W.T.B. Financial Corporation

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

January 23, 2020

Dear Shareholders:

December 31st not only closed out the year 2019, but also closed out the decade, and with that long view, much has changed and much progress has been made. But let's start with what we accomplished in 2019. There were some big themes that drove our performance last year, including strong loan and deposit growth, assets above the $7 billion mark for the first time in Company history, falling interest rates, and several significant transformation projects that were both strategic and challenging. All of these factors combined to deliver overall positive results, but with some real dynamics across our financial performance.

Loan growth was strong throughout the year and deposit growth came on big in the fourth quarter, which helped drive total assets to nearly $7.2 billion. Loans finished the year at $4.5 billion, up $495 million, or 12.2 percent over 2018 yearend levels. Loan types showing the most growth included commercial real estate (up $181 million), single family residential first mortgage loans (up $131 million) and business loans to our commercial banking clients (up $107 million). Growth in our residential portfolio was part of a deliberate effort to direct more loan originations to our balance sheet in order to build longer duration earning assets and hedge against falling interest rates. Deposit growth surged late in the year driving deposit balances up $588 million, or 10.4 percent to $6.2 billion. Deposit growth in the fourth quarter was a record $632 million, which was influenced in part by larger commercial clients generating liquidity by exiting various investments. Some portion of these deposit balances are likely to be short term in nature.

Growth in average loans and overall average earning assets during the year was amplified by widening net interest margin, which had a beneficial impact on earnings. Average loans grew $292 million, or 7.3 percent to $4.3 billion, while average earning assets (loans, securities and investible cash balances) grew $149 million, or 2.4 percent to nearly $6.4 billion. For the year, the Company's net interest margin widened by 20 basis points ("bps") to 3.97 percent. The Bank's year-over-year average earning asset growth, together with a higher margin, drove net interest revenue higher in 2019 by $18.8 million, or 8.0 percent to $255 million.

While the year 2019 benefitted from growth and widening margin, that all took place in the context of a dynamic rate environment that saw interest rates across the yield curve shift down significantly. The longer maturity end of the curve fell nearly 70 bps in the first half of the year, while in the latter part of 2019, near-term maturities fell roughly 90 bps, primarily in response to the Fed's monetary policy moves. While the decline in rates in 2019 will bring pressure on margin in the future, we've been taking steps to mitigate our exposure to declining rates for some time now. For example, we added to our investment portfolio during the year (up $307 million, or 19.3 percent to $1.9 billion) and did some repositioning to move our bond holdings further out on the yield curve. While that repositioning resulted in a $1.9 million loss on sale back in the second quarter, the longer term securities we purchased contributed to a significant increase in the overall value of our bond portfolio as market interest rates declined. During 2019, the value of our securities portfolio improved by $36.9 million, contributing a $29.2 million after-tax increase in shareholders' equity and increasing book value by approximately $11.42 per share. Our strategy to book more single family home loans improved outstanding balances (up $130.9 million) and interest revenue (up $4.8 million), but also resulted in lower gains on the sale of home loans of $1.8 million year-over-year (reported in noninterest revenue).

For 2019, earnings came in slightly above 2018 results at $83.3 million. On a diluted earnings per share basis, earnings were up $0.14 per share, or 0.43 percent to $32.56. Our performance represented a return on assets of 1.26 percent and a return on equity of 12.70 percent. Return on equity was down 224 bps from 2018 due to average shareholders' equity, the denominator in that ratio, increasing so significantly from earnings and improved bond valuations. For the year, shareholders' equity increased $93.2 million, or 15.5 percent, while book value per share increased $37.78, or 16.1 percent to $272.23.

In 2019, noninterest revenue was down considerably, declining $4.6 million, or 8.7 percent to $48.3 million. There were a lot of dynamics at play in that performance, so allow me to walk through some of the more significant items. The decline was due, in part, to our decision in the second quarter to take a $1.9 million loss on the sale of shorter term securities in order to reposition and add duration to our bond portfolio. Noninterest revenue also was down year-over-year due to a $1.8 million decline in gains on the sale of single family loan originations, which was a deliberate strategy to redirect more loan originations to the balance sheet in order to build more earning loan balances and drive more recurring interest revenue into the future. Year-over-year comparisons were also made worse in our wealth management business given the income that was accelerated into 2018 due to the new accounting standard for revenue recognition, which contributed to a $470,000 year-over-year decline in revenue for this line of business. In 2019, we began a transformation of our debit card and credit card rewards program and while that conversion is only partially complete, we took considerable charges to reflect the expected full conversion cost of that program offering in 2020. We also converted our merchant services (the credit card systems our business customers use to process their customers' payments) to a new vendor and in the process incurred considerable expense that gets netted against the revenue this line of business typically generates. Collectively, the adverse year-over-year impact these two projects had on our noninterest revenue totaled nearly $1.3 million.

