W.T.B. Financial Corp

Peter F. Stanton
Chairman of the Board and
Chief Executive Officer

October 19, 2023

Dear Shareholders:

Whenever there is a big and unexpected shift in market conditions, there is the initial and pressing challenge of working through that shock event, which is then followed by a longer process of adapting to that new landscape. This pattern played out during the Great Recession, with major disruptions throughout 2008, followed by several years of working through the challenges from that shock event and adapting to a very different operating environment. That pattern is now playing out again. Over the past 18 months, the Fed engineered a sharp 525 basis point ("bps") upward move in interest rates to counteract a spike in inflation to levels not seen in 40 years. That significant upward shift in the rate environment after more than a decade of near zero interest rates changed the risks, rewards and calculations for all financial market participants. The significant disruption we all witnessed last spring has settled down considerably and seems to be behind us. We have emerged into a very different operating environment, and we are working through the longer process of adapting to these new conditions.

Since this cycle started, much work has been done and solid progress has been made. Deposit balances stabilized back in April and May, and since that time, deposits have increased $180 million, while total customer funding has increased $357 million. Unlike some institutions that have pulled back on lending, we remain committed to meeting our clients' borrowing needs. Loan growth has been fairly steady, growing $157 million in the third quarter and $401 million year-to-date ("YTD"), at progressively higher yields. Our bond holdings have declined $182 million YTD and we expect to continue working that position down over time, which will provide liquid resources to help cover loan growth and build cash resources to pay off borrowings when they begin maturing next spring. During the quarter, our borrowings increased $366 million as we borrowed $500 million of two-year money to help lock in our funding costs for when our Bank Term Funding Program ("BTFP") borrowings mature next spring. Until that time, these borrowed funds will be held at the Federal Reserve ("Fed") at what is currently a significant positive spread. All of these balance sheet dynamics have helped grow our cash position to more than $988 million.

In broad terms, this cycle has brought higher rates, deposit disintermediation, liquidity pressure, elevated borrowings, higher earning asset yields, but higher still funding costs and some significant shifts across our balance sheet. With all these dynamics underway, let's look at the Company's third quarter performance.

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In the third quarter, earnings totaled $10.0 million, which was down $2.8 million from the second quarter, while year-to-date, earnings totaled $45.1 million. Quarterly earnings per share totaled $4.00, down $1.12 per share from the prior quarter. Return on assets was 0.36 percent, down from 0.49 percent in the second quarter and return on equity was 4.50 percent, down from 5.84 percent the previous quarter. The primary driver of lower earnings was a narrower net interest margin, which declined 16 bps to 2.51 percent. These performance levels are well below historical norms and certainly below where we'd like to be.

The primary driver of lower balance sheet earning power has been shifting funding balances and funding costs rising faster than earning asset yields. For the quarter, total funding costs, including all deposits and borrowings, were 1.86 percent, which was 39 bps higher than second quarter levels of 1.47 percent. This rise in funding costs reflects a combination of higher deposit pricing, migration of noninterest bearing deposit balances to interest bearing accounts, and additional borrowings. Higher funding costs are the natural byproduct of adapting to the higher rate environment. On the asset side, average earning asset balances increased $463 million, while earning asset yields increased 20 bps to 4.24 percent. Average loan balances increased $162 million and loan yields increased 15 bps to 5.51 percent. The largest increase in earnings asset balances was in cash (interest bearing deposits with banks) where average balances rose $354 million and yields increased 29 bps to 5.43 percent.

We are closely tracking both funding costs and the "conversion" of earning asset balances to market yields. Just as loan principal payments are made on lower yielding portfolio loans, new loan originations are made at higher market rates, typically in excess of 7.00 percent. Additionally, as cash flow comes back on our bond portfolio at lower yields, it either helps fund higher yielding loan originations or resides on deposit at the Fed, with those balances currently yielding 5.40 percent. Over time, this process of repricing both sides of the balance sheet should help normalize earning power.

Despite net interest margin declining 16 bps, significantly higher average earning asset balances supported net interest revenue for the quarter, which only decreased by $247,000 quarter-over-quarter to $67.6 million. Noninterest revenue during the quarter declined $502,000 to $13.6 million, which was primarily due to a decline in bank card revenue. Noninterest expense increased $1.6 million to $64.1 million in the third quarter, with higher expenses spread across multiple categories, including office equipment, employee benefits, state revenue taxes and professional fees.

