W.T.B. Financial Corp

Audited Financial Statements
2023

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 statement of financial condition as of December 31, 2023 and 2022, 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, 2023, 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, 2023 and 2022, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2023, 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, 2023, 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 18, 2024, 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2023, W.T.B. Financial Corporation and Subsidiary adopted new accounting guidance Accounting Standards Codification Topic 326, *Financial Instruments – Credit Losses*. Our opinion is not modified with respect to this matter.

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 consolidated 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 consolidated 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 consolidated 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 4 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 18, 2024

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,				
	2023	2022	2021	2020	2019
PERFORMANCE					
Net interest revenue, fully tax-equivalent	**$ 285,403**	$ 323,305	$ 299,320	$ 272,625	$ 255,519
Fully tax-equivalent adjustment	**310**	185	263	368	461
Net interest revenue	**285,093**	323,120	299,057	272,257	255,058
Provision for (recapture of) credit losses	**12,340**	(20,500)	9,000	33,000	3,200
Net interest revenue, net	**272,753**	343,620	290,057	239,257	251,858
Noninterest revenue	**57,242**	58,183	67,848	67,372	48,297
Noninterest expense	**258,855**	256,026	229,910	208,740	193,416
Income before provision for income taxes	**71,140**	145,777	127,995	97,889	106,739
Provision for income taxes	**15,289**	31,724	27,965	21,577	23,455
Net income available to common shareholders	**$ 55,851**	$ 114,053	$ 100,030	$ 76,312	$ 83,284
SELECTED YEAR-END DATA					
Interest-bearing deposits with banks	**$ 1,006,525**	$ 273,938	$ 1,987,135	$ 1,463,300	$ 523,953
Debt securities	**3,565,548**	3,759,164	3,325,754	2,578,360	1,895,823
Total loans	**6,510,128**	6,042,262	5,536,076	5,591,532	4,542,597
Allowance for credit losses on loans	**146,156**	120,839	140,603	132,811	96,415
Earning assets	**11,146,670**	10,133,251	10,854,717	9,561,272	6,958,855
Total assets	**11,445,591**	10,423,090	11,089,567	9,813,963	7,164,664
Deposits	**8,118,301**	9,217,086	9,890,270	8,698,791	6,226,866
Interest-bearing liabilities	**7,053,707**	5,180,503	5,556,691	4,763,925	3,572,797
Total shareholders' equity	**897,443**	867,129	832,945	806,518	695,904
Full-time equivalent employees	**1,185**	1,125	1,095	1,070	1,021
PER COMMON SHARE					
Net income available to common shareholders (basic)	**$ 22.30**	$ 45.32	$ 39.46	$ 30.09	$ 32.62
Net income available to common shareholders (diluted)	**22.29**	45.28	39.40	30.06	32.56
Common cash dividends	**7.40**	10.40	9.40	7.40	7.00
Total shareholders' equity	**355.53**	344.59	328.11	316.30	272.23
PERFORMANCE RATIOS					
Return on average assets	**0.52%**	1.06%	0.96%	0.89%	1.26%
Return on average shareholders' equity	**6.35%**	13.45%	12.34%	9.90%	12.70%
Margin on average earning assets	**2.71%**	3.08%	2.95%	3.28%	3.97%
Noninterest expense to average assets	**2.40%**	2.38%	2.21%	2.43%	2.93%
Efficiency ratio	**75.5%**	67.1%	62.6%	61.4%	63.7%
Net loans to deposits	**78.4%**	64.2%	54.6%	62.8%	71.4%
Total cash dividends to net income	**33.2%**	22.9%	23.8%	24.6%	21.5%
CAPITAL RATIOS					
Total equity to total assets	**7.84%**	8.32%	7.51%	8.22%	9.71%
Tier 1 leverage	**8.32%**	8.62%	7.64%	8.06%	10.34%
Common equity tier 1 capital	**12.32%**	12.49%	12.53%	13.29%	13.02%
Tier 1 risk-based capital	**12.32%**	12.49%	12.53%	13.29%	13.02%
Total risk-based capital	**13.58%**	13.75%	13.79%	14.55%	14.28%
ASSET QUALITY RATIOS					
Allowance for credit losses on loans to total loans	**2.25%**	2.00%	2.54%	2.38%	2.12%
Allowance for credit losses on loans to noncurrent loans	**464%**	3,743%	273%	1,162%	671%
Net charge-offs (recoveries) to total average loans	**0.02%**	(0.01%)	0.02%	(0.06%)	(0.06%)
Noncurrent loans and ORE to assets	**0.27%**	0.03%	0.46%	0.12%	0.20%