Overall, noninterest expense increased $11.4 million, or 6.2 percent to $193.4 million. Salaries and benefits comprised the largest share of that increase, rising $9.2 million, or 8.6 percent. Expenses were also higher as a result of the costs to convert our residential loan origination system. Higher costs also reflect our ongoing strategy to invest in the company in a way that builds for the future. These investments include systems that advance our electronic delivery capabilities to our clients and systems that drive more opportunity for scale in how we operate. Significant staffing resources are being hired and redirected to a new process improvement group and project management team, as well as additional resources to support our compliance, vendor management and legal teams. The investment in these resources is necessary to help ensure we execute effectively in this increasingly complex environment.

Our team has developed a strategic roadmap for the evolution of key systems and delivery of banking services that stretches out for several years. There is value in ensuring the interconnectedness of our technology platform, but that interconnectedness also presents challenges as we upgrade our systems. Building a modern bank where systems are integrated, data is free flowing and the customer delivery and experience is first rate is an ambitious objective. Our dependency upon third-party vendors, which have developed the systems that help us deliver banking services to our customers, continues to grow and that partnership rises in importance. Transforming what we do and how we do it is a crucial, expensive and necessary objective for the Company.

It is quite a contrast to look forward into the future of the industry, which seems to center on technology, and then look back to where we have been over the past decade. Ten years ago, we were all in the throes of the Great Recession and the challenges were remarkably different from what we face today. Over the past ten years, we have strengthened our balance sheet and maintained strong financial performance. Common shareholders' equity has more than doubled from $305 million, or 7.44 percent of assets at yearend 2009 to $696 million, or 9.71 percent of assets today. Over the past decade, higher risk construction loans have decreased from $604 million to $461 million. The Bank's allowance for loan losses has increased from $70 million to $96 million in order to strengthen the balance sheet. The Bank's cash balances and securities have increased from $901 million, or 22 percent of assets to $2.4 billion, or 34 percent of assets, providing a stronger liquidity position to meet future cash needs. And earnings over the past decade have risen to levels I frankly had never imagined when I first came to the Bank. From a recession battered year in 2009 with $1.3 million in earnings, we now enjoy a balance sheet that generated $83.3 million in net income in 2019. That level of earnings positions us to continue to serve our customers, employ over 1,000 people, support our communities and deliver solid returns to our shareholders. I am proud to be part of an organization that has accomplished so much.

Given our operating results and balance sheet position, we were active purchasers of Company Class B common stock. During the fourth quarter, share repurchases totaled $1.7 million, while year-to-date, share repurchases totaled $8.0 million. At the end of the year, there was approximately $3.9 million remaining of the $10 million share repurchase authorization made available last April. The extent to which the Company purchases shares and the timing of any such purchases will depend upon a variety of factors, including market conditions and relevant corporate considerations. The share repurchase program will be conducted in a manner intended to comply with the safe harbor provisions of Rule 10b-18 under the Securities and Exchange Act of 1934 and may be suspended or terminated at any time by the Company's Board of Directors without prior notice. We will report back to you periodically on our progress under this authorization.