For the quarter, assets increased $711 million to $11.4 billion. This asset growth was primarily due to growth in customer funding and borrowings. We elected to retain that influx in liquidity in cash as an interest-bearing balance, which totaled $988 million at quarter end, since it earns a favorable return of 5.40 percent. Because there is a positive spread to our borrowing costs, we expect to retain those balances until our current BTFP borrowings mature next spring, rather than pre-pay them immediately. With assets growing substantially during the quarter, the Company's equity to asset ratio declined 49 bps from 8.23 percent at the end of the second quarter to 7.74 percent at the end of the third. For the quarter, the Company's book value per share increased $0.88 to $348.40, while year-over-year, book value per share increased $9.45, or 2.8 percent. Asset quality remained excellent with noncurrent loans totaling just $4.8 million, or 0.08 percent of total loans, as our borrowers' financial strength remains substantial. Loans classified substandard and doubtful also remained low at $98.2 million, down from $121.5 million last quarter. Despite continued low problem asset levels, we retain a sizeable allowance position of $144.4 million, representing 2.24 percent of loans.

With inflation down and the Fed slowing its monetary tightening steps, the external environment seems to have stabilized for now. A good portion of our balance sheet has adapted to this new environment, but more movement remains in front of us as earning assets reprice to market levels, borrowings are paid down and funding costs level out. As this process unfolds, we are mindful of the potential for more challenges ahead with difficult geo-political events unfolding across the globe, the historical precedence of a possible second run-up of inflation and an inverted yield curve, which typically portends a coming recession. For all of those reasons, we remain vigilant for possible external surprises and the importance of strength across the balance sheet.

With regard to our share repurchase program, on March 3, 2023, the Board of Directors reauthorized a share repurchase plan for up to $15.0 million of Class B common stock, which will be in effect over a twelve-month period. No share repurchases have been made to date under that authorization. Under the preceding share repurchase authorization of $10 million, the Company repurchased 28,728 shares in total for $10.0 million, and 1,138 of those shares were repurchased in the first quarter of 2023.

Difficult market conditions are when our clients need us most and we are helping them take care of their financial needs every day. Taking care of client needs, paying close attention to our positioning and strength to withstand the unexpected is our primary focus, along with executing on all of our strategic priorities. As we execute on our priorities, we are always mindful of you, our shareholders. Despite the challenges of the moment, we remain dedicated to delivering on our long-term objective of growing franchise and shareholder value. We greatly appreciate your continued support and confidence, and we look forward to reporting out to you on our progress next quarter.

For additional pertinent information, please also visit our Investor Relations webpage at watrust.com/about/investor-relations.

Warm Regards,

Peter F. Stanton

Pete Stanton
Chairman of the Board and CEO
Enclosure

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W.T.B. Financial Corp

Summary Financial Statements, Selected Financial Highlights and Selected Credit Performance Highlights Q3 2023

(unaudited)

