,547,271	1,948,540	6,892,472	136,905,254
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-
Total allowance for loan losses	$ 39,017,331	$ 42,142,977	$ 18,774,758	$ 31,742,793	$ 2,033,057	$ 6,892,472	$ 140,603,388
Loans:							
Portfolio loans:							
Loans individually evaluated for impairment	$ 40,228,428	$ -	$ -	$ 1,438,545	$ 84,517		$ 41,751,490
Loans collectively evaluated for impairment	1,735,066,858	1,902,524,571	541,947,848	1,180,103,711	124,688,250		5,484,331,238
Loans acquired with deteriorated credit quality	5,709,390	-	-	-	-		5,709,390
Total portfolio loans	$1,781,004,676	$1,902,524,571	$ 541,947,848	$1,181,542,256	$ 124,772,767		$5,531,792,118

	2020						
	Commercial and Agricultural	Real Estate Secured Commercial	Real Estate Secured Construction	Real Estate Secured Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 37,027,202	$ 21,320,127	$ 13,761,208	$ 18,265,598	$ 1,559,213	$ 4,481,373	$ 96,414,721
Charge-offs	(1,646,807)	-	(12,441)	-	(474,631)	-	(2,133,879)
Recoveries	3,290,684	-	1,087,882	719,317	432,358	-	5,530,241
Provision (recapture)	9,896,022	18,769,046	2,358,854	3,958,093	251,898	(2,233,913)	33,000,000
Ending balance	$ 48,567,101	$ 40,089,173	$ 17,195,503	$ 22,943,008	$ 1,768,838	$ 2,247,460	$ 132,811,083
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 7,325,605	$ -	$ -	$ 324,801	$ 87,605	$ -	$ 7,738,011
Collectively evaluated for impairment	41,241,496	40,089,173	17,195,503	22,618,207	1,681,233	2,247,460	125,073,072
Total allowance for loan losses	$ 48,567,101	$ 40,089,173	$ 17,195,503	$ 22,943,008	$ 1,768,838	$ 2,247,460	$ 132,811,083
Loans:							
Portfolio loans:							
Loans individually evaluated for impairment	$ 26,719,806	$ 723,197	$ -	$ 3,203,485	$ 87,605		$ 30,734,093
Loans collectively evaluated for impairment	2,312,867,831	1,627,741,390	531,626,058	959,237,287	100,753,251		5,532,225,817
Total portfolio loans	$2,339,587,637	$1,628,464,587	$ 531,626,058	$ 962,440,772	$ 100,840,856		$5,562,959,910

Impaired Loans

Impaired loans below a de minimis threshold are collectively evaluated for impairment. Impaired loans collectively evaluated for impairment were $4,237,146, $4,861,257, and $6,278,513 for the years ended December 31, 2022, 2021, and 2020, respectively. For collateral dependent loans, W.T.B. recognizes charge-offs in the period in which the charge-off arises. Therefore, impaired collateral dependent loans have been written-down to their estimated net realizable value, based on fair market value less selling costs. The following table presents impaired loans, including loans acquired with deteriorated credit quality, and the related valuation allowance:

	2022	2021
December 31:		
Nonaccrual loans	$ 2,809,698	$ 51,047,609
Accruing troubled debt restructurings	1,008,353	845,577
Loans past due 90 days or more and still accruing	419,095	428,951
Total impaired loans	$ 4,237,146	$ 52,322,137
Impaired loans with no valuation allowance	$ 125,658	$ 6,936,534
Impaired loans with a valuation allowance	4,111,488	45,385,603
Total impaired loans	$ 4,237,146	$ 52,322,137
Allowance on impaired loans	$ 421,839	$ 3,899,097

Commitments to advance additional funds in connection with impaired loans were $711 and $162,767 at December 31, 2022 and 2021, respectively.

The following table presents impaired loans, including loans acquired with deteriorated credit quality, by category as of December 31:

	2022				
	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:					
Commercial and industrial	$ 125,658	$ 146,492	$ -	$ 425,464	$ 114,644
Agricultural	-	-	-	3,218,007	2,109
Commercial real estate					
Owner occupied	-	-	-	-	39,728
Non-owner occupied	-	-	-	-	-
Construction and development					
Commercial	-	-	-	-	-
Residential	-	-	-	5,778	7,190
Residential real estate					
First mortgage	-	-	-	165,018	-
Junior mortgage	-	-	-	122,768	75,038
Revolving	-	-	-	-	1,820
Consumer	-	-	-	-	2,081
Total loans with no related allowance recorded	125,658	146,492	-	3,937,035	242,610
Loans with related allowance recorded:					
Commercial and industrial	1,816,299	2,189,988	186,352	1,917,405	229,931
Agricultural	38,885	95,454	3,990	13,670,517	10,404
Commercial real estate					
Owner occupied	79,397	98,177	8,146	167,787	-
Non-owner occupied	201,558	201,558	20,680	271,471	34,113
Construction and development					
Commercial	-	-	-	-	-
Residential	-	-	-	-	-
Residential real estate					
First mortgage	694,808	979,182	71,287	820,732	12,300
Junior mortgage	225,420	354,272	23,128	498,205	93,904
Revolving	908,105	975,635	93,172	569,361	2,171
Consumer	147,016	155,158	15,084	95,242	26,447
Total loans with related allowance recorded	4,111,488	5,049,424	421,839	18,010,720	409,270
Total impaired loans:					
Commercial and industrial	1,941,957	2,336,480	186,352	2,342,869	344,575
Agricultural	38,885	95,454	3,990	16,888,524	12,513
Commercial real estate					
Owner occupied	79,397	98,177	8,146	167,787	39,728
Non-owner occupied	201,558	201,558	20,680	271,471	34,113
Construction and development					
Commercial	-	-	-	-	-
Residential	-	-	-	5,778	7,190
Residential real estate					
First mortgage	694,808	979,182	71,287	985,750	12,300
Junior mortgage	225,420	354,272	23,128	620,973	168,942
Revolving	908,105	975,635	93,172	569,361	3,991
Consumer	147,016	155,158	15,084	95,242	28,528
Total impaired loans	$ 4,237,146	$ 5,195,916	$ 421,839	$ 21,947,755	$ 651,880

	2021				
	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:					
Commercial and industrial	$ 802,768	$ 1,157,331	$ -	$ 1,298,965	$ 249,721
Agricultural	5,709,389	5,709,389	-	3,074,287	-
Commercial real estate					
Owner occupied	-	-	-	55,631	66,790
Non-owner occupied	-	-	-	-	-
Construction and development					
Commercial	-	-	-	-	-
Residential	26,354	151,706	-	33,948	-
Residential real estate					
First mortgage	198,526	801,218	-	425,369	454,341
Junior mortgage	199,497	199,497	-	230,128	6,080
Revolving	-	-	-	-	30,804
Consumer	-	-	-	28,709	5,534
Total loans with no related allowance recorded	6,936,534	8,019,141	-	5,147,037	813,270
Loans with related allowance recorded:					
Commercial and industrial	2,940,001	3,724,225	155,686	3,174,800	47,222
Agricultural	39,188,667	44,994,703	3,368,251	32,539,752	-
Commercial real estate					
Owner occupied	103,361	114,433	5,085	221,564	-
Non-owner occupied	332,144	332,144	16,341	337,606	9,962
Construction and development					
Commercial	-	-	-	28,221	-
Residential	-	-	-	-	-
Residential real estate					
First mortgage	1,300,272	1,692,402	195,787	2,361,546	3,407
Junior mortgage	844,109	1,172,519	44,277	856,075	2,805
Revolving	484,002	541,343	23,813	540,956	-
Consumer	193,047	246,542	89,857	330,345	1,369
Total loans with related allowance recorded	45,385,603	52,818,311	3,899,097	40,390,865	64,765
Total impaired loans:					
Commercial and industrial	3,742,769	4,881,556	155,686	4,473,765	296,943
Agricultural	44,898,056	50,704,092	3,368,251	35,614,039	-
Commercial real estate					
Owner occupied	103,361	114,433	5,085	277,195	66,790
Non-owner occupied	332,144	332,144	16,341	337,606	9,962
Construction and development					
Commercial	-	-	-	28,221	-
Residential	26,354	151,706	-	33,948	-
Residential real estate					
First mortgage	1,498,798	2,493,620	195,787	2,786,915	457,748
Junior mortgage	1,043,606	1,372,016	44,277	1,086,203	8,885
Revolving	484,002	541,343	23,813	540,956	30,804
Consumer	193,047	246,542	89,857	359,054	6,903
Total impaired loans	$ 52,322,137	$ 60,837,452	$ 3,899,097	$ 45,537,902	$ 878,035

