W.T.B. Financial Corp

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

January 25, 2024

Dear Shareholders:

This past year finished with much greater calm and stability than how it started, which was good to see after a particularly challenging time for the industry. In July, the Fed paused its rate raising policy actions and with inflation coming down and GDP growth slowing, the capital markets are now projecting significantly lower rates by yearend 2024. Our outlook is a little more measured, but we will see how events unfold. The relative stability in the external environment over the past six months is providing additional time for our financial positioning to adapt to these higher interest rate levels, and that adaptation process will continue into 2024. Deposit balances stabilized in the second quarter and have grown through year end. The pace of rising funding costs throughout the year has slowed. New loan origination yields are rising and are significantly above portfolio averages, helping earning assets continue to reprice higher. And while borrowings are elevated, cash resources are significant and bond cash flows are returning to the balance sheet, providing the liquidity resources to paydown borrowings as they mature.

While there are important positive trends underway, the balance sheet is still transitioning to the higher rate environment and earnings have yet to return to historically normal levels. Margin continued to narrow in the fourth quarter as funding cost increases exceeded the increase in earning asset yields, but the pace of higher funding costs and lower margins slowed, which is a good sign for the future. Through all the challenges 2023 provided, we were both cost conscious and committed to investing in the systems, staffing and client growth strategies we need to stay on track with our long-term strategic plan. It has been a difficult year, and our performance is below acceptable levels, but we are optimistic that the worst conditions are behind us and 2024 will be a year of continued transition back towards more normalized performance and positioning. With that introduction, let’s look closer at our performance this past quarter and year.

While earnings of $55.9 million for the year were down significantly from 2022 and historically typical levels, earnings during the fourth quarter were up $690,000, or 6.9 percent to $10.7 million, when compared with third quarter results. Earnings per share followed a similar pattern, coming in at $22.29 in 2023, as compared with $45.28 per share in 2022, whereas fourth quarter earnings were up $0.28, or 6.8 percent from third quarter levels to $4.28 per share. Return on assets for the year was 0.52 percent and return on equity was 6.35 percent, both well below historically typical levels and you can be sure we are focused on strategies to improve upon those results in the future.

While deposits for the year were down significantly, declining $1.1 billion, or 11.9 percent from year ago levels, all of the decline was in the first half of 2023, and deposit stability and growth returned in the second half of the year. We look at those deposit outflows as ultimately non-core balances from core customers, that were disintermediated away by elevated capital market yield opportunities. In the second half of the year, deposits increased $236.4 million and in the fourth quarter, deposits grew $76.7 million, or 1.0 percent to $8.1 billion. Loan growth slowed in the fourth quarter, increasing $66.9 million, or 1.0 percent, but loan growth for the year was substantial at $468 million, or 7.7 percent, growing balances to a new Company record of $6.5 billion. The Company's loan to deposit ratio of 78.4 percent is a much more historically typical balance of loans and deposits than we have seen in many years, which is an indication that conditions are beginning to normalize. Borrowings remained elevated at year end at $1.9 billion, but are covered, in part, by an elevated cash position at the Federal Reserve of $1.0 billion and scheduled cash flow from the bond portfolio in the coming year will provide additional liquidity resources to help cover maturing borrowings in 2024. Shareholders' equity during the quarter increased $18.8 million, or 2.1 percent to $897 million, also a new Company record. The Company's equity to assets ratio increased 10 bps in the fourth quarter to 7.84 percent and tangible book value also increased $7.13, or 2.0 percent to $355.53 per share.