2019 was a solid year with both significant challenges and accomplishments. The end of the decade presents an opportunity to reflect backwards at all we have accomplished, while knowing that today's challenges are very different and will require a different focus, skillset and organization. Although it is also true that our mission remains the same; to be in a position to serve our customers' banking and financial needs so they can achieve their goals. We enter 2020 with strong positioning, lots of important objectives and a determination to continue striving to serve and grow our customer base. We remain grateful for the hard work and determination of our team, the loyalty of our customers and the support of our shareholders. Please let us know if we can help you in anyway. 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 and CEO
Enclosure

W.T.B. Financial Corporation

Summary Financial Statements and Selected Financial Highlights
Q4 2019
(unaudited)

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

	December 31, 2019	September 30, 2019	December 31, 2018
ASSETS			
Cash and due from banks	**$ 102,602,803**	$ 151,941,730	$ 106,555,393
Interest-bearing deposits with banks	**523,953,345**	83,278,993	751,180,001
Securities available for sale, at fair value	**1,247,616,516**	1,282,311,509	1,031,058,762
Securities held to maturity, at amortized cost	**648,206,906**	663,728,580	558,191,770
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**7,911,600**	12,271,600	7,540,600
Loans receivable	**4,542,596,852**	4,539,107,318	4,047,398,419
Allowance for loan losses	**(96,414,721)**	(96,855,709)	(90,748,593)
Loans net of allowance for loan losses	**4,446,182,131**	4,442,251,609	3,956,649,826
Premises and equipment, net	**86,682,368**	80,114,117	55,522,989
Accrued interest receivable	**21,158,214**	21,628,833	20,929,201
Other assets	**80,350,296**	73,556,558	64,721,736
Total assets	**$ 7,164,664,179**	$ 6,811,083,529	$ 6,552,350,278
LIABILITIES			
Deposits:			
Noninterest-bearing	**$ 2,817,138,103**	$ 2,489,637,342	$ 2,413,512,717
Interest-bearing	**3,409,727,898**	3,105,692,021	3,225,410,151
Total deposits	**6,226,866,001**	5,595,329,363	5,638,922,868
Securites sold under agreements to repurchase	**163,069,316**	343,398,816	259,857,022
Other borrowings	**-**	109,000,000	-
Accrued interest payable	**1,134,357**	1,009,362	2,084,277
Other liabilities	**77,690,45**	75,802,551	48,821,466
Total liabilities	**6,468,760,131**	6,124,540,092	5,949,685,633
SHAREHOLDERS' EQUITY			
Common stock	**26,755,819**	27,429,552	32,424,650
Surplus	**32,665,000**	32,665,000	32,665,000
Undivided profits	**649,845,770**	632,791,104	584,433,474
	709,266,589	692,885,656	649,523,124
Less treasury stock, at cost	**(18,428)**	-	-
	709,248,161	692,885,656	649,523,124
Accumulated other comprehensive loss	**(13,344,113)**	(6,342,219)	(46,858,479)
Total shareholders' equity	**695,904,048**	686,543,437	602,664,645
Total liabilities and shareholders' equity	**$ 7,164,664,179**	$ 6,811,083,529	$ 6,552,350,278

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

	Three Months Ended		
	December 31, 2019	September 30, 2019	December 31, 2018
INTEREST REVENUE			
Loans, including fees	**$ 56,314,001**	$ 59,519,861	$ 53,610,725
Deposits with banks	**1,044,882**	1,129,365	4,942,573
Securities	**11,901,999**	11,429,978	8,532,456
Other interest and dividend income	**81,542**	75,111	63,877
Total interest revenue	**69,342,424**	72,154,315	67,149,631
INTEREST EXPENSE			
Deposits	**4,052,313**	4,481,459	3,832,194
Funds purchased and other borrowings	**505,988**	1,103,517	220,199
Total interest expense	**4,558,301**	5,584,976	4,052,393
Net interest revenue	**64,784,123**	66,569,339	63,097,238
Provision for loan losses	**1,200,000**	800,000	400,000
Net interest revenue after provision for loan losses	**63,584,123**	65,769,339	62,697,238
NONINTEREST REVENUE			
Fiduciary income	**4,538,314**	4,360,646	5,699,608
Investment services fees	**732,049**	754,396	903,218
Bank and credit card fees, net	**3,257,608**	2,315,218	3,219,313
Mortgage banking revenue, net	**1,457,212**	908,063	940,756
Other fees on loans	**416,480**	245,733	277,991
Service charges on deposits	**1,656,250**	1,704,818	1,676,011
Other income	**1,749,841**	2,285,550	1,748,544
Total noninterest revenue	**13,807,754**	12,574,424	14,465,441
NONINTEREST EXPENSE			
Salaries and benefits	**28,940,405**	29,204,096	26,607,215
Occupancy, furniture and equipment expense	**5,714,745**	5,675,785	4,925,830
Other expense	**15,181,541**	14,851,753	16,677,074
Total noninterest expense	**49,836,691**	49,731,634	48,210,119
Income before provision for income taxes	**27,555,186**	28,612,129	28,952,560
Provision for income taxes	**6,047,475**	6,309,766	4,880,460
NET INCOME	**$ 21,507,711**	$ 22,302,363	$ 24,072,100
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,547,656**	2,551,053	2,555,674
Diluted	**2,550,164**	2,555,543	2,562,801
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 8.44**	$ 8.74	$ 9.42
Diluted	**$ 8.43**	$ 8.73	$ 9.39