	2020				
	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:					
Commercial and industrial	$ 1,426,939	$ 3,493,569	$ -	$ 3,394,209	$ 326,275
Agricultural	-	-	-	-	-
Commercial real estate					
Owner occupied	723,197	723,197	-	361,599	(9,113)
Non-owner occupied	-	-	-	-	-
Construction and development					
Commercial	-	-	-	-	-
Residential	42,150	167,502	-	192,162	-
Residential real estate					
First mortgage	629,028	1,578,780	-	52,419	96,618
Junior mortgage	199,498	199,498	-	199,497	19,727
Revolving	-	-	-	-	-
Consumer	-	-	-	75,361	14,667
Total loans with no related allowance recorded	3,020,812	6,162,546	-	4,275,247	448,174
Loans with related allowance recorded:					
Commercial and industrial	3,485,476	4,601,288	296,757	3,781,690	55,087
Agricultural	24,690,924	24,713,047	7,264,937	2,229,006	14,566
Commercial real estate					
Owner occupied	295,858	309,549	24,734	563,863	6,581
Non-owner occupied	343,003	343,003	28,675	322,393	18,279
Construction and development					
Commercial	-	-	-	28,221	-
Residential	-	-	-	3,622	-
Residential real estate					
First mortgage	3,290,674	3,835,690	347,212	3,535,078	27,290
Junior mortgage	1,010,408	1,273,066	86,026	1,174,038	(2,290)
Revolving	411,794	562,045	34,426	446,911	61,372
Consumer	463,657	516,698	119,043	492,314	5,627
Total loans with related allowance recorded	33,991,794	36,154,386	8,201,810	12,577,136	186,512
Total impaired loans:					
Commercial and industrial	4,912,415	8,094,857	296,757	7,175,899	381,362
Agricultural	24,690,924	24,713,047	7,264,937	2,229,006	14,566
Commercial real estate					
Owner occupied	1,019,055	1,032,746	24,734	925,462	(2,532)
Non-owner occupied	343,003	343,003	28,675	322,393	18,279
Construction and development					
Commercial	-	-	-	28,221	-
Residential	42,150	167,502	-	195,784	-
Residential real estate					
First mortgage	3,919,702	5,414,470	347,212	3,587,497	123,908
Junior mortgage	1,209,906	1,472,564	86,026	1,373,535	17,437
Revolving	411,794	562,045	34,426	446,911	61,372
Consumer	463,657	516,698	119,043	567,675	20,294
Total impaired loans	$ 37,012,606	$ 42,316,932	$ 8,201,810	$ 16,852,383	$ 634,686

Troubled Debt Restructurings

At December 31, 2022 and 2021, respectively, the Bank reported loans totaling $252,084 and $1,244,367 on nonaccrual status that were troubled debt restructurings ("TDRs"). In addition to these amounts, the Bank had TDRs of $1,008,353 and $845,577 at December 31, 2022 and 2021, respectively, which were performing in accordance with their modified terms and were on accrual status. The Bank has no commitments to lend additional amounts to customers with outstanding loans that were classified as TDRs as of December 31, 2022.

The carrying value of loans modified in TDRs 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 TDR'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 TDRs during the years ended December 31, 2022, 2021, and 2020, are as follows:

	2022			2021		
	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
Residential real estate						
Revolving	1	$ 372,839	$ 376,708	-	$ -	$ -
Total	1	$ 372,839	$ 376,708	-	$ -	$ -

	2020		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial and industrial	3	$ 391,312	$ 391,312
Commercial real estate			
Non-owner occupied	1	176,040	176,040
Consumer	1	46,511	46,511
Total	5	$ 613,863	$ 613,863

During 2022, the bank restructured one loan that was a combination modification. During 2021, the Bank did not restructure any loans. During 2020, the Bank restructured five loans that were combination modifications.

A default on a TDR is when a loan is more than 90 days delinquent on its contractual payment subsequent to restructuring. The following table presents restructured loans which incurred a default within the years ended December 31, 2022, 2021, and 2020, for which the default occurred within twelve months of the restructure date:

	2022		2021		2020	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Troubled debt restructurings that subsequently defaulted:						
Commercial and industrial	-	$ -	1	$ 14,495	2	$ 135,086
Total	-	$ -	1	$ 14,495	2	$ 135,086

Loan Modifications for Customers Affected by the Pandemic

During 2020, the Bank actively worked to provide loan payment deferrals to borrowers who were affected by the Pandemic. Pursuant to the CARES Act and the Interagency Statement, these loan modifications were not accounted for as TDRs as long as they met certain criteria. Payment deferral terms generally ranged from 90 to 180 days and some borrowers were granted multiple deferrals. These loans are not considered past due until after the deferral period is over and scheduled payments have resumed. Many of the borrowers granted a deferral have returned to normal payment performance. At December 31, 2022, there were no loans remaining for which payment deferrals were granted. At December 31, 2021, there was one loan remaining for which payment deferrals were granted totaling $44,113,917.

Credit Quality Indicators

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

	2022					
	Noncurrent Loans			Loans		
	Nonaccrual	Past Due 90 or More Days and Still Accruing	Total	Past Due 30-89 Days Still Accruing	Current Loans	Total Loans
Commercial and industrial	$ 1,513,372	$ 86,731	$ 1,600,103	$ 3,030,712	$1,368,240,301	$1,372,871,116
Agricultural	38,885	-	38,885	113,603	233,834,449	233,986,937
Commercial real estate						
Owner occupied	79,397	-	79,397	-	859,709,368	859,788,765
Non-owner occupied	-	-	-	-	1,335,675,554	1,335,675,554
Construction and development						
Commercial	-	-	-	-	376,414,627	376,414,627
Residential	-	-	-	29,333	238,872,222	238,901,555
Residential real estate						
First mortgage	303,422	325,271	628,693	1,919,421	1,251,968,129	1,254,516,243
Junior mortgage	205,058	-	205,058	211,796	15,941,016	16,357,870
Revolving	532,883	-	532,883	143,953	227,632,500	228,309,336
Consumer	136,681	7,093	143,774	161,069	125,135,184	125,440,027
Total portfolio loans	$ 2,809,698	$ 419,095	$ 3,228,793	$ 5,609,887	$6,033,423,350	$6,042,262,030

	2021					
	Noncurrent Loans			Loans		
	Nonaccrual	Past Due 90 or More Days and Still Accruing	Total	Past Due 30-89 Days Still Accruing	Current Loans	Total Loans
Commercial and industrial	$ 2,790,054	$ 425,248	$ 3,215,302	$ 2,654,227	$1,495,350,260	$1,501,219,789
Agricultural	44,898,056	-	44,898,056	489,224	234,397,607	279,784,887
Commercial real estate						
Owner occupied	103,361	-	103,361	325,435	744,361,786	744,790,582
Non-owner occupied	119,223	-	119,223	-	1,157,614,766	1,157,733,989
Construction and development						
Commercial	-	-	-	-	357,679,751	357,679,751
Residential	26,354	-	26,354	52,002	184,189,741	184,268,097
Residential real estate						
First mortgage	1,429,129	-	1,429,129	1,582,939	984,468,353	987,480,421
Junior mortgage	1,018,509	-	1,018,509	-	14,031,395	15,049,904
Revolving	484,002	-	484,002	375,204	178,152,725	179,011,931
Consumer	178,921	3,703	182,624	57,072	124,533,071	124,772,767
Total portfolio loans	$ 51,047,609	$ 428,951	$ 51,476,560	$ 5,536,103	$5,474,779,455	$5,531,792,118

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.