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

	December 31, 2023	December 31, 2022
ASSETS		
Cash and due from banks	**$ 138,517,638**	$ 119,932,630
Interest-bearing deposits with banks	**1,006,525,355**	273,938,004
Securities available for sale, at fair value (amortized cost $521,352,340 and $584,997,002, respectively)	**485,690,996**	537,169,969
Securities held to maturity, at amortized cost	**3,079,857,073**	3,221,994,093
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**28,807,700**	10,060,000
Loans receivable:		
Held for sale	**4,726,632**	-
Held in portfolio	**6,505,401,146**	6,042,262,030
Total loans	**6,510,127,778**	6,042,262,030
Allowance for credit losses on loans	**(146,156,404)**	(120,838,526)
Loans, net of allowance for credit losses on loans	**6,363,971,374**	5,921,423,504
Premises and equipment, net	**85,708,101**	87,432,873
Operating lease right of use assets	**12,821,791**	12,552,387
Deferred income taxes, net	**47,069,563**	41,250,613
Cash surrender value of life insurance, net	**82,034,030**	85,416,642
Accrued interest receivable	**35,879,339**	32,246,663
Prepaid expenses and other assets	**78,708,427**	79,672,191
Total assets	**$ 11,445,591,387**	$ 10,423,089,569
LIABILITIES		
Deposits:		
Noninterest-bearing	**$ 3,316,554,758**	$ 4,245,614,949
Interest-bearing	**4,801,746,531**	4,971,470,925
Total deposits	**8,118,301,289**	9,217,085,874
Securities sold under agreements to repurchase	**336,960,656**	209,031,623
Federal Home Loan Bank borrowings	**500,000,000**	-
Other borrowings	**1,415,000,000**	-
Operating lease liabilities	**13,602,154**	13,461,452
Allowance for credit losses on off-balance sheet credit exposures	**14,083,480**	7,000,000
Accrued interest payable	**53,919,417**	370,567
Other liabilities	**96,281,419**	109,010,801
Total liabilities	**10,548,148,415**	9,555,960,317
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; 2,499,273 shares issued and outstanding at December 31, 2023; 2,491,430 issued and outstanding at December 31, 2022	**12,972,217**	10,851,840
Surplus	**32,665,000**	32,665,000
Undivided profits	**891,900,665**	871,561,981
	937,787,882	915,328,821
Accumulated other comprehensive loss, net of tax	**(40,344,910)**	(48,199,569)
Total shareholders' equity	**897,442,972**	867,129,252
Total liabilities and shareholders' equity	**$ 11,445,591,387**	$ 10,423,089,569

See notes to consolidated financial statements.

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

	Years Ended December 31,		
	2023	2022	2021
INTEREST REVENUE			
Loans, including fees	**$ 340,196,895**	$ 257,234,036	$ 243,317,106
Deposits with banks	**28,467,940**	13,712,397	2,037,865
Securities:			
Taxable	**68,086,352**	64,430,595	62,773,249
Tax-exempt	**202,571**	164,449	176,582
Other interest and dividend income	**909,062**	308,459	332,345
Total interest revenue	**437,862,820**	335,849,936	308,637,147
INTEREST EXPENSE			
Demand and savings deposits	**71,281,402**	11,789,555	7,578,477
Time deposits	**13,556,943**	588,684	901,510
Securities sold under agreements to repurchase	**5,271,710**	351,630	712,875
Federal Home Loan Bank borrowings	**15,890,753**	16	3
Other borrowings	**46,769,338**	65	387,653
Total interest expense	**152,770,146**	12,729,950	9,580,518
Net interest revenue	**285,092,674**	323,119,986	299,056,629
Provision for (recapture of) credit losses on loans	**10,485,000**	(20,500,000)	9,000,004
Provision for credit losses on off-balance sheet credit exposures	**1,855,000**	-	-
Total provision for (recapture of) credit losses	**12,340,000**	(20,500,000)	9,000,004
Net interest revenue after provision for (recapture of) credit losses	**272,752,674**	343,619,986	290,056,625
NONINTEREST REVENUE			
Fiduciary income	**24,252,751**	21,590,123	21,805,428
Investment services fees	**3,681,485**	3,985,839	4,071,692
Bank card and credit card fees, net	**11,666,487**	14,119,585	17,064,063
Mortgage banking revenue, net	**1,184,997**	2,140,229	8,566,457
Other fees on loans	**1,191,349**	1,173,917	1,478,571
Service charges on deposits	**5,444,981**	6,895,594	6,087,808
Other service charges, commissions and fees	**1,173,818**	952,160	822,176
Rental income	**4,128,401**	4,401,360	5,688,450
Other income	**4,517,735**	2,923,888	2,264,225
Total noninterest revenue	**57,242,004**	58,182,695	67,848,870
NONINTEREST EXPENSE			
Salaries	**126,952,043**	129,596,628	118,230,490
Pension and employee benefits	**27,505,174**	24,836,757	23,685,392
Occupancy expense	**17,573,146**	16,475,609	16,036,941
Furniture and equipment expense	**8,546,018**	8,474,491	7,841,781
Software expense	**13,330,566**	12,175,119	9,713,734
Data processing expense	**12,440,476**	11,969,849	12,663,632
Marketing and public relations	**6,625,626**	7,639,022	6,079,193
Professional fees	**8,318,137**	7,779,227	6,712,360
State revenue taxes	**3,945,885**	3,222,511	3,467,056
FDIC assessments	**6,891,553**	4,334,449	5,775,751
Other expense	**26,726,210**	29,522,132	19,703,740
Total noninterest expense	**258,854,834**	256,025,794	229,910,070
Income before provision for income taxes	**71,139,844**	145,776,887	127,995,425
Provision for income taxes	**15,289,200**	31,723,646	27,965,314
NET INCOME	**$ 55,850,644**	$ 114,053,241	$ 100,030,111