The most important dynamic impacting Company performance has been deposit outflows and funding costs. Deposit outflows in early 2023 necessitated borrowings and more aggressive deposit pricing, which helped drive funding costs higher. The Bank's overall cost of funds rose 181 bps to 2.10 percent from the fourth quarter of 2022 to the fourth quarter of 2023, while earning asset yields increased 62 bps over the same period to 4.36 percent. With funding costs rising faster than earning asset yields, net interest margin declined 105 bps to 2.42 percent in the final quarter of 2023. While the narrowing of margin slowed during the fourth quarter, lower net interest margin was a challenge for earnings. Net interest revenue peaked at a record high in the fourth quarter of 2022 at $90.3 million and narrowed to $67.8 million in the most recent quarter. Despite a narrowing margin throughout the year, net interest income levels have been steady at the $67 million level for the last three quarters of 2023, indicating stabilization in that important component of earning power. Noninterest revenue during the year was down slightly, declining $941,000, or 1.6 percent to $57.2 million, while noninterest expense increased slightly, rising by $2.8 million, or 1.1 percent to $258.9 million. The nominal increase in expenses year-over-year reflect a variety of cost discipline measures we instituted given the difficult earnings environment.

With the Federal Reserve forcefully trying to bring inflation down, there is much attention on the potential for its efforts to bring about a recession. The yield curve has been inverted for some time now and that has historically been a reliable precursor to a recession, although the data do not yet signal that an economic downturn has arrived. Unemployment remains historically low and GDP growth is positive. Nonetheless, given these conditions and expectations, we continue to monitor asset quality and credit performance closely. While there are a few loans that have shown some weakness, our credit quality metrics remain strong. Noncurrent loans total just $31.5 million, or 0.48 percent of loans. A few loans have slipped into the "special mention" classification category, but by historical norms, classified assets remain low and credit performance has been durable through the disruptions of the past year or so. Additionally, the Bank's allowance for credit loss position remains significant at $146.2 million, or 2.25 percent of loans.

Big changes to the operating environment, like we experienced with the sharp rise in interest rates over the past two years, required that we adapt to market conditions we have not seen for over a decade. That adaptation process is not immediate; it takes time for our financial assets and liabilities to fully adjust, but significant and positive progress has been made. Deposit balances are growing. New customer acquisition remains a focus. The rise in funding costs and the narrowing of margin is slowing. New loan originations are significant and at yields substantially greater than existing portfolio levels. Cost discipline has helped control expenses, while we continue investing for the future. Cash levels are substantial, and we have a solid plan and the liquidity resources to help paydown maturing borrowings. Our risk management and governance structure is in place and functioning well and we continue to invest in important technology enhancements in order to maintain our competitive standing into the future.

Under the existing $15 million share repurchase authorization, which expires in March of this year, we have not purchased any shares of W.T.B. Financial Corporation stock. 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.

While the external environment has certainly presented us challenges, and our performance in 2023 was below our expectations, external conditions have stabilized, internal trends are encouraging, and we have a solid strategic path into 2024 and beyond. We remain focused on serving our clients, ensuring our competitive standing in the marketplace and normalizing our positioning and performance into the future. As always, we are grateful for the support of our shareholders and if we can help you in anyway, please let us know. 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 Corp

Summary Financial Statements,
Selected Financial Highlights and
Selected Credit Performance Highlights
Q4 2023

(unaudited)