Loans by risk categories as of December 31 were as follows:

	2022				
	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	$1,316,137,368	$ 44,721,022	$ 12,011,995	$ 731	$1,372,871,116
Agricultural	199,222,107	16,251,753	18,513,077	-	233,986,937
Commercial real estate					
Owner occupied	820,684,532	27,235,908	11,868,325	-	859,788,765
Non-owner occupied	1,274,215,111	20,444,187	41,016,256	-	1,335,675,554
Construction and development					
Commercial	375,137,771	1,276,856	-	-	376,414,627
Residential	238,901,555	-	-	-	238,901,555
Residential real estate					
First mortgage	1,248,965,009	4,722,657	828,577	-	1,254,516,243
Junior mortgage	15,652,261	477,850	227,759	-	16,357,870
Revolving	224,573,391	1,974,458	1,761,487	-	228,309,336
Consumer	124,486,343	463,216	483,375	7,093	125,440,027
Total portfolio loans	$5,837,975,448	$ 117,567,907	$ 86,710,851	$ 7,824	$6,042,262,030

	2021				
	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	$1,471,046,520	$ 14,221,682	$ 15,947,339	$ 4,248	$1,501,219,789
Agricultural	220,687,086	14,063,717	45,034,084	-	279,784,887
Commercial real estate					
Owner occupied	732,767,698	9,041,504	2,981,380	-	744,790,582
Non-owner occupied	984,655,228	119,061,502	54,017,259	-	1,157,733,989
Construction and development					
Commercial	357,679,751	-	-	-	357,679,751
Residential	184,241,743	-	26,354	-	184,268,097
Residential real estate					
First mortgage	982,457,394	1,627,194	3,395,833	-	987,480,421
Junior mortgage	13,750,852	61,263	1,237,789	-	15,049,904
Revolving	177,213,818	220,906	1,577,207	-	179,011,931
Consumer	122,626,740	70,759	2,071,565	3,703	124,772,767
Total portfolio loans	$5,247,126,830	$ 158,368,527	$ 126,288,810	$ 7,951	$5,531,792,118

Note 5: Loan Servicing

Mortgage loans serviced for others are not assets of the Bank and therefore were not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of mortgage loans serviced for others at December 31, 2022 and 2021, were $96,921,076 and $110,226,234, respectively. Custodial escrow balances maintained in connection with the loan servicing, and included in the Bank's demand deposits, were $760,010 and $864,273 at December 31, 2022 and 2021, respectively. The balances of loans serviced for others related to servicing rights that have been capitalized at December 31, 2022 and 2021, were $96,864,174 and $110,140,854, respectively.

A summary of the carrying values and fair values of mortgage servicing rights, included in other assets, at December 31 were as follows:

	2022	2021
Unamortized cost	$ 124,912	$ 222,161
Valuation allowance	(1,425)	(16,772)
Carrying value	$ 123,487	$ 205,389
Fair value	$ 1,232,819	$ 554,314

At December 31, 2022 and 2021, the key economic assumptions of the current fair value of mortgage servicing rights were as follows:

	2022	2021
Prepayment speed assumption (constant prepayment rate)	6.62%	24.46%
Discount rate	11.00%	11.00%

Originated loans that were sold with servicing retained were $2,562,674, $20,079,264, and $52,510,819 in 2022, 2021, and 2020, respectively. Following is an analysis of the activity for mortgage servicing rights and the related valuation allowance for the years ended December 31:

	2022	2021	2020
Unamortized cost:			
Balance at beginning of year	$ 222,161	$ 277,520	$ 210,102
Mortgage servicing rights capitalized	17,294	95,940	185,884
Amortization	(114,543)	(151,299)	(118,466)
Balance at end of year	$ 124,912	$ 222,161	$ 277,520

	2022	2021	2020
Valuation allowance:			
Balance at beginning of year	$ (16,772)	$ (41,792)	$ (36,835)
Additions	(51)	(3,605)	(34,997)
Reductions	15,398	28,625	30,040
Balance at end of year	$ (1,425)	$ (16,772)	$ (41,792)

Note 6: Premises and Equipment

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

	2022	2021
Land	$ 19,118,976	$ 19,118,976
Buildings	110,930,456	105,996,934
Furniture and equipment	68,836,900	68,539,692
	198,886,332	193,655,602
Less accumulated depreciation	(111,453,459)	(105,540,980)
	$ 87,432,873	$ 88,114,622

Depreciation on W.T.B. premises and equipment was charged to occupancy expense or furniture and equipment expense in the amounts of $8,640,001, $8,393,485, and $7,521,522 in 2022, 2021, and 2020, respectively.

Note 7: Deposits

At December 31 deposits were as follows:

	2022	2021
Noninterest-bearing demand	$ 4,245,614,949	$ 4,593,153,112
Interest-bearing:		
Demand	1,731,325,294	1,870,205,704
Savings	3,051,246,210	3,227,680,297
Time deposits under $250,000	134,365,776	138,117,593
Time deposits $250,000 or more	35,135,304	39,240,728
Brokered time deposits	19,398,341	21,873,052
Total interest-bearing	4,971,470,925	5,297,117,374
	$ 9,217,085,874	$ 9,890,270,486

At December 31, 2022, the scheduled maturities of time deposits, including brokered time deposits, were as follows:

2023	$ 139,054,940
2024	37,992,176
2025	6,120,535
2026	2,844,096
2027 and thereafter	2,887,674
	$ 188,899,421

At December 31, 2022 and 2021, overdraft deposit accounts with balances of $1,132,132 and $929,485, respectively, have been reclassified and were reported as loans.

Note 8: Securities Sold Under Agreements to Repurchase and Federal Funds Purchased

The following table presents information regarding securities sold under agreements to repurchase:

	2022	2021
December 31:		
Repurchase amount	$ 209,031,623	$ 239,510,563
Rate	0.31%	0.10%
Average for the year:		
Amount	$ 267,086,095	$ 374,613,041
Rate	0.13%	0.19%
Maximum outstanding at any month end	$ 316,478,592	$ 494,394,847

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, 2022 and 2021, the Bank had no outstanding federal funds purchased balances. The Bank had uncommitted federal funds line of credit agreements with financial institutions totaling $100,000,000 at December 31, 2022 and 2021, respectively. Availability of the lines is subject to federal funds balances available for loan and continued borrower eligibility, which is 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 9: FHLB Borrowings

The Bank maintains a borrowing arrangement with the FHLB 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 45 percent of total assets or adjusted qualifying collateral pledged, which, based upon adjusted qualifying collateral pledged, provided a maximum available credit line of $1,559,171,179 and $1,125,507,051 at December 31, 2022 and 2021, respectively.

There were no outstanding FHLB advances as of December 31, 2022 and 2021, respectively. The following table summarizes FHLB advances for the years ended December 31:

	2022	2021
Average for the year:		
Amount	$ 1,096	$ 1,096
Rate	1.46%	0.30%
Maximum outstanding during the year	$ 100,000	$ 100,000

Note 10: Other Borrowings

Other borrowings consist of Federal Reserve Bank discount window borrowings and borrowings related to transactions involving transfers of financial assets that are accounted for under the secured borrowing accounting model. 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 $1,175,201,718 at December 31, 2022, 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, 2022 or 2021. There were no secured borrowings outstanding at December 31, 2022. At December 31, 2021, a secured borrowing resulting from a transfer of a financial asset that did not meet the criteria to be accounted for as a sale, was accounted for under the secured borrowing accounting model of $20,063,287 as other borrowings.