See notes to consolidated financial statements.

Continued

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

	Years Ended December 31,		
	2023	2022	2021
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,504,753**	2,516,636	2,535,053
Diluted	**2,505,711**	2,518,920	2,538,529
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 22.30**	$ 45.32	$ 39.46
Diluted	**$ 22.29**	$ 45.28	$ 39.40

See notes to consolidated financial statements.

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

	Years Ended December 31,		
	2023	2022	2021
NET INCOME	**$ 55,850,644**	$ 114,053,241	$ 100,030,111
Securities available for sale:			
Unrealized gains (losses) arising during the year	**12,165,690**	(52,135,213)	(53,886,287)
Income tax (expense) benefit related to unrealized gains (losses)	**(2,554,795)**	10,948,395	11,316,120
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 gains (losses)	**9,610,895**	(41,186,818)	(60,240,214)
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	**(3,794,544)**	(4,903,041)	(6,191,614)
Income tax expense related to amortization of net unrealized gains	**796,854**	1,029,639	1,300,239
Net change in unrealized gains	**(2,997,690)**	(3,873,402)	12,778,672
Defined benefit pension plan:			
Unrealized (losses) gains arising during the year	**(1,072,478)**	(2,604,477)	1,010,815
Income tax benefit (expense) related to unrealized (losses) gains	**225,220**	546,940	(212,271)
Reclassification adjustment for amounts included in net income	**2,643,939**	1,920,692	2,329,786
Income tax benefit related to reclassification adjustment for amounts included in net income	**(555,227)**	(403,345)	(489,255)
Net change in unrealized losses	**1,241,454**	(540,190)	2,639,075
OTHER COMPREHENSIVE GAIN (LOSS), NET OF TAX	**7,854,659**	(45,600,410)	(44,822,467)
COMPREHENSIVE INCOME	**$ 63,705,303**	$ 68,452,831	$ 55,207,644

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		Surplus	Accumulated Other Comprehensive (Loss) Gain, Net of Tax	Undivided Profits
			Class A	Class B			
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
Cumulative effect of adoption of ASU 2016-13, net	-	(16,972,074)	-	-	-	-	(16,972,074)
Net income, 2023	-	55,850,644	-	-	-	-	55,850,644
Other comprehensive gain, net of tax	-	7,854,659	-	-	-	7,854,659	-
Cash dividends of $7.40 per share	-	(18,539,886)	-	-	-	-	(18,539,886)
Share repurchases, net of retirements	(2,852)	(1,032,472)	-	(1,032,472)	-	-	-
Stock-based compensation	8,319	2,520,833	-	2,520,833	-	-	-
Stock-based directors' fees	2,376	632,016	-	632,016	-	-	-
Balance, December 31, 2023	2,524,273	$ 897,442,972	$ 250,000	$ 12,972,217	$ 32,665,000	$ (40,344,910)	$ 891,900,665

See notes to consolidated financial statements.