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

	December 31, 2023	September 30, 2023	December 31, 2022
ASSETS			
Cash and due from banks	**$ 138,517,638**	$ 116,619,826	$ 119,932,630
Interest-bearing deposits with banks	**1,006,525,355**	988,411,452	273,938,004
Securities available for sale, at fair value	**485,690,996**	480,044,123	537,169,969
Securities held to maturity, at amortized cost	**3,079,857,073**	3,097,288,113	3,221,994,093
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**28,807,700**	30,060,000	10,060,000
Loans receivable	**6,510,127,778**	6,443,189,362	6,042,262,030
Allowance for credit losses on loans	**(146,156,404)**	(144,377,942)	(120,838,526)
Loans, net of allowance for credit losses on loans	**6,363,971,374**	6,298,811,420	5,921,423,504
Premises and equipment, net	**85,708,101**	85,106,046	87,432,873
Accrued interest receivable	**35,879,339**	36,706,294	32,246,663
Other assets	**220,633,811**	225,304,448	218,891,833
Total assets	**$ 11,445,591,387**	$ 11,358,351,722	$ 10,423,089,569
LIABILITIES			
Deposits:			
Noninterest-bearing	**$ 3,316,554,758**	$ 3,423,838,739	$ 4,245,614,949
Interest-bearing	**4,801,746,531**	4,617,752,402	4,971,470,925
Total deposits	**8,118,301,289**	8,041,591,141	9,217,085,874
Securites sold under agreements to repurchase	**336,960,656**	358,777,892	209,031,623
Other borrowings	**1,915,000,000**	1,915,000,000	-
Accrued interest payable	**53,919,417**	37,028,531	370,567
Other liabilities	**123,967,053**	127,315,367	129,472,253
Total liabilities	**10,548,148,415**	10,479,712,931	9,555,960,317
SHAREHOLDERS' EQUITY			
Common stock	**13,222,217**	12,107,873	11,101,840
Surplus	**32,665,000**	32,665,000	32,665,000
Undivided profits	**891,900,665**	885,810,602	871,561,981
	937,787,882	930,583,475	915,328,821
Accumulated other comprehensive loss, net of tax	**(40,344,910)**	(51,944,684)	(48,199,569)
Total shareholders' equity	**897,442,972**	878,638,791	867,129,252
Total liabilities and shareholders' equity	**$ 11,445,591,387**	$ 11,358,351,722	$ 10,423,089,569

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

	Three Months Ended		
	December 31, 2023	September 30, 2023	December 31, 2022
INTEREST REVENUE			
Loans, including fees	**$ 91,043,815**	$ 88,221,419	$ 75,217,255
Deposits with banks	**14,126,705**	8,500,130	5,308,393
Securities	**16,878,629**	17,324,212	16,809,071
Other interest and dividend income	**261,958**	169,575	75,642
Total interest revenue	**122,311,107**	114,215,336	97,410,361
INTEREST EXPENSE			
Deposits	**29,555,925**	25,941,869	6,966,783
Funds purchased and other borrowings	**24,993,109**	20,631,768	110,206
Total interest expense	**54,549,034**	46,573,637	7,076,989
Net interest revenue	**67,762,073**	67,641,699	90,333,372
Provision for credit losses	**2,490,000**	4,350,000	2,500,000
Net interest revenue after provision for credit losses	**65,272,073**	63,291,699	87,833,372
NONINTEREST REVENUE			
Fiduciary income	**6,429,045**	5,994,691	5,300,071
Investment services fees	**892,114**	867,557	975,854
Bank and credit card fees, net	**1,946,854**	2,465,015	851,241
Mortgage banking revenue, net	**257,217**	431,789	369,798
Other fees on loans	**358,061**	279,297	269,788
Service charges on deposits	**1,341,162**	1,351,731	1,588,120
Other income	**3,360,698**	2,183,819	1,572,128
Total noninterest revenue	**14,585,151**	13,573,899	10,927,000
NONINTEREST EXPENSE			
Salaries and benefits	**37,204,236**	38,116,094	39,710,680
Occupancy, furniture and equipment expense	**6,631,324**	6,374,275	6,262,261
Other expense	**22,480,049**	19,582,058	19,617,169
Total noninterest expense	**66,315,609**	64,072,427	65,590,110
Income before provision for income taxes	**13,541,615**	12,793,171	33,170,262
Provision for income taxes	**2,816,580**	2,758,290	7,223,744
NET INCOME	**$ 10,725,035**	$ 10,034,881	$ 25,946,518
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,505,726**	2,505,390	2,504,228
Diluted	**2,506,544**	2,505,646	2,506,905
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 4.28**	$ 4.01	$ 10.36
Diluted	**$ 4.28**	$ 4.00	$ 10.35