Note 11: 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, 2022, and a statement of the funded status, the excess or shortfall of the Pension Plan's fair value of assets over the Pension Plan's projected benefit obligation, at December 31 of both years:

	2022	2021
Accumulated benefit obligation at end of year	$ 65,651,506	$ 90,258,805
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 97,546,663	$ 104,618,162
Service cost - benefits earned during the period	1,646,279	1,943,852
Interest cost	2,503,485	2,245,227
Actuarial gain	(26,279,663)	(4,853,807)
Benefits paid	(5,668,739)	(6,406,771)
Projected benefit obligation at end of year	69,748,025	97,546,663
Change in Pension Plan assets:		
Fair value of Pension Plan assets at beginning of year	109,693,630	116,508,112
Actual loss on Pension Plan assets	(25,654,921)	(407,711)
Employer contributions	-	-
Benefits paid	(5,668,739)	(6,406,771)
Fair value of Pension Plan assets at end of year	78,369,970	109,693,630
Funded status of projected benefit obligation at end of year	$ 8,621,945	$ 12,146,967
Accumulated other comprehensive loss not yet reflected in net periodic pension cost (pre-tax)	$ (24,457,572)	$ (23,773,787)
Cumulative employer contributions in excess of net periodic pension cost	33,079,517	35,920,754
Amounts recognized in the consolidated statements of financial condition at end of year:		
Other assets	$ 8,621,945	$ 12,146,967

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.

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 is 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. Assumptions utilized for measuring the present value of the accumulated benefit obligation, projected benefit obligation, and net pension expense were as follows:

	2022	2021	2020
Assumptions used in computing the present value of the accumulated benefit obligation and the projected benefit obligation at year-end:			
Discount rate	5.18%	2.61%	2.17%
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	3.00%	3.00%	3.80%

Net periodic pension costs for 2022, 2021, and 2020, included the following components:

	2022	2021	2020
Service cost	$ 1,646,279	$ 1,943,852	$ 1,666,073
Interest cost	2,503,485	2,245,227	2,876,485
Expected return on Pension Plan assets	(3,229,219)	(3,435,281)	(4,019,830)
Amortization of net loss	1,920,692	2,329,786	2,314,033
Net periodic pension cost	$ 2,841,237	$ 3,083,584	$ 2,836,761

Total service costs in the table above are recognized in pension and employee benefits expense on the consolidated statements of income. Non-service cost components of net periodic pension cost are recorded in other expense.

W.T.B.'s Pension Plan asset allocations at December 31, 2022 and 2021, by asset category, were as follows:

	2022	2021
Asset category:		
Fixed income securities	52%	53%
Group annuity contract	34%	33%
Equity securities	13%	14%
Cash equivalents	1%	0%
Total	100%	100%

W.T.B.'s target asset allocation as of December 31, 2022, was 20 percent growth assets and 80 percent liability hedging assets, excluding the group annuity contract.

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, fixed income, alternative and cash/cash equivalent securities, foreign and domestic securities, industry sectors, and asset management styles. W.T.B. seeks to reduce its net interest rate exposure of Pension Plan assets and liabilities with a target interest rate hedge ratio between 95 percent and 105 percent.

W.T.B. has elected, as a practical expedient, to measure the fair value of investments that do not have readily determinable fair values on the basis of the net asset value ("NAV") per share of the investment. Investments that are measured on the basis of the NAV per share have not been classified in the fair value hierarchy.

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 fully funded under ERISA.

A summary of estimated future pension benefit payments are as follows:

2023	$ 4,182,134
2024	4,318,177
2025	4,382,969
2026	4,576,864
2027	4,763,953
Five years thereafter	24,554,952

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

	Fair Value Measurements at December 31, 2022			
	Total	Level 1	Level 2	Level 3
Group annuity contract	$ 26,425,765	$ -	$ -	$ 26,425,765
Money market fund	443,558	-	443,558	-
Assets at fair value	26,869,323	$ -	$ 443,558	$ 26,425,765
Investments measured at NAV:				
Fixed income funds	41,055,508			
Global equity funds	6,630,199			
U.S. equity funds	3,814,940			
	51,500,647			
Total assets reported	$ 78,369,970			

	Fair Value Measurements at December 31, 2021			
	Total	Level 1	Level 2	Level 3
Group annuity contract	$ 35,723,917	$ -	$ -	$ 35,723,917
Money market fund	485,937	-	485,937	-
Assets at fair value	36,209,854	$ -	$ 485,937	$ 35,723,917
Investments measured at NAV:				
Fixed income funds	58,487,620			
Global equity funds	9,252,308			
U.S. equity funds	5,743,848			
	73,483,776			
Total assets reported	$ 109,693,630			

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 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 2022, 2021, and 2020 was $3,167,561, $3,023,478, and $2,717,317, 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 2022, 2021, and 2020 was $2,358,588, $2,080,940, and $2,135,008, 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, 2022 and 2021, liabilities recorded for the various supplemental retirement and salary continuation plan benefits totaled $5,813,110 and $6,241,583, respectively, and were recorded in other liabilities. Changes in the valuation of those liabilities reduced benefit expense by $299,476 and $391,109 for the years ended December 31, 2022 and 2021, respectively, and increased benefit expense by $1,093,982 for the year ended December 31, 2020.

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 $7,634,822, $7,446,437, and $5,843,423 for 2022, 2021, and 2020, respectively. Self-insurance reserves were $617,858 and $914,856 for 2022 and 2021, respectively, and were included in other liabilities.

Note 12: 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 2022, 2021, and 2020 was $2,043,879, $1,539,515, and $2,948,657, 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 2022, 2021, and 2020 were $546,395, $437,523, and $342,047, respectively.

A summary of changes in the Phantom Stock Plan follows:

	Number of Shares	Total Share Value
Balance, December 31, 2019	44,766	$ 12,186,648
Granted	3,910	1,064,419
Increase in value	-	2,073,360
Forfeited	(747)	(203,356)
Settled	(4,971)	(1,542,048)
Balance, December 31, 2020	42,958	13,579,023
Granted	3,587	1,134,568
Increase in value	-	557,823
Forfeited	-	-
Settled	-	-
Balance, December 31, 2021	46,545	15,271,414
Granted	5,993	1,966,363
Increase in value	-	866,292
Forfeited	-	-
Settled	-	-
Balance, December 31, 2022	52,538	$ 18,104,069

At December 31, 2022 and 2021, there were 10,389 and 7,842 unvested phantom shares with total share values of $3,579,946 and $2,572,960, and those unvested shares had related liabilities recorded in the amounts of $977,602 and $761,215, respectively. Included in other liabilities are Phantom Stock Plan liabilities in the amounts of $15,503,525 and $13,459,646 at December 31, 2022 and 2021, 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 98,493 shares have been granted. A total of 67,833 shares are available for future grants at December 31, 2022. Any awards that lapse, expire, terminate, forfeit, or are cancelled prior to delivery to a participant are available for reuse. Awards tendered or withheld to satisfy tax withholding are also available for reuse. The vesting period, if any, is determined by the plan administrator on an individual grant basis. Generally, the vesting is 20 percent per year over five years, however, 1,452 shares were granted in 2022 and 1,348 were granted in 2021 with no vesting. 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, 2022, 2021, and 2020:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, December 31, 2019	13,397	$ 294.32
Granted	5,982	379.58
Vested	(5,804)	290.97
Forfeited	-	-
Balance, December 31, 2020	13,575	333.32
Granted	6,348	349.82
Vested	(5,803)	316.97
Forfeited	-	-
Balance, December 31, 2021	14,120	347.46
Granted	7,020	389.49
Vested	(6,062)	350.56
Forfeited	-	-
Balance, December 31, 2022	15,078	365.78

The grant date fair value of the restricted shares is estimated using recent observable sales. Compensation expense related to the Restricted Stock Plan was $2,315,720, $1,999,062, and $1,842,309 for the years ended December 31, 2022, 2021, and 2020, respectively. The total income tax benefit recognized related to this Plan was $532,727, $445,465, and $477,552 for the years ended December 31, 2022, 2021, and 2020, respectively. As of December 31, 2022, there was $4,119,601 of unrecognized compensation cost related to the unvested restricted stock awards under this Plan, which is expected to be recognized over a weighted average period of 3.2 years.