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

	September 30, 2023	June 30, 2023	September 30, 2022
ASSETS			
Cash and due from banks	**$ 116,619,826**	$ 110,570,273	$ 119,453,042
Interest-bearing deposits with banks	**988,411,452**	372,670,765	643,622,224
Securities available for sale, at fair value	**480,044,123**	509,354,423	543,393,395
Securities held to maturity, at amortized cost	**3,097,288,113**	3,160,177,545	3,144,339,982
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**30,060,000**	15,420,000	10,060,000
Loans receivable	**6,443,189,362**	6,285,984,837	5,903,011,291
Allowance for credit losses on loans	**(144,377,942)**	(141,008,789)	(118,231,380)
Loans, net of allowance for credit losses on loans	**6,298,811,420**	6,144,976,048	5,784,779,911
Premises and equipment, net	**85,106,046**	86,125,516	88,082,559
Accrued interest receivable	**36,706,294**	30,636,124	27,802,391
Other assets	**225,304,448**	217,047,285	197,883,073
Total assets	**$ 11,358,351,722**	$ 10,646,977,979	$ 10,559,416,577
LIABILITIES			
Deposits:			
Noninterest-bearing	**$ 3,423,838,739**	$ 3,518,317,592	$ 4,312,452,221
Interest-bearing	**4,617,752,402**	4,363,591,321	5,062,532,503
Total deposits	**8,041,591,141**	7,881,908,913	9,374,984,724
Securites sold under agreements to repurchase	**358,777,892**	205,874,361	220,764,309
Other borrowings	**1,915,000,000**	1,549,000,000	-
Accrued interest payable	**37,028,531**	17,749,024	204,541
Other liabilities	**127,315,367**	116,044,977	108,203,547
Total liabilities	**10,479,712,931**	9,770,577,275	9,704,157,121
SHAREHOLDERS' EQUITY			
Common stock	**12,107,873**	11,625,545	12,995,790
Surplus	**32,665,000**	32,665,000	32,665,000
Undivided profits	**885,810,602**	880,410,692	857,738,727
	930,583,475	924,701,237	903,399,517
Accumulated other comprehensive loss, net of tax	**(51,944,684)**	(48,300,533)	(48,140,061)
Total shareholders' equity	**878,638,791**	876,400,704	855,259,456
Total liabilities and shareholders' equity	**$ 11,358,351,722**	$ 10,646,977,979	$ 10,559,416,577

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

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
INTEREST REVENUE			
Loans, including fees	**$ 88,221,419**	$ 82,668,749	$ 67,434,650
Deposits with banks	**8,500,130**	3,419,113	5,350,739
Securities	**17,324,212**	16,238,951	16,338,705
Other interest and dividend income	**169,575**	396,873	75,319
Total interest revenue	**114,215,336**	102,723,686	89,199,413
INTEREST EXPENSE			
Deposits	**25,941,869**	18,689,914	2,237,341
Funds purchased and other borrowings	**20,631,768**	16,144,361	98,947
Total interest expense	**46,573,637**	34,834,275	2,336,288
Net interest revenue	**67,641,699**	67,889,411	86,863,125
Provision for credit losses	**4,350,000**	3,100,000	1,000,000
Net interest revenue after provision for credit losses	**63,291,699**	64,789,411	85,863,125
NONINTEREST REVENUE			
Fiduciary income	**5,994,691**	6,107,053	5,274,951
Investment services fees	**867,557**	896,156	971,614
Bank and credit card fees, net	**2,465,015**	3,161,113	3,610,873
Mortgage banking revenue, net	**431,789**	254,456	520,361
Other fees on loans	**279,297**	313,120	362,992
Service charges on deposits	**1,351,731**	1,298,849	1,808,262
Other income	**2,183,819**	2,045,244	1,931,645
Total noninterest revenue	**13,573,899**	14,075,991	14,480,698
NONINTEREST EXPENSE			
Salaries and benefits	**38,116,094**	38,000,467	38,229,282
Occupancy, furniture and equipment expense	**6,374,275**	6,280,391	5,912,064
Other expense	**19,582,058**	18,204,096	17,952,198
Total noninterest expense	**64,072,427**	62,484,954	62,093,544
Income before provision for income taxes	**12,793,171**	16,380,448	38,250,279
Provision for income taxes	**2,758,290**	3,542,214	8,300,995
NET INCOME	**$ 10,034,881**	$ 12,838,234	$ 29,949,284
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,505,390**	2,505,390	2,514,052
Diluted	**2,505,646**	2,505,448	2,515,409
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 4.01**	$ 5.12	$ 11.91
Diluted	**$ 4.00**	$ 5.12	$ 11.91