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

	Twelve Months Ended	
	December 31, 2023	December 31, 2022
INTEREST REVENUE		
Loans, including fees	**$ 340,196,895**	$ 257,234,036
Deposits with banks	**28,467,940**	13,712,397
Securities	**68,288,923**	64,595,044
Other interest and dividend income	**909,062**	308,459
Total interest revenue	**437,862,820**	335,849,936
INTEREST EXPENSE		
Deposits	**84,838,345**	12,378,239
Funds purchased and other borrowings	**67,931,801**	351,711
Total interest expense	**152,770,146**	12,729,950
Net interest revenue	**285,092,674**	323,119,986
Provision (recapture) for credit losses	**12,340,000**	(20,500,000)
Net interest revenue after provision for credit losses	**272,752,674**	343,619,986
NONINTEREST REVENUE		
Fiduciary income	**24,252,751**	21,590,123
Investment services fees	**3,681,485**	3,985,839
Bank and credit card fees	**11,666,487**	14,119,585
Mortgage banking revenue, net	**1,184,997**	2,140,229
Other fees on loans	**1,191,349**	1,173,917
Service charges on deposits	**5,444,981**	6,895,594
Other income	**9,819,954**	8,277,408
Total noninterest revenue	**57,242,004**	58,182,695
NONINTEREST EXPENSE		
Salaries and benefits	**154,457,217**	154,433,385
Occupancy, furniture and equipment expense	**26,119,164**	24,950,100
Other expense	**78,278,453**	76,642,309
Total noninterest expense	**258,854,834**	256,025,794
Income before provision for income taxes	**71,139,844**	145,776,887
Provision for income taxes	**15,289,200**	31,723,646
NET INCOME	**$ 55,850,644**	$ 114,053,241
PER SHARE DATA		
Weighted average number of common stock shares outstanding		
Basic	**2,504,753**	2,516,636
Diluted	**2,505,711**	2,518,920
Earnings per common share (based on weighted average shares outstanding)		
Basic	**$ 22.30**	$ 45.32
Diluted	**$ 22.29**	$ 45.28

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

(dollars in thousands)

	Quarters Ended				
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
SELECTED DATA					
Interest-bearing deposits with banks	$ 1,006,525	$ 988,411	$ 372,671	$ 341,116	$ 273,938
Securities	3,565,548	3,577,332	3,669,532	3,730,349	3,759,164
Total loans	6,510,128	6,443,189	6,285,985	6,099,479	6,042,262
Allowance for credit losses (ACL) on loans[1]	146,156	144,378	141,009	138,976	120,839
Earning assets [2]	11,146,670	11,088,508	10,389,254	10,231,511	10,133,251
Total assets	11,445,591	11,358,352	10,646,978	10,515,350	10,423,090
Deposits	8,118,301	8,041,591	7,881,909	8,328,130	9,217,086
Interest-bearing liabilities	7,053,707	6,891,530	6,118,466	5,618,074	5,180,503
Total shareholders' equity	897,443	878,639	876,401	871,987	867,129
Total equity to total assets	7.84%	7.74%	8.23%	8.29%	8.32%
Full-time equivalent employees	1,186	1,196	1,189	1,166	1,146
ASSET QUALITY RATIOS					
ACL on loans to total loans	2.25%	2.24%	2.24%	2.28%	2.00%
ACL on loans to noncurrent loans	464%	2987%	2548%	3417%	3743%
Net charge-offs to total average loans	0.01%	0.00%	0.00%	0.01%	0.00%
Noncurrent loans and ORE to assets	0.27%	0.04%	0.05%	0.04%	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	
	December 31, 2023	September 30, 2023	December 31, 2022	Sequential Quarter	Year over Year
PERFORMANCE					
Net interest revenue, fully tax-equivalent	$ 67,848	$ 67,712	$ 90,384	0.2%	-24.9%
Fully tax-equivalent adjustment	86	70	51	22.9%	68.6%
Net interest revenue	67,762	67,642	90,333	0.2%	-25.0%
Provision for credit losses	2,490	4,350	2,500	-42.8%	-0.4%
Net interest revenue after provision for credit losses	65,272	63,292	87,833	3.1%	-25.7%
Noninterest revenue	14,585	13,574	10,927	7.4%	33.5%
Noninterest expense	66,315	64,073	65,590	3.5%	1.1%
Income before provision for income taxes	13,542	12,793	33,170	5.9%	-59.2%
Provision for income taxes	2,817	2,758	7,223	2.1%	-61.0%
Net income	$ 10,725	$ 10,035	$ 25,947	6.9%	-58.7%
PER COMMON SHARE					
Earnings per common share - basic	$ 4.28	$ 4.01	$ 10.36	6.7%	-58.7%
Earnings per common share - diluted	4.28	4.00	10.35	7.0%	-58.6%
Common cash dividends	1.85	1.85	4.85	0.0%	-61.9%
Common shareholders' equity	355.53	348.40	344.59	2.0%	3.2%