Note 13: Income Taxes

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

	2022	2021	2020
Current expense:			
Federal	$ 28,417,751	$ 29,119,105	$ 30,568,122
State	1,894,585	1,887,248	1,912,247
	30,312,336	31,006,353	32,480,369
Deferred expense (benefit):			
Federal	1,330,754	(2,930,408)	(10,268,779)
State	80,556	(110,631)	(634,034)
	1,411,310	(3,041,039)	(10,902,813)
Income taxes	$ 31,723,646	$ 27,965,314	$ 21,577,556

Income taxes on pre-tax income differ from the statutory rate of 21 percent for the years ended December 31, 2022, 2021, and 2020 for the following reasons:

	2022		2021		2020	
Federal income taxes at statutory rate	$ 30,615,775	21.00%	$ 26,879,041	21.00%	$ 20,556,754	21.00%
State income taxes, net of federal tax benefit	1,532,421	1.05%	1,413,521	1.10%	1,009,788	1.03%
Decrease in income taxes due to tax-exempt interest on securities and loans of states and political subdivisions	(150,238)	(0.10%)	(211,742)	(0.17%)	(302,231)	(0.31%)
Nondeductible interest expense from carrying tax-exempt assets	3,955	-	4,178	-	10,979	0.01%
Bank owned life insurance	(456,541)	(0.31%)	(184,446)	(0.14%)	(48,878)	(0.05%)
Other nondeductible expenses	424,152	0.29%	399,382	0.31%	363,901	0.37%
Low-income housing tax credits	(197,082)	(0.14%)	(302,873)	(0.24%)	-	-
Other	(48,796)	(0.03%)	(31,747)	(0.03%)	(12,757)	(0.01%)
Income taxes	$ 31,723,646	21.76%	$ 27,965,314	21.83%	$ 21,577,556	22.04%

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:

	2022	2021
Deferred tax assets:		
Allowance for loan losses	$ 26,755,056	$ 31,121,224
Allowance for off-balance sheet credit exposures	1,549,881	221,341
Credit card rewards	1,732,947	1,312,869
Deferred compensation	8,443,445	8,194,193
Lease liability	2,980,522	3,805,129
Unrealized losses on AFS Securities	10,043,677	-
Interest on nonaccrual loans	355,387	355,273
Commitment fees	123,216	96,983
Research and development expenses	420,682	-
Other	711,438	806,077
Total deferred tax assets	53,116,251	45,913,089
Deferred tax liabilities:		
Unrealized gains on AFS Securities	-	904,718
Unrealized gains on HTM Securities	2,367,222	3,396,862
Pension benefits	2,194,178	2,954,404
Financial-over-tax depreciation	1,913,644	1,518,235
Deferred loan origination costs	1,765,303	1,814,822
Right of use assets - lease	2,779,245	3,559,600
Prepaid expenses	374,695	331,726
State income taxes	274,313	257,751
Other	197,038	378,976
Total deferred tax liabilities	11,865,638	15,117,093
Net deferred tax assets	$ 41,250,613	$ 30,795,996

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 2019.

W.T.B. determined that it is 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 future reversals of existing taxable temporary differences, and, to a lesser extent, future taxable income.

At December 31, 2022 and 2021, 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, 2022 or 2021; therefore, no liabilities were necessary for unrecognized tax benefits.

Qualified Affordable Housing Tax Credit Investments

The Bank holds investments in unconsolidated limited partnerships and similar entities that construct, own, and operate affordable housing communities, which are reported in other assets on the consolidated statements of financial condition. The Bank earns a return primarily through the receipt of tax credits allocated to the projects and tax deductible operating losses. The Bank accounts for these investments by amortizing the cost of tax credit investments over the life of the investment using a proportional amortization method and tax credit investment amortization expense is a component of the provision for income taxes. All unfunded commitments related to tax credit investments are expected to be paid by 2039. All tax credit investments are evaluated for impairment at the end of each reporting period.

The balances of the Bank's tax credit investments included in other assets and related unfunded commitments included in other liabilities at December 31 were as follows:

	2022	2021
Tax credit investments	$ 35,576,682	$ 11,641,217
Unfunded commitments - tax credit investments	27,822,171	9,084,520

The following table presents other information related to the Bank's tax credit investments for the years ended December 31:

	2022	2021	2020
Tax credits and other tax benefits recognized	$ 1,209,955	$ 1,914,822	$ -
Tax credit amortization expense included in provision for income taxes	(1,012,873)	(1,611,949)	-
Net credits included in provision for income taxes	$ 197,082	$ 302,873	$ -

Note 14: 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.

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:

	2022	2021
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 2,951,169,735	$ 2,775,341,788
Standby letters of credit	96,147,132	86,667,085
Commercial letters of credit	-	460,000

A reserve for credit losses on off-balance-sheet credit exposures is maintained at a level management considers adequate. As of December 31, 2022 and 2021, the balance of the allowance was $7,000,000 and $1,000,000, respectively, and was included in other liabilities in the consolidated statements of financial condition.

Note 15: 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.

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:

	2022			
	Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. Treasury and federal agencies	$ 236,323,082	$ -	$ 236,323,082	$ -
States and political subdivisions	6,430,652	-	6,430,652	-
Commercial mortgage-backed securities	114,769,836	-	114,769,836	-
Residential mortgage-backed securities	179,646,399	-	179,646,399	-
Equity securities at fair value	24,100	24,100	-	-
Interest rate swap assets	779,918	-	779,918	-
Total assets	$ 537,973,987	$ 24,100	$ 537,949,887	$ -
Interest rate swap liabilities	$ 779,918	$ -	$ 779,918	$ -
Total liabilities	$ 779,918	$ -	$ 779,918	$ -

	2021			
	Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. Treasury and federal agencies	$ 152,959,791	$ -	$ 152,959,791	$ -
States and political subdivisions	4,371,776	-	4,371,776	-
Commercial mortgage-backed securities	130,059,908	-	130,059,908	-
Residential mortgage-backed securities	251,327,520	-	251,327,520	-
Equity securities at fair value	16,280	16,280	-	-
Interest rate swap assets	5,846,243	-	5,846,243	-
Total assets	$ 544,581,518	$ 16,280	$ 544,565,238	$ -
Interest rate swap liabilities	$ 5,846,243	$ -	$ 5,846,243	$ -
Total liabilities	$ 5,846,243	$ -	$ 5,846,243	$ -

The following methods and assumptions were used by W.T.B. in estimating its fair value of each class of financial instrument that is carried at fair value in the table above.

Securities Available for Sale
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.

Equity Securities at Fair Value
W.T.B. determines the fair value using quoted market prices.

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.

At December 31, 2022, there were no assets for which to measure fair value on a nonrecurring basis. 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, 2021:

	2021			
	Total	Level 1	Level 2	Level 3
Impaired loans	$ 35,697,910	$ -	$ -	$ 35,697,910
Loans acquired with deteriorated credit quality	5,709,390	-	-	5,709,390
Total	$ 41,407,300	$ -	$ -	$ 41,407,300

The following table provides additional quantitative information about the unobservable inputs for W.T.B.'s assets classified as Level 3 and measured at fair value on a nonrecurring basis at December 31, 2021:

2021				
Financial Instrument	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Impaired loans	$ 35,697,910	Market approach	Discount to appraised value	19.3%
Loans acquired with deteriorated credit quality	5,709,390	Market approach	Discount to appraised value	19.3%
	$ 41,407,300			

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. TDRs that are not collateral dependent utilize discounted 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.