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

	Years Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income	**$ 55,850,644**	$ 114,053,241	$ 100,030,111
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for (recapture of) credit losses on loans	**10,485,000**	(20,500,000)	9,000,004
Provision for credit losses on off-balance sheet credit exposures	**1,855,000**	-	-
Deferred income taxes (benefit) expense	**(3,318,264)**	1,411,310	(3,041,039)
Depreciation	**8,205,318**	8,640,001	8,393,485
Amortization of software	**83,190**	105,554	124,873
Net premium amortization of securities	**2,325,426**	6,834,157	14,339,810
Change in mortgage servicing rights	**5,958**	81,902	30,339
Losses (gains) on sales of premises and equipment	**17,377**	484,839	(26,523)
Origination of loans held for sale	**(71,730,409)**	(71,754,205)	(221,306,787)
Proceeds from sales of loans held for sale	**67,557,655**	77,500,667	253,561,651
Gains on sales of loans	**(553,878)**	(1,463,023)	(7,966,350)
Increase in accrued interest receivable	**(3,632,676)**	(8,568,347)	5,336,375
Increase in cash surrender value of life insurance, net	**(2,372,087)**	(2,270,250)	(955,417)
Gain on settlement of life insurance	**(1,298,639)**	-	-
Stock-based compensation	**2,520,833**	2,506,999	2,354,294
Stock-based directors' fees	**632,016**	585,880	582,699
Decrease (increase) in other assets	**6,526,559**	14,552,484	(4,139,844)
Increase in accrued expenses and other liabilities	**43,026,767**	4,327,344	5,467,059
Net cash provided by operating activities	**116,185,790**	126,528,553	161,784,740
Cash flows from investing activities:			
Net (increase) decrease in interest-bearing deposits with banks	**(732,587,351)**	1,713,197,447	(523,835,358)
Securities available for sale:			
Payments for purchases	**-**	(101,158,109)	(214,306,746)
Proceeds from maturities, calls, and paydowns	**63,383,954**	49,985,977	135,710,061
Securities held to maturity:			
Payments for purchases	**-**	(630,946,146)	(981,434,800)
Proceeds from maturities, calls, and paydowns	**136,277,759**	184,836,195	238,219,140
Net change in Federal Home Loan Bank stock	**(18,747,700)**	-	(1,417,600)
Net (increase) decrease in loans held in portfolio	**(464,561,396)**	(529,798,061)	50,023,380
Purchases of premises and equipment	**(6,564,923)**	(8,563,361)	(4,567,720)
Proceeds from sales of premises and equipment	**67,000**	120,270	164,947
Purchases of software	**-**	-	(245,811)
Purchase of investments	**(6,493,553)**	(7,169,683)	(7,226,662)
Proceeds from equity investments	**-**	-	5,669
Purchase of life insurance	**-**	-	(75,000,000)
Proceeds from the settlement of life insurance	**7,053,338**	1,641,729	-
Net cash (used in) provided by investing activities	**(1,022,172,872)**	672,146,258	(1,383,911,500)

See notes to consolidated financial statements.

Continued

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

	Years Ended December 31,		
	2023	2022	2021
Cash flows from financing activities:			
Net (decrease) increase in deposits	**$ (1,098,784,585)**	$ (673,184,612)	$ 1,191,479,828
Net increase in Federal Home Loan Bank advances	**500,000,000**	-	-
Net increase in other borrowings	**1,415,000,000**	-	-
Net increase (decrease) in securities sold under repurchase agreements	**127,929,033**	(30,478,940)	23,082,262
Repurchase of common stock	**(1,032,472)**	(11,253,088)	(7,915,606)
Common stock dividends paid	**(18,539,886)**	(26,108,702)	(23,801,446)
Net cash provided by (used in) financing activities	**924,572,090**	(741,025,342)	1,182,845,038
Increase (decrease) in cash and cash equivalents	**18,585,008**	57,649,469	(39,281,722)
Cash and cash equivalents at beginning of year	**119,932,630**	62,283,161	101,564,883
Cash and cash equivalents at end of year	**$ 138,517,638**	$ 119,932,630	$ 62,283,161
Supplemental disclosures of cash flow information:			
Cash paid for interest	**$ 99,221,296**	$ 13,021,591	$ 9,593,420
Cash paid for income taxes	**14,675,000**	27,352,803	35,205,484
Transfer of securities from available for sale to held to maturity	**-**	-	1,181,588,879
Cumulative effect of adoption of ASU 2016-13	**16,972,074**	-	-
Operating lease right of use assets obtained in exchange for operating lease liabilities	**3,472,011**	-	-

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 credit losses on loans, available for sale debt securities, and held to maturity debt securities, 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 consolidated statement of financial condition but before the consolidated financial statements are available to be issued. W.T.B. recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial condition, including the estimates inherent in the process of preparing the consolidated 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 consolidated statement of financial condition but arose after the date of the consolidated statement of financial condition and before the consolidated financial statements are available to be issued.

W.T.B. has evaluated subsequent events through March 18, 2024, 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. Debt 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. 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.

Equity securities are carried at fair value, with changes reported in net income, and are included in other assets in the consolidated statements of financial condition. 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.

Allowance for Credit Losses on Held to Maturity Debt Securities

W.T.B. measures expected credit losses on held to maturity debt securities on a collective basis by major security type. W.T.B.'s held to maturity debt securities portfolio consists of U.S. Treasury and federal agency securities, mortgage backed securities, and bonds of state and political subdivisions. U.S. Treasury and federal agency securities and mortgage backed securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Bonds of state and political subdivisions are also highly rated by major rating agencies. W.T.B. uses industry historical credit loss information, adjusted for current conditions and reasonable and supportable forecasts, to assess an allowance for credit losses on bonds of state and political subdivisions.