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

	Nine Months Ended	
	September 30, 2023	September 30, 2022
INTEREST REVENUE		
Loans, including fees	**$ 249,153,080**	$ 182,016,781
Deposits with banks	**14,341,235**	8,404,004
Securities	**51,410,295**	47,785,973
Other interest and dividend income	**647,103**	232,817
Total interest revenue	**315,551,713**	238,439,575
INTEREST EXPENSE		
Deposits	**55,282,419**	5,411,456
Funds purchased and other borrowings	**42,938,693**	241,505
Total interest expense	**98,221,112**	5,652,961
Net interest revenue	**217,330,601**	232,786,614
Provision (recapture) for credit losses	**9,850,000**	(23,000,000)
Net interest revenue after provision for credit losses	**207,480,601**	255,786,614
NONINTEREST REVENUE		
Fiduciary income	**17,823,707**	16,290,052
Investment services fees	**2,789,371**	3,009,985
Bank and credit card fees	**9,719,632**	13,268,344
Mortgage banking revenue, net	**927,780**	1,770,431
Other fees on loans	**833,287**	904,130
Service charges on deposits	**4,103,820**	5,307,474
Other income	**6,459,256**	6,705,279
Total noninterest revenue	**42,656,853**	47,255,695
NONINTEREST EXPENSE		
Salaries and benefits	**117,252,981**	114,722,705
Occupancy, furniture and equipment expense	**19,487,840**	18,687,838
Other expense	**55,798,404**	57,025,141
Total noninterest expense	**192,539,225**	190,435,684
Income before provision for income taxes	**57,598,229**	112,606,625
Provision for income taxes	**12,472,620**	24,499,902
NET INCOME	**$ 45,125,609**	$ 88,106,723
PER SHARE DATA		
Weighted average number of common stock shares outstanding		
Basic	**2,504,426**	2,520,818
Diluted	**2,505,431**	2,522,969
Earnings per common share (based on weighted average shares outstanding)		
Basic	**$ 18.02**	$ 34.95
Diluted	**$ 18.01**	$ 34.92

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

(dollars in thousands)

	Quarters Ended				
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
SELECTED DATA					
Interest-bearing deposits with banks	$ 988,411	$ 372,671	$ 341,116	$ 273,938	$ 643,622
Securities	3,577,332	3,669,532	3,730,349	3,759,164	3,687,733
Total loans	6,443,189	6,285,985	6,099,479	6,042,262	5,903,011
Allowance for credit losses (ACL) on loans[1]	144,378	141,009	138,976	120,839	118,231
Earning assets [2]	11,088,508	10,389,254	10,231,511	10,133,251	10,293,630
Total assets	11,358,352	10,646,978	10,515,350	10,423,090	10,559,417
Deposits	8,041,591	7,881,909	8,328,130	9,217,086	9,374,985
Interest-bearing liabilities	6,891,530	6,118,466	5,618,074	5,180,503	5,283,297
Total shareholders' equity	878,639	876,401	871,987	867,129	855,259
Total equity to total assets	7.74%	8.23%	8.29%	8.32%	8.10%
Full-time equivalent employees	1,196	1,189	1,166	1,146	1,134
ASSET QUALITY RATIOS					
ACL on loans to total loans	2.24%	2.24%	2.28%	2.00%	2.00%
ACL on loans to noncurrent loans	2987%	2548%	3417%	3743%	3842%
Net charge-offs to total average loans	0.00%	0.00%	0.01%	0.00%	0.00%
Noncurrent loans and ORE to assets	0.04%	0.05%	0.04%	0.03%	0.03%

(1) 2022 allowance balances are based on the incurred loss model. 2023 allowance balance is based on the current expected credit loss ("CECL") model.
(2) Includes only the amortized cost for securities. Includes non-accrual loans.

(dollars in thousands, except per share data)

	Quarters Ended			% Change	
	September 30, 2023	June 30, 2023	September 30, 2022	Sequential Quarter	Year over Year
PERFORMANCE					
Net interest revenue, fully tax-equivalent	$ 67,712	$ 67,975	$ 86,906	-0.4%	-22.1%
Fully tax-equivalent adjustment	70	86	43	-18.6%	62.8%
Net interest revenue	67,642	67,889	86,863	-0.4%	-22.1%
Provision for credit losses	4,350	3,100	1,000	40.3%	335.0%
Net interest revenue after provision for credit losses	63,292	64,789	85,863	-2.3%	-26.3%
Noninterest revenue	13,574	14,076	14,481	-3.6%	-6.3%
Noninterest expense	64,073	62,484	62,094	2.5%	3.2%
Income before provision for income taxes	12,793	16,381	38,250	-21.9%	-66.6%
Provision for income taxes	2,758	3,543	8,301	-22.2%	-66.8%
Net income	$ 10,035	$ 12,838	$ 29,949	-21.8%	-66.5%
PER COMMON SHARE					
Earnings per common share - basic	$ 4.01	$ 5.12	$ 11.91	-21.7%	-66.3%
Earnings per common share - diluted	4.00	5.12	11.91	-21.9%	-66.4%
Common cash dividends	1.85	1.85	1.85	0.0%	0.0%
Common shareholders' equity	348.40	347.52	338.95	0.3%	2.8%