W.T.B. is required to disclose the estimated fair value of financial instruments, whether or not recognized in the consolidated statements of financial condition, 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. The estimated fair value of loans held in portfolio is based on an exit price assumption. 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.

Carrying Amounts and Estimated Fair Value of Financial Instruments

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

	2022		
	Level in Fair Value Hierarchy	Carrying Amount	Estimated Fair Value
Financial assets:			
Cash and due from banks and interest-bearing deposits with banks	1	$ 393,870,634	$ 393,870,634
Securities available for sale	2	537,169,969	537,169,969
Securities held to maturity	2	3,221,994,093	2,803,337,383
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock	2	10,060,000	10,060,000
Loans held in portfolio, net	3	5,921,423,504	5,695,574,359
Cash surrender value of life insurance	1	85,416,642	85,416,642
Mortgage servicing rights	3	123,487	1,232,819
Interest rate swaps	2	779,918	779,918
Equity securities at fair value	1	24,100	24,100
Financial liabilities:			
Demand and savings deposits	1	9,028,186,453	9,028,186,453
Time deposits	2	188,899,421	186,844,601
Securities sold under agreements to repurchase	1	209,031,623	209,031,623
Interest rate swaps	2	779,918	779,918

	2021		
	Level in Fair Value Hierarchy	Carrying Amount	Estimated Fair Value
Financial assets:			
Cash and due from banks and interest-bearing deposits with banks	1	$ 2,049,418,612	$ 2,049,418,612
Securities available for sale	2	538,718,995	538,718,995
Securities held to maturity	2	2,787,035,395	2,759,759,476
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock	2	10,060,000	10,060,000
Loans held for sale	2	4,283,439	4,303,762
Loans held in portfolio, net	3	5,391,188,730	5,597,035,559
Cash surrender value of life insurance	1	84,788,121	84,788,121
Mortgage servicing rights	3	205,389	554,314
Interest rate swaps	2	5,846,243	5,846,243
Equity securities at fair value	1	16,280	16,280
Financial liabilities:			
Demand and savings deposits	1	9,691,039,113	9,691,039,113
Time deposits	2	199,231,373	198,618,484
Securities sold under agreements to repurchase	1	239,510,563	239,510,563
Other short-term borrowings	2	20,063,287	20,063,287
Interest rate swaps	2	5,846,243	5,846,243

Note 16: Interest Rate Swaps

W.T.B. utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and other terms of the individual interest rate swap agreements. At December 31, 2022 and 2021, there were no interest rate swap agreements designated as hedging instruments.

Derivatives Not Designated As Hedges

W.T.B. also enters into interest rates swaps with its loan customers. The notional amounts of interest rate swaps with loan customers as of December 31, 2022 and 2021 were $45,517,907 and $46,438,844, respectively. W.T.B. enters into corresponding offsetting derivatives with third parties. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes.

W.T.B. presents its derivative position gross on the consolidated statements of financial condition. The following table reflects the derivatives recorded on the consolidated statements of financial condition as of December 31:

	2022		2021	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in other assets:				
Derivatives not designated as hedging instruments:				
Interest rates swaps	$ 45,517,907	$ 779,918	$ 46,438,844	$ 5,846,243
Total included in other assets		$ 779,918		$ 5,846,243
Included in other liabilities:				
Derivatives not designated as hedging instruments:				
Interest rates swaps	$ 45,517,907	$ 779,918	$ 46,438,844	$ 5,846,243
Total included in other liabilities		$ 779,918		$ 5,846,243

Net payments on interest rate swaps designated as hedging instruments reduced interest revenue on loans by the following amounts for the years ended December 31:

	2022	2021	2020
Net payments made on fair value hedging relationships:			
Interest rate contracts designated as hedging instruments	$ -	$ -	$ 15,641

Note 17: Leases

W.T.B. Lessor Arrangements

W.T.B. has various operating lease arrangements granting the use of certain premises. Payment terms are generally fixed; however, in some agreements, lease payments during the lease term may be indexed to a rate or index, such as the Consumer Price Index. Leases are typically payable in monthly installments with terms ranging from one to nine years and may contain renewal options. Total operating lease income was $3,889,433, $5,114,407, and $5,106,306 for the years ended December 31, 2022, 2021, and 2020, respectively.

The remaining maturities of lease receivables as of December 31, 2022 are as follows:

2023	$ 3,355,085
2024	3,369,227
2025	2,909,009
2026	2,417,535
2027	1,484,073
2028 and thereafter	3,407,152
Total lease receivables	$ 16,942,081

W.T.B. Lessee Arrangements

W.T.B. enters into operating leases obtaining the use of certain premises. These leases have remaining terms ranging from one to 12 years, some of which include renewal or termination options to extend the lease for up to five years and some of which include options to terminate the lease within one year.

W.T.B. includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain W.T.B will exercise the option. W.T.B. did not elect to account for any non-lease components in its real estate leases as part of the associated lease component. W.T.B. elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the consolidated statements of financial condition.

Leases are classified as operating leases at the lease commencement date. Lease expense for operating leases and short-term leases are recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

W.T.B. uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. W.T.B.'s incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

Right-of-use assets and lease liabilities by lease type, and the associated consolidated statements of financial condition classifications for the two years ending December 31 are as follows:

	2022	2021
Right-of-use assets:		
Operating leases	$ 12,552,387	$ 16,082,007
Total right-of-use assets	$ 12,552,387	$ 16,082,007
Lease liabilities:		
Operating leases	$ 13,461,452	$ 17,188,096
Total lease liabilities	$ 13,461,452	$ 17,188,096

Lease Expense

The components of total lease cost were as follows for the three years ending December 31:

	2022	2021	2020
Operating lease cost	$ 3,885,169	$ 4,032,265	$ 4,094,214
Short-term lease cost	14,215	36,701	25,942
Variable lease cost	7,263	9,818	11,287
Total lease cost, net	$ 3,906,647	$ 4,078,784	$ 4,131,443

Lease Obligations

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2022, are as follows:

2023	$ 3,578,518
2024	3,157,548
2025	2,227,274
2026	1,796,753
2027	1,319,095
2028 and thereafter	2,479,788
Total future minimum lease payments	14,558,976
Less: imputed interest	(1,097,524)
Present value of lease liabilities	$ 13,461,452

Supplemental Lease Information

Weighted Average Lease Term - Operating Leases	5.43 years
Weighted Average Discount Rate - Operating Leases	2.35%

Note 18: Commitments and Contingencies

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	Years Ended December 31,	
	2022	2021
Assets		
Cash	$ 19,371,496	$ 21,609,658
U.S. Treasury securities available for sale, carried at fair value	940,352	1,000,799
Equity in underlying net book value of bank subsidiary	836,764,776	799,894,396
Premises and equipment, net	8,667,191	9,277,183
Other assets	3,217,651	3,118,890
Total assets	$ 868,961,466	$ 834,900,926
Liabilities		
Other liabilities	$ 1,832,214	$ 1,955,594
Shareholders' equity	867,129,252	832,945,332
Total liabilities and shareholders' equity	$ 868,961,466	$ 834,900,926