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

	Twelve Months Ended	
	December 31, 2019	December 31, 2018
INTEREST REVENUE		
Loans, including fees	**$ 224,315,382**	$ 202,233,603
Deposits with banks	**7,713,318**	15,399,484
Securities	**42,017,372**	29,927,874
Other interest and dividend income	**308,245**	322,200
Total interest revenue	**274,354,317**	247,883,161
INTEREST EXPENSE		
Deposits	**16,844,718**	11,179,382
Funds purchased and other borrowings	**2,451,948**	452,236
Total interest expense	**19,296,666**	11,631,618
Net interest revenue	**255,057,651**	236,251,543
Provision for loan losses	**3,200,000**	2,700,000
Net interest revenue after provision for loan losses	**251,857,651**	233,551,543
NONINTEREST REVENUE		
Fiduciary income	**17,667,082**	18,137,249
Investment services fees	**3,091,788**	3,528,012
Bank and credit card fees	**11,122,759**	12,373,651
Mortgage banking revenue, net	**4,015,838**	5,820,035
Other fees on loans	**1,210,720**	1,005,992
Service charges on deposits	**6,819,967**	6,890,245
Other income	**4,369,093**	5,170,959
Total noninterest revenue	**48,297,247**	52,926,143
NONINTEREST EXPENSE		
Salaries and benefits	**115,572,958**	106,377,241
Occupancy, furniture and equipment expense	**21,200,776**	19,935,576
Other expense	**56,641,945**	55,729,156
Total noninterest expense	**193,415,679**	182,041,973
Income before provision for income taxes	**106,739,219**	104,435,713
Provision for income taxes	**23,454,869**	21,379,897
NET INCOME	**$ 83,284,350**	$ 83,055,816
PER SHARE DATA		
Weighted average number of common stock shares outstanding		
Basic	**2,553,823**	2,553,971
Diluted	**2,557,839**	2,562,199
Earnings per common share (based on weighted average shares outstanding)		
Basic	**$ 32.61**	$ 32.52
Diluted	**$ 32.56**	$ 32.42

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

(dollars in thousands)

	Quarters Ended				
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
SELECTED DATA					
Interest-bearing deposits with banks	$ 523,953	$ 83,279	$ 207,118	$ 467,226	$ 751,180
Securities	1,895,823	1,946,040	1,752,278	1,666,895	1,589,251
Total loans	4,542,597	4,539,107	4,394,500	4,100,672	4,047,398
Allowance for loan losses	96,415	96,856	94,349	92,975	90,749
Earning assets [1]	6,958,855	6,554,930	6,351,760	6,255,713	6,420,888
Total assets	7,164,664	6,811,084	6,561,914	6,393,519	6,552,350
Deposits	6,226,866	5,595,329	5,520,830	5,452,823	5,638,923
Interest-bearing liabilities	3,572,797	3,558,091	3,485,587	3,387,980	3,485,267
Total shareholders' equity	695,904	686,543	659,530	627,245	602,665
Total equity to total assets	9.71%	10.08%	10.05%	9.81%	9.20%
Full-time equivalent employees	1,017	1,013	1,004	994	994
ASSET QUALITY RATIOS					
Allowance for loan losses to total loans	2.12%	2.13%	2.15%	2.27%	2.24%
Allowance for loan losses to noncurrent loans	671%	918%	502%	721%	755%
Net charge-offs (recoveries) to total average loans	0.04%	-0.04%	-0.02%	-0.04%	0.02%
Noncurrent loans and ORE to assets	0.20%	0.15%	0.29%	0.20%	0.18%
Noncurrent loans, ORE and TDRs to assets	0.22%	0.17%	0.30%	0.21%	0.20%

(1) Includes only the amortized cost for securities. Includes non-accrual loans.