Allowance for Credit Losses on Available for Sale Debt Securities

For available for sale debt securities in an unrealized loss position, W.T.B. first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the security would be written down to fair value through earnings. For available for sale debt securities in an unrealized loss position that do not meet these criteria, W.T.B. assesses whether the decline in fair value is the result of credit losses or other factors. Various factors may indicate credit loss exists, including the extent to which fair value is less than amortized cost, performance of any underlying collateral, downgrades in the security's rating by a rating agency, the failure of the issuer to make scheduled interest or principal payments, or adverse conditions specifically related to the security, among other factors. If an assessment of these factors indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded, limited by the amount the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as credit loss expense. Losses are charged against the allowance when the uncollectability of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

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, 2023 and 2022, the Bank's investment in FHLB stock was $28,747,700 and $10,000,000, respectively.

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, 2023 and 2022, 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, 2023 or 2022.

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 that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost, net of the allowance for credit losses on loans. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and loan origination fees and costs. 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. Accrued interest receivable is excluded from the estimate of credit losses on loans. Loan origination fees and costs are capitalized and recognized as an adjustment to the yield of the related loan over its estimated life.

Income Recognition on Nonaccrual 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 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.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loans may occasionally be restructured due to economic or legal reasons relating to the borrower's financial condition in order to protect the Bank's investment. On January 1, 2023, W.T.B. adopted ASU 2022-02, which eliminated the accounting guidance for troubled debt restructurings ("TDR's"), while enhancing disclosure requirements of borrowers experiencing financial difficulty for modifications related to principal reductions, interest rate reductions, term extensions, more than insignificant payment delays, or combinations thereof. A borrower is considered to be experiencing financial difficulty when there is significant doubt about the borrower's ability to make the required principal and interest payments or to get an equivalent financing from another creditor at a market rate for a similar loan.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed. Recoveries are added back to the allowance to the extent that such recovered amounts were previously charged-off. The allowance for credit losses on loans represents management's estimate of lifetime credit losses inherent in loans as of the consolidated statement of financial condition date and is estimated using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

W.T.B. measures expected credit losses for loans on a collective (pooled) basis when similar risk characteristics exist. For loans evaluated collectively, the allowance for credit losses is calculated using life of loan historical losses, adjusted for economic forecasts and current conditions. Historical credit loss information provides the basis for the estimate of expected credit losses, with qualitative factor adjustments to historical loss information for current specific risk characteristics that may differ from historical experience. These qualitative adjustments include adjustments for lending policies and procedures, economic and business conditions, nature and volume of the loan portfolio, lending management and staff, volume and severity of problem loans, loan delinquencies and nonaccrual loans, trends in the underlying value of collateral for collateral-dependent loans, concentrations of credit, and other factors, such as legal and regulatory requirements. Additionally, management estimates adjustments to expected credit losses for reasonable and supportable forecasts of economic conditions for a one-year period, utilizing a qualitative adjustment overlay. The overlay adjustment for reasonable and supportable forecasts assumes an immediate revision after the one-year forecast period to historical loss rates for the remaining life of the loan portfolio.

The loan portfolio is segmented based upon loan type and credit risk rating. Loan types generally share similar risk characteristics, including, but not limited to, collateral type, borrower base, industry, and methods for monitoring and assessing credit risk. W.T.B.'s loan segments consist of the following disaggregation of loan types. Commercial and industrial loans are segmented into seven pools, including commercial taxable loans, commercial tax-exempt loans, commercial lines of credit, other commercial loans, commercial credit card loans, small business administration loans, and overdrafts. Agricultural loans are segmented into two pools, including agricultural loans secured by real estate and agricultural loans secured by crops and equipment. Commercial real estate loans are segmented into three pools, including commercial real estate owner-occupied loans, commercial real estate non-owner-occupied loans, and commercial real estate non-owner-occupied multi-family loans. Construction and development loans are segmented into four pools, including commercial construction loans, commercial land development loans, residential construction loans, and residential land development loans. Residential real estate loans are segmented into six pools, including first mortgage consumer loans, first mortgage non-conforming consumer loans, first mortgage commercial purpose loans, residential junior mortgage loans, revolving residential first loans and revolving residential junior loans. Consumer loans are segmented into three pools, including consumer lines of credit, consumer loans, and consumer credit card loans. All loan segments except for commercial and consumer credit card loans and overdrafts utilize a lifetime Probability of Default (PD) and Loss Given Default (LGD) calculation methodology to estimate expected credit losses, utilizing historical loss information. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments, when appropriate. The contractual term excludes expected extensions, renewals, and modifications, unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by W.T.B. Commercial and consumer credit card loans and overdrafts utilize a net charge-off calculation methodology, utilizing historical loss information.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. Factors involved in determining whether a loan is evaluated individually include, but are not limited to, the financial condition of the borrower and the payment status of the loan. Expected credit losses for loans evaluated individually are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or, when it is determined foreclosure is probable, the expected credit loss is measured based on the fair value of the collateral, less costs to sell, as applicable, as of the reporting date. As a practical expedient, expected credit losses are based on the fair value of the collateral at the reporting date when management determines foreclosure is probable or when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