Statements of Income	Years Ended December 31,		
	2022	2021	2020
Revenue			
Dividends from banking subsidiary	$ 32,995,000	$ 35,351,000	$ 29,108,000
Other	1,562,362	1,418,187	746,030
Total revenue	34,557,362	36,769,187	29,854,030
Expense			
Salaries and employee benefits	880,342	883,161	772,313
Other	2,439,977	1,891,189	1,563,907
Total expense	3,320,319	2,774,350	2,336,220
Income before income tax benefit and equity in undistributed net income of subsidiary	31,237,043	33,994,837	27,517,810
Income tax benefit	(395,885)	(296,675)	(348,854)
Income before equity in undistributed net income of subsidiary	31,632,928	34,291,512	27,866,664
Equity in undistributed net income of banking subsidiary	82,420,313	65,738,599	48,445,092
Net income	$ 114,053,241	$ 100,030,111	$ 76,311,756

Statements of Cash Flows	Years Ended December 31, 2022	2021	2020
Cash flows from operating activities:			
Net income	$ 114,053,241	$ 100,030,111	$ 76,311,756
Adjustments to reconcile net income to cash provided by operating activities:			
Undistributed net income of subsidiary	(82,420,313)	(65,738,599)	(48,445,092)
Depreciation	609,992	609,992	609,407
Deferred income taxes benefit	(111,755)	(120,687)	(131,432)
Gains on sales of investments	-	-	(11,514)
Other, net	186,579	(182,644)	1,618,064
Net cash provided by operating activities	32,317,744	34,598,173	29,951,189
Cash flows from investing activities:			
Purchase of securities available for sale	(1,005,078)	-	-
Proceeds from maturities of securities available for sale	1,000,000	-	-
Purchases of premises and equipment	-	-	(69,094)
Purchase of other assets and investments	(273,333)	(253,333)	(73,333)
Proceeds from investments	-	5,669	41,514
Net cash used by investing activities	(278,411)	(247,664)	(100,913)
Cash flows from financing activities:			
Common share repurchase and retirement	(11,253,088)	(7,915,606)	(5,403,355)
Proceeds from issuance of common stock	3,084,295	2,894,040	2,905,692
Common stock dividends paid	(26,108,702)	(23,801,446)	(18,768,749)
Net change in advances from subsidiaries	-	(233,151)	-
Net cash used in financing activities	(34,277,495)	(29,056,163)	(21,266,412)
(Decrease) increase in cash	(2,238,162)	5,294,346	8,583,864
Cash at beginning of year	21,609,658	16,315,312	7,731,448
Cash at end of year	$ 19,371,496	$ 21,609,658	$ 16,315,312

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 W.T.B.'s and the Bank's directors. Such transactions are made on substantially the same terms and conditions as transactions with other customers. Total deposits from these related parties were $29,813,826 and $25,797,089 at December 31, 2022 and 2021, respectively. Related party loan amounts for the years ended December 31, 2022 and 2021, are summarized in the table below. The reclassifications represent loans that were not related party that subsequently became related party, or loans that were once considered related party but are no longer considered related party.

	2022	2021
Balance at beginning of year	$ 18,909,651	$ 18,906,293
New loans and advances	777,051	2,957,678
Repayments	(2,016,047)	(3,864,737)
Other and reclassifications	16,697,939	910,417
Balance at end of year	$ 34,368,594	$ 18,909,651

Under current federal regulations, W.T.B. is limited in the amount that may be borrowed from the Bank. At December 31, 2022 and 2021, 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, 2022, 2021, and 2020, can be reconciled as follows:

	2022	2021	2020
Numerator:			
Net income	$ 114,053,241	$ 100,030,111	$ 76,311,756
Denominator:			
Weighted-average number of common shares outstanding - basic	2,516,636	2,535,053	2,535,908
Effect of potentially dilutive common shares	2,284	3,476	2,382
Weighted-average number of common shares - diluted	2,518,920	2,538,529	2,538,290
Earnings per common share:			
Basic	$ 45.32	$ 39.46	$ 30.09
Diluted	$ 45.28	$ 39.40	$ 30.06

For the year ended December 31, 2020, there were 4,650 shares that would have been antidilutive and were excluded from the diluted earnings per share calculation. There were no antidilutive shares for the years ended December 31, 2022 and 2021.

Note 22: Accumulated Other Comprehensive (Loss) Gain

Accumulated other comprehensive (loss) gain includes the after-tax change in unrealized market value adjustment of securities available for sale, the net amortization of unrealized gains and losses on securities reclassified to held to maturity, and the unrealized net losses related to W.T.B.'s defined benefit plan. Changes in accumulated other comprehensive (loss) gain, by component, net of tax, for the years ended December 31, 2022, 2021, and 2020 were as follows:

	Unrealized Gains (Losses) on Securities Available for Sale	Unrealized Gains on Securities Reclassified to Held to Maturity	Unrealized Losses on Defined Benefit Pension Plan	Total
Balance, December 31, 2019	$ 9,029,604	$ -	$ (22,373,717)	$ (13,344,113)
Other comprehensive income (loss) before reclassification	57,686,466	-	(874,736)	56,811,730
Amounts reclassified from other comprehensive income	(3,072,395)	-	1,828,086	(1,244,309)
Net current period other comprehensive gain	54,614,071	-	953,350	55,567,421
Balance, December 31, 2020	63,643,675	-	(21,420,367)	42,223,308
Other comprehensive (loss) income before reclassifications	(42,570,167)	-	798,544	(41,771,623)
Unrealized gains on securities reclassified to held to maturity	(17,670,047)	17,670,047	-	-
Amounts reclassified from other comprehensive income	-	(4,891,375)	1,840,531	(3,050,844)
Net current period other comprehensive (loss) gain	(60,240,214)	12,778,672	2,639,075	(44,822,467)
Balance, December 31, 2021	3,403,461	12,778,672	(18,781,292)	(2,599,159)
Other comprehensive loss before reclassifications	(41,186,818)	-	(2,057,537)	(43,244,355)
Amounts reclassified from other comprehensive income	-	(3,873,402)	1,517,347	(2,356,055)
Net current period other comprehensive loss	(41,186,818)	(3,873,402)	(540,190)	(45,600,410)
Balance, December 31, 2022	$ (37,783,357)	$ 8,905,270	$ (19,321,482)	$ (48,199,569)

The following were the significant amounts reclassified out of each component of accumulated other comprehensive (loss) gain:

	Years Ended December 31, 2022	2021	2020	Affected Line in the Consolidated Statements of Income
Securities available for sale:				
Gains on sale of securities	$ -	$ -	$ 3,889,108	Gains on sale of securities available for sale, net
Total before tax	-	-	3,889,108	
Income tax expense	-	-	(816,713)	Provision for income taxes
Net of tax	-	-	3,072,395	
Securities held to maturity:				
Amortization of previously unrealized net gains	4,903,041	6,191,614	-	Interest revenue, securities
Total before tax	4,903,041	6,191,614	-	
Income tax expense	(1,029,639)	(1,300,239)	-	Provision for income taxes
Net of tax	3,873,402	4,891,375	-	
Defined benefit pension plan:				
Amortization of net loss	(1,920,692)	(2,329,786)	(2,314,033)	Other expense
Total before tax	(1,920,692)	(2,329,786)	(2,314,033)	
Income tax benefit	403,345	489,255	485,947	Provision for income taxes
Net of tax	(1,517,347)	(1,840,531)	(1,828,086)	
Total reclassifications for the period, net of tax	$ 2,356,055	$ 3,050,844	$ 1,244,309	

Previously unrealized net gains on securities reclassified to held to maturity are amortized to interest revenue on securities as an adjustment to yield over the remaining life of the securities, offset by the amortization of the premium or discount resulting from the transfer at fair value, with no effect to net income.

Note 23: 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 was well capitalized under the regulatory framework for prompt corrective action as of December 31, 2022. 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 following table.