	Quarters Ended			% Change	
	September 30, 2023	June 30, 2023	September 30, 2022	Sequential Quarter	Year over Year
PERFORMANCE RATIOS					
Return on average assets	0.36%	0.49%	1.10%	-0.13%	-0.74%
Return on average shareholders' equity	4.50%	5.84%	13.81%	-1.34%	-9.31%
Margin on average earning assets [2]	2.51%	2.67%	3.28%	-0.16%	-0.77%
Noninterest expense to average assets	2.32%	2.39%	2.28%	-0.07%	0.04%
Noninterest revenue to average assets	0.49%	0.54%	0.53%	-0.05%	-0.04%
Efficiency ratio	78.8%	76.2%	61.2%	2.6%	17.6%
Common cash dividends to net income	46.19%	36.10%	15.50%	10.09%	20.60%

(2) Tax exempt interest has been adjusted to a taxable equivalent basis using a tax rate of 21%.
NM = not meaningful

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

(dollars in thousands, except per share data)

	Nine Months Ended		% Change
	September 30, 2023	September 30, 2022	Year over Year
PERFORMANCE			
Net interest revenue, fully tax-equivalent	$ 217,555	$ 232,921	-6.6%
Fully tax-equivalent adjustment	224	134	67.2%
Net interest revenue	217,331	232,787	-6.6%
Provision (recapture) for credit losses	9,850	(23,000)	-142.8%
Net interest revenue after provision for credit losses	207,481	255,787	-18.9%
Noninterest revenue	42,657	47,256	-9.7%
Noninterest expense	192,540	190,436	1.1%
Income before provision for income taxes	57,598	112,607	-48.9%
Provision for income taxes	12,472	24,500	-49.1%
Net income	$ 45,126	$ 88,107	-48.8%
PER COMMON SHARE			
Earnings per common share - basic	$ 18.02	$ 34.95	-48.4%
Earnings per common share - diluted	18.01	34.92	-48.4%
Common cash dividends	5.55	5.55	0.0%
Common shareholders' equity	348.40	338.95	2.8%
PERFORMANCE RATIOS			
Return on average assets	0.57%	1.09%	-0.52%
Return on average shareholders' equity	6.89%	13.98%	-7.09%
Margin on average earning assets [2]	2.82%	2.95%	-0.13%
Noninterest expense to average assets	2.43%	2.35%	0.08%
Noninterest revenue to average assets	0.54%	0.58%	-0.04%
Efficiency ratio	74.0%	68.0%	6.0%
Common cash dividends to net income	30.81%	15.87%	14.94%

(2) Tax exempt interest has been adjusted to a taxable equivalent basis using a tax rate of 21%.

W.T.B. Financial Corporation
Selected Credit Performance Highlights
(unaudited) (dollars in thousands)

Loans by Credit Risk Rating:	Quarters Ended September 30, 2023	June 30, 2023	September 30, 2022
Pass	$ 6,238,105	$ 6,074,955	$ 5,656,280
Special Mention	106,843	89,441	139,896
Substandard	98,214	121,531	106,831
Doubtful/Loss	27	58	4
Total	$ 6,443,189	$ 6,285,985	$ 5,903,011

Loans by Payment Status:	Quarters Ended September 30, 2023	June 30, 2023	September 30, 2022
Current Loans	$ 6,429,832	$ 6,278,386	$ 5,897,996
Loans Past Due 30-89 Days, Still Accruing	8,524	2,064	1,938
Noncurrent Loans	4,833	5,535	3,077
Total	$ 6,443,189	$ 6,285,985	$ 5,903,011

Allowance Position (1):	Quarters Ended September 30, 2023	June 30, 2023	September 30, 2022
Allowance for Loans (1)	$ 144,378	$ 141,009	$ 118,231
Allowance to Total Loans	2.24%	2.24%	2.00%

(1) 2022 allowance balances are based on the incurred loss model. 2023 allowance balance is based on the current