Financial instruments include off-balance sheet credit instruments, such as loan commitments to extend credit. W.T.B. estimates expected credit losses over the contractual period in which W.T.B. is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by W.T.B. For the year ended December 31, 2023, the allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense and is estimated under the current expected credit losses ("CECL") model using the same loan segments and methodology as portfolio loans, taking into consideration the likelihood that funding will occur. For the years ended December 31, 2022 and 2021, the allowance for credit losses on off-balance sheet credit exposures was adjusted through other expense on the consolidated statements of income and was estimated under an incurred loss methodology. For the years ended December 31, 2023, 2022, and 2021, W.T.B. recognized $1,855,000, $6,000,000, and $0, respectively, for the provision for off-balance sheet credit exposures.

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, 2023, the estimated fair value of interest rate lock commitments was $71,812 and the estimated fair value of forward sales agreements was $(36,843). 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.

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, ranging from 3 to 39 years, 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, 2023, 2022, and 2021, there was no activity related to ORE included in the consolidated statements of income. At December 31, 2023 and 2022, there was no ORE included in the consolidated statements of financial condition. At December 31, 2023 and 2022, the Bank had $45,062 and $0 of 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 $3,139,892, $3,581,905, and $2,746,500 for 2023, 2022, and 2021, 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 gain (loss). Other comprehensive gain (loss) 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.

Reclassifications

Certain amounts appearing in the consolidated financial statements and notes thereto for the years ended December 31, 2022 and 2021, have been reclassified to conform to the December 31, 2023, presentation. These reclassifications had no effect on surplus or net income as previously reported and the effect of these reclassifications is not considered material.

Adoption of New Accounting Standards

Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses *(Topic 326): Measurement of Credit losses on Financial Instruments (ASC 326)*. On January 1, 2023, W.T.B. adopted ASU 2016-13, as amended, which replaced the incurred loss model with a methodology that reflects current expected credit losses over the life of financial instruments carried at amortized cost, including loans and held to maturity debt securities, and to certain off-balance sheet credit exposures. 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. Prior U.S. GAAP delayed recognition of credit losses until it was probable a loss had occurred, generally only considering past events and current conditions in measuring the incurred loss. This new standard eliminated the probable initial recognition threshold and instead, requires 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, requiring credit losses to be presented as an allowance, rather than as a write-down of the debt security, if management does not intend to sell the security and does not believe it is more likely than not they will be required to sell the security.

W.T.B. adopted ASC 326, and all related subsequent amendments thereto on January 1, 2023, using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment of the adoption of CECL included an increase in the allowance for credit losses on loans of $16,255,158 and an increase in the allowance for credit losses on off-balance sheet credit exposures of $5,228,480. W.T.B. recorded a net decrease to retained earnings of $16,972,074 as of January 1, 2023, for the cumulative effect of adopting CECL, which reflects the transition adjustments previously noted, net of the applicable deferred tax assets recorded. The adoption of CECL had an insignificant impact on W.T.B.'s held to maturity and available for sale debt securities. Results for the reporting period beginning after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reporting in accordance with previously applicable U.S. GAAP.

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 did not 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*. W.T.B. adopted ASU 2022-02 on January 1, 2023, using the prospective method, therefore the guidance is applied to modifications occurring after the date of adoption. The amendments on TDR and vintage disclosures must be adopted prospectively. The adoption did not have a material impact on W.T.B.'s consolidated financial statements.

Standards Not Yet Adopted

ASU 2023-02, Investments – Equity Method and Joint Ventures (Topic 323): *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. The amendments in this standard allow entities to consistently account for equity method investments made primarily for the purpose of receiving income tax credits and other income tax benefits. Entities will be permitted to elect to account for tax equity investments, regardless of the tax credit program for which the income tax credits are received, using the proportional amortization method if certain conditions are met. Currently, accounting standards limit the use of the proportional amortization method to account for qualifying investments in low-income housing tax credit structures. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, and early adoption is permitted. The proportional amortization method results in the cost of the investment being amortized in proportion to the income tax credits and other income tax benefits received, with the amortization of the investment and the tax credits being presented net in the income statement as a component of income tax expense (benefit). The adoption of the provisions of this ASU is not expected to have a significant impact on W.T.B.'s consolidated financial statements.