The capital amounts and ratios, as calculated under regulatory guidelines at December 31, 2022 and 2021, were 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, 2022						
Tier 1 capital to average assets:						
W.T.B. Financial Corporation	$ 915,329	8.62%	$ 424,915	4.00%	N/A	N/A
Washington Trust Bank	884,914	8.34%	424,508	4.00%	$ 530,635	5.00%
Common equity tier 1 capital to risk-weighted assets:						
W.T.B. Financial Corporation	915,329	12.49%	329,666	4.50%	N/A	N/A
Washington Trust Bank	884,914	12.09%	329,237	4.50%	475,565	6.50%
Tier 1 risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	915,329	12.49%	439,554	6.00%	N/A	N/A
Washington Trust Bank	884,914	12.09%	438,983	6.00%	585,310	8.00%
Total risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	1,007,350	13.75%	586,072	8.00%	N/A	N/A
Washington Trust Bank	976,818	13.35%	585,310	8.00%	731,638	10.00%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2021						
Tier 1 capital to average assets:						
W.T.B. Financial Corporation	$ 835,544	7.64%	$ 437,641	4.00%	N/A	N/A
Washington Trust Bank	802,494	7.34%	437,208	4.00%	$ 546,509	5.00%
Common equity tier 1 capital to risk-weighted assets:						
W.T.B. Financial Corporation	835,544	12.53%	299,992	4.50%	N/A	N/A
Washington Trust Bank	802,494	12.06%	299,542	4.50%	432,672	6.50%
Tier 1 risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	835,544	12.53%	399,989	6.00%	N/A	N/A
Washington Trust Bank	802,494	12.06%	399,390	6.00%	532,520	8.00%
Total risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	919,595	13.79%	533,319	8.00%	N/A	N/A
Washington Trust Bank	886,421	13.32%	532,520	8.00%	665,650	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 regulations (the "Basel III Capital Regulation") include a capital conservation buffer that equals 2.5 percent of risk-weighted assets in addition to adequately capitalized regulatory minimums across all three risk-based capital ratios. An institution that does not maintain risk-based capital ratio levels above the sum of adequately capitalized levels plus 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, 2022, W.T.B. and the Bank meet all capital adequacy requirements to which it was subject.

Note 24: Revenue from Contracts with Customers

All of W.T.B.'s revenue from contracts with customers in the scope of ASC 606 was recognized within noninterest revenue. The following table presents W.T.B.'s noninterest revenue by revenue stream for the years ended December 31, 2022, 2021, and 2020. Items outside the scope of ASC 606 are noted as such.

	2022	2021	2020
Noninterest revenue:			
Fiduciary income	$21,590,123	$21,805,428	$18,855,810
Investment services fees	3,985,839	4,071,692	3,732,509
Bank card and credit card fees, net:			
Interchange income, net	11,745,030	15,037,634	11,183,302
Merchant services income, net	1,153,135	1,122,022	965,085
ATM surcharge fees	610,657	800,555	552,269
All other fees (a)	610,762	103,852	186,550
Total bank card and credit card fees, net	14,119,584	17,064,063	12,887,206
Mortgage banking revenue, net (a)	2,140,229	8,566,457	14,122,775
Other fees on loans (a)	1,173,917	1,478,571	1,057,232
Service charges on deposits	6,895,594	6,087,808	5,845,480
Other service charges, commissions and fees (a)	952,160	822,176	733,181
Net gains on sales of securities (a)	-	-	3,889,108
Other income (a)	7,325,249	7,952,675	6,248,705
Total noninterest revenue	$58,182,695	$67,848,870	$67,372,006

(a) Not within scope of ASC 606

Fiduciary Income

The Bank earns fiduciary income from its contracts with trust customers to manage assets for investment and/or to transact on their accounts. These fees are primarily earned over time as the Bank provides the contracted services and are generally assessed based on a tiered scale of the market value of assets under management. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed. Other related services that are based on a fixed fee schedule, are recognized when the services are rendered.

Investment Services Fees

The Bank earns fees from investment brokerage services provided to its customers by a third-party service provider. The Bank receives commissions from the third-party service provider on a monthly basis based upon customer activity for the month. The fees are recognized monthly and a receivable is recorded until commissions are paid the following month. Because the Bank acts as an agent in arranging the relationship between the customer and the third-party service provider and does not control the services rendered to the customer, investment services fees are presented net of costs.

Bank Card and Credit Card Fees

The Bank earns fees when a debit card or credit card issued by the Bank is used. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized when the cost of the transaction is charged to the cardholder's bank card or credit card. Certain expenses directly associated with the credit and debit card are recorded on a net basis with the interchange income. The Bank also earns income for card payment services provided to its merchant customers. The Bank outsources these services to a third party to provide card payment services to these merchants. The third-party provider passes a portion of the payments made by the merchants to the Bank, and they are recorded as income. The Bank also has to pay interchange expense for debit card or credit card transactions processed by these merchants. These payments are recorded as a net reduction against fee income when they are made to the payment network.

Service Charges on Deposits

The Bank earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Services charges on deposits are withdrawn directly from the customer's account balance. Transaction-based fees are charges for specific services, such as ATM use charges, stop payment charges, and wire fees, and are recognized at the time the transaction is executed, which is the point in time the Bank fulfills the customer's request. Account maintenance fees consist primarily of base service charge fees and analyzed account fees. The performance obligation is satisfied and the fees are recognized primarily on a monthly basis as the service period is completed. Overdraft fees are recognized at the point in time that the overdraft occurs.

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Directors and Officers
(Effective December 31, 2022)

W.T.B. Financial Corporation

BOARD OF DIRECTORS
Peter F. Stanton
Chairman of the Board
John E. (Jack) Heath, III
Vice-Chairman of the Board
Christopher H. Ackerley
Managing Partner, Ackerley Partners, LLC
Steven M. Helmbrecht
President and CEO, Treasury 4, Inc.
John J. Luger
President, JDL Enterprises, LLC

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
John B. Eagan
Senior Vice President, General Counsel and Corporate Secretary
Johanne Lapointe
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 H. Ackerley
Managing Partner, Ackerley Partners, LLC
Craig O.Dawson
CEO and President, Retail Lockbox, Inc.
Jinyoung L. Englund
Digital Service Expert, U.S. Department of Defense
Steven M. Helmbrecht
President and CEO, Treasury 4, Inc.
Michael J. Lee
President, Lakeside Industries, Inc.
John J. Luger
President, JDL Enterprises, LLC
Dennis P. Murphy
Chief Executive Officer, Hayden Homes, LLC
Peter D. Nickerson
Director and Co-founder, Chinus Asset Management
Jeffrey J. 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

COMMERCIAL BANKING
Kevin L. Blair
Senior Vice President, Chief Lending Officer

CREDIT ADMINISTRATION
Peter G. Bentley
Senior Vice President and Chief Credit Officer

FINANCE
Larry V. Sorensen
Senior Vice President and Chief Financial Officer
Laura M. Gingrich
Senior Vice President and Chief Accounting Officer

HUMAN RESOURCES
Katy J. Bruya
Senior Vice President and Chief Human Resources Officer

RETAIL BANKING, INFORMATION TECHNOLOGY, OPERATIONS, CLIENT EXPERIENCE, AND STRATEGIC SERVICES
Jim D. Branson
Senior Vice President and Chief Banking Officer; Director of Technology, Operations, and Consumer Banking

INTERNAL AUDIT
Johanne Lapointe
Senior Vice President and Director of Internal Audit

LEGAL
John B. Eagan
Senior Vice President, General Counsel and Corporate Secretary

WEALTH MANAGEMENT AND ADVISORY SERVICES
Alicia C. O'Mary
Senior Vice President and Managing Director of WMAS

COMPLIANCE
Shannon M. Cowley
Senior Vice President and Chief Compliance Officer

Additional information or copies of this report may be obtained by referencing the Investor Relations webpage at watrust.com/about/investor-relations, or by writing to:

W.T.B. Financial Corporation
Larry V. Sorensen
Senior Vice President & Chief Financial Officer
P.O. Box 2127
Spokane, Washington 99210-2127