	Quarters Ended			% Change	
	December 31, 2023	September 30, 2023	December 31, 2022	Sequential Quarter	Year over Year
PERFORMANCE RATIOS					
Return on average assets	0.37%	0.36%	0.97%	0.01%	-0.60%
Return on average shareholders' equity	4.78%	4.50%	11.90%	0.28%	-7.12%
Margin on average earning assets [1]	2.42%	2.51%	3.47%	-0.09%	-1.05%
Noninterest expense to average assets	2.31%	2.32%	2.46%	-0.01%	-0.15%
Noninterest revenue to average assets	0.51%	0.49%	0.41%	0.02%	0.10%
Efficiency ratio	80.4%	78.8%	64.7%	1.6%	15.7%
Common cash dividends to net income	43.22%	46.19%	46.72%	-2.97%	-0.53%

(1) 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, 2023	December 31, 2022	Year over Year
PERFORMANCE			
Net interest revenue, fully tax-equivalent	$ 285,403	$ 323,305	-11.7%
Fully tax-equivalent adjustment	310	185	67.6%
Net interest revenue	285,093	323,120	-11.8%
Provision (recapture) for credit losses	12,340	(20,500)	-160.2%
Net interest revenue after provision for credit losses	272,753	343,620	-20.6%
Noninterest revenue	57,242	58,183	-1.6%
Noninterest expense	258,855	256,026	1.1%
Income before provision for income taxes	71,140	145,777	-51.2%
Provision for income taxes	15,289	31,724	-51.8%
Net income	$ 55,851	$ 114,053	-51.0%
PER COMMON SHARE			
Earnings per common share - basic	$ 22.30	$ 45.32	-50.8%
Earnings per common share - diluted	22.29	45.28	-50.8%
Common cash dividends	7.40	10.40	-28.8%
Common shareholders' equity	355.53	344.59	3.2%
PERFORMANCE RATIOS			
Return on average assets	0.52%	1.06%	-0.54%
Return on average shareholders' equity	6.35%	13.45%	-7.10%
Margin on average earning assets [1]	2.71%	3.08%	-0.37%
Noninterest expense to average assets	2.40%	2.38%	0.02%
Noninterest revenue to average assets	0.53%	0.54%	-0.01%
Efficiency ratio	75.5%	67.1%	8.4%
Common cash dividends to net income	33.20%	22.89%	10.31%

(1) 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)

	Quarters Ended		
Loans by Credit Risk Rating:	**December 31, 2023**	**September 30, 2023**	**December 31, 2022**
Pass	$ 6,243,727	$ 6,238,105	$ 5,837,975
Special Mention	169,621	106,843	117,568
Substandard	96,763	98,214	86,711
Doubtful/Loss	17	27	8
Total	$ 6,510,128	$ 6,443,189	$ 6,042,262

	Quarters Ended		
Loans by Payment Status:	**December 31, 2023**	**September 30, 2023**	**December 31, 2022**
Current Loans	$ 6,469,742	$ 6,429,832	$ 6,033,423
Loans Past Due 30-89 Days, Still Accruing	8,914	8,524	5,610
Noncurrent Loans	31,472	4,833	3,229
Total	$ 6,510,128	$ 6,443,189	$ 6,042,262

	Quarters Ended		
Allowance Position (1):	**December 31, 2023**	**September 30, 2023**	**December 31, 2022**
Allowance for Loans (1)	$ 146,156	$ 144,378	$ 120,839
Allowance to Total Loans	2.25%	2.24%	2.00%

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