ASU 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures.* The amendments in this standard require disaggregated information about an entity's effective tax rate reconciliation, as well as information on income taxes paid. The amendments in this ASU are effective for fiscal years beginning after December 15, 2024, and early adoption is permitted. The adoption of the provisions of this ASU 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, 2023 and 2022, 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, 2023 and 2022, were as follows:

	2023			
Securities Available for Sale:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$ 200,131,020	$ -	$ 6,042,542	$ 194,088,478
U.S. government agency securities	35,086,558	-	873,344	34,213,214
States and municipal securities	2,553,335	28,515	-	2,581,850
Commercial mortgage-backed securities	96,841,591	-	4,460,496	92,381,095
Residential mortgage-backed securities	186,739,836	-	24,313,477	162,426,359
	$ 521,352,340	$ 28,515	$ 35,689,859	$ 485,690,996

	2022			
Securities Available for Sale:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$ 199,290,427	$ -	$ 11,691,925	$ 187,598,502
U.S. government agency securities	50,701,779	-	1,977,199	48,724,580
States and municipal securities	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

	2023			
Securities Held to Maturity:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$ 614,463,883	$ 262,436	$ 22,595,928	$ 592,130,391
U.S. government agency securities	1,148,983,291	1,031,954	127,256,329	1,022,758,916
States and municipal securities	1,312,992	-	12,318	1,300,674
Commercial mortgage-backed securities	526,120,032	237,750	70,693,401	455,664,381
Residential mortgage-backed securities	788,976,875	146,101	132,229,286	656,893,690
	$ 3,079,857,073	$ 1,678,241	$ 352,787,262	$ 2,728,748,052

	2022			
Securities Held to Maturity:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$ 611,387,143	$ 372,319	$ 34,608,206	$ 577,151,256
U.S. government agency securities	1,201,309,363	490,482	153,933,289	1,047,866,556
States and municipal securities	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

There were no transfers of debt securities from available for sale to held to maturity for the years ended December 31, 2023 and 2022. For securities transferred from available for sale to held to maturity in prior years, the 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 remaining 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.

Securities pledged as of December 31, 2023, had a carrying value of $1,980,902,758 and were pledged to secure repurchase agreements, state and local government public deposits, Federal Reserve Bank borrowings, and other general obligations.

In 2023, 2022 and 2021, there were no sales of available for sale securities.

At December 31, 2022, unrealized losses on held to maturity securities in the preceding tables were $11,272,492 more 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.

After the adoption of ASC 326 on January 1, 2023, W.T.B. is required to disclose the following information regarding unrealized losses for available for sale debt securities. The following table shows the gross unrealized losses and fair values of available for sale debt securities for which an allowance for credit losses has not been recorded, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2023:

	2023					
	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 securities	$ -	$ -	$ 194,088,478	$ 6,042,542	$ 194,088,478	$ 6,042,542
U.S. government agency securities	-	-	34,213,214	873,344	34,213,214	873,344
States and municipal securities	-	-	-	-	-	-
Commercial mortgage-backed securities	-	-	92,381,095	4,460,496	92,381,095	4,460,496
Residential mortgage-backed securities	-	-	162,426,359	24,313,477	162,426,359	24,313,477
	$ -	$ -	$ 483,109,146	$ 35,689,859	$ 483,109,146	$ 35,689,859

Prior to the adoption of ASC 326 on January 1, 2023, W.T.B. was required to disclose the following information regarding unrealized losses for all debt securities. 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:

	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 securities	$ 94,077,052	$ 5,267,157	$ 93,521,450	$ 6,424,768	$ 187,598,502	$ 11,691,925
U.S. government agency securities	30,075,197	466,482	18,649,383	1,510,717	48,724,580	1,977,199
States and municipal securities	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

	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 securities	$ 399,092,311	$ 19,949,633	$ 151,200,755	$ 13,882,958	$ 550,293,066	$ 33,832,591
U.S. government agency securities	410,071,225	23,933,062	588,281,566	122,954,367	998,352,791	146,887,429
States and municipal securities	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

There were 66 and 71 available for sale securities for which the fair value was less than the amortized cost at December 31, 2023 and 2022, respectively, and there were 172 and 178 held to maturity securities for which the fair value was less than the amortized cost at December 31, 2023 and 2022, respectively. Unrealized losses on these securities have not been recognized into earnings as management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments and the fair value is expected to recover as the securities approach maturity. 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. No allowance for credit losses was recorded on available for sale debt securities at December 31, 2023.

No allowance for credit losses was recorded on held to maturity securities at December 31, 2023. W.T.B. monitors the credit quality of debt securities held to maturity through the use of credit ratings, updated on a quarterly basis. As of December 31, 2023, all held to maturity securities were rated Aaa by major rating agencies.

Accrued interest receivable on securities totaled $10,447,773 at December 31, 2023, and is excluded from the estimate of credit losses. A debt security is placed on nonaccrual status at the time any principal or interest payment become 90 days delinquent. Interest accrued but not received for a debt security placed on nonaccrual is reversed against interest income. At December 31, 2023, there were no debt securities classified as nonaccrual and no securities were past due 30 days or more as to principal or interest payments.

The amortized costs and fair values of debt securities by years to maturity as of December 31, 2023 and 2022, 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.