(dollars in thousands, except per share data)

	Quarters Ended			% Change	
	December 31, 2019	September 30, 2019	December 31, 2018	Sequential Quarter	Year over Year
PERFORMANCE [1]					
Net interest revenue, fully tax-equivalent	$ 64,893	$ 66,679	$ 63,230	-2.7%	2.6%
Fully tax-equivalent adjustment	109	110	133	-0.9%	-18.0%
Net interest revenue	64,784	66,569	63,097	-2.7%	2.7%
Provision for loan losses	1,200	800	400	50.0%	200.0%
Net interest revenue after provision for loan losses	63,584	65,769	62,697	-3.3%	1.4%
Noninterest revenue	13,808	12,574	14,465	9.8%	-4.5%
Noninterest expense	49,837	49,731	48,210	0.2%	3.4%
Income before provision for income taxes	27,555	28,612	28,952	-3.7%	-4.8%
Provision for income taxes	6,047	6,310	4,880	-4.2%	23.9%
Net income	$ 21,508	$ 22,302	$ 24,072	-3.6%	-10.7%
PER COMMON SHARE					
Earnings per common share - basic	$ 8.44	$ 8.74	$ 9.42	-3.4%	-10.4%
Earnings per common share - diluted	8.43	8.73	9.39	-3.4%	-10.2%
Common cash dividends	1.75	1.75	1.15	0.0%	52.2%
Common shareholders' equity	272.23	268.25	234.45	1.5%	16.1%

	Quarters Ended			% Change	
	December 31, 2019	September 30, 2019	December 31, 2018	Sequential Quarter	Year over Year
PERFORMANCE RATIOS [1]					
Return on average assets	1.24%	1.32%	1.45%	-0.08%	-0.21%
Return on average shareholders' equity	12.30%	13.10%	16.49%	-0.80%	-4.19%
Margin on average earning assets [2]	3.85%	4.07%	3.86%	-0.22%	-0.01%
Noninterest expense to average assets	2.87%	2.95%	2.90%	-0.08%	-0.03%
Noninterest revenue to average assets	0.80%	0.75%	0.87%	0.05%	-0.07%
Efficiency ratio	63.3%	62.7%	62.0%	0.6%	1.3%
Common cash dividends to net income	20.70%	19.98%	12.21%	0.72%	7.77%

(1) Prior period amounts have been reclassified to conform with the current period presentation of rental income.
(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)		
	Twelve Months Ended		% Change
	December 31, 2019	December 31, 2018	Year over Year
PERFORMANCE [1]			
Net interest revenue, fully tax-equivalent	$ 255,519	$ 236,749	7.9%
Fully tax-equivalent adjustment	461	497	-7.2%
Net interest revenue	255,058	236,252	8.0%
Provision for loan losses	3,200	2,700	18.5%
Net interest revenue after provision for loan losses	251,858	233,552	7.8%
Noninterest revenue	48,297	52,926	-8.7%
Noninterest expense	193,416	182,042	6.2%
Income before provision for income taxes	106,739	104,436	2.2%
Provision for income taxes	23,455	21,380	9.7%
Net income	$ 83,284	$ 83,056	0.3%
PER COMMON SHARE			
Earnings per common share - basic	$ 32.61	$ 32.52	0.3%
Earnings per common share - diluted	32.56	32.42	0.4%
Common cash dividends	7.00	4.60	52.2%
Common shareholders’ equity	272.23	234.45	16.1%
PERFORMANCE RATIOS [1]			
Return on average assets	1.26%	1.30%	-0.04%
Return on average shareholders’ equity	12.70%	14.94%	-2.24%
Margin on average earning assets [2]	3.97%	3.77%	0.20%
Noninterest expense to average assets	2.93%	2.86%	0.07%
Noninterest revenue to average assets	0.73%	0.83%	-0.10%
Efficiency ratio	63.7%	62.8%	0.9%
Common cash dividends to net income	21.46%	14.15%	7.31%

(1) Prior period amounts have been reclassified to conform with the current period presentation of rental income.
(2) Tax exempt interest has been adjusted to a taxable equivalent basis using a tax rate of 21%.