	2023			
	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 164,950,607	$ 161,255,637	$ 264,841,875	$ 258,735,422
Due after one year through five years	70,266,971	67,046,056	994,642,974	932,081,596
Due after five years through ten years	-	-	437,892,142	371,970,165
Due after ten years	2,553,335	2,581,849	67,383,175	53,402,798
Commercial mortgage-backed securities	96,841,591	92,381,095	526,120,032	455,664,381
Residential mortgage-backed securities	186,739,836	162,426,359	788,976,875	656,893,690
	$ 521,352,340	$ 485,690,996	$ 3,079,857,073	$ 2,728,748,052

	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

Note 4: Loans and Allowance for Credit Losses

Loans

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

	2023	2022
Commercial and industrial	$ 1,432,992,201	$ 1,372,871,116
Agricultural	273,601,039	233,986,937
Commercial real estate		
Owner occupied	892,678,003	859,788,765
Non-owner occupied	1,474,685,993	1,335,675,554
Construction and development		
Commercial	420,182,248	376,414,627
Residential	222,396,092	238,901,555
Residential real estate		
First mortgage	1,384,779,152	1,254,516,243
Junior mortgage	22,322,970	16,357,870
Revolving	254,185,210	228,309,336
Consumer	127,578,238	125,440,027
Total portfolio loans	6,505,401,146	6,042,262,030
Allowance for credit losses on loans	(146,156,404)	(120,838,526)
Total portfolio loans, net	$ 6,359,244,742	$ 5,921,423,504

Loans were reduced by unamortized deferred fees and costs of $10,314,576 and $12,047,165 at December 31, 2023 and 2022, respectively. Loans with a principal balance of $3,377,486,303 and $3,363,856,059 were pledged at December 31, 2023 and 2022, respectively, to the FHLB and Federal Reserve to secure open borrowing lines of credit.

Allowance for Credit Losses on Loans

The following table summarizes the activity related to the allowance for credit losses on loans by loan category for the year ended December 31, 2023:

	2023						
	Commercial and Agricultural	Real Estate Secured Commercial	Real Estate Secured Construction	Real Estate Secured Residential	Consumer	Unallocated	Total
Allowance for credit losses on loans:							
Beginning balance	$ 30,694,346	$ 35,717,910	$ 17,277,298	$ 33,147,642	$ 1,530,698	$ 2,470,632	$ 120,838,526
Impact of adopting ASC 326	49,778	9,193,692	14,327,566	(5,336,179)	490,933	(2,470,632)	16,255,158
Charge-offs	(1,659,201)	-	-	(48,000)	(1,004,222)	-	(2,711,423)
Recoveries	731,944	-	88	108,484	448,627	-	1,289,143
Provision (recapture)	9,930,303	1,631,125	(3,532,741)	1,144,592	841,279	470,442	10,485,000
Ending balance	$ 39,747,170	$ 46,542,727	$ 28,072,211	$ 29,016,539	$ 2,307,315	$ 470,442	$ 146,156,404

Prior to the adoption of ASC 326 on January 1, 2023, W.T.B. calculated the allowance for loan losses under the incurred loss methodology. The following tables 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			Consumer	Unallocated	Total
		Commercial	Construction	Residential			
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			Consumer	Unallocated	Total
		Commercial	Construction	Residential			
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

Collateral-Dependent Loans

Collateral-dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. At December 31, 2023, there were $14,142,891 of collateral dependent loans in the commercial and industrial segment, which were collateralized by titled vehicles, accounts receivable and inventory, and $10,687,526 of collateral dependent loans in the commercial real estate owner occupied segment, which were collateralized by commercial real estate. There have been no significant changes in the level of collateralization from the prior periods.

Delinquent and Nonaccrual Loans

The following tables present the recorded investment in past due portfolio loans as of December 31:

	2023						
	Past Due						
	30-59 Days	60-89 Days	90 or more days and still accruing	Total Past Due	Current	Nonaccrual	Total Loans
Commercial and industrial	$ 1,907,375	$ 130,673	$ 54,426	$ 2,092,474	$ 1,414,437,210	$ 16,462,517	$ 1,432,992,201
Agricultural	-	-	-	-	273,580,121	20,918	273,601,039
Commercial real estate							
Owner occupied	-	-	-	-	880,302,805	12,375,198	892,678,003
Non-owner occupied	-	-	-	-	1,474,685,993	-	1,474,685,993
Construction and development							
Commercial	-	-	-	-	420,182,248	-	420,182,248
Residential	-	-	-	-	222,396,092	-	222,396,092
Residential real estate							
First mortgage	5,810,579	765,707	-	6,576,286	1,376,933,939	1,268,927	1,384,779,152
Junior mortgage	-	-	-	-	22,160,166	162,804	22,322,970
Revolving	191,798	8,861	-	200,659	253,200,959	783,592	254,185,210
Consumer	78,879	20,305	13,425	112,609	127,135,743	329,886	127,578,238
Total portfolio loans	$ 7,988,631	$ 925,546	$ 67,851	$ 8,982,028	$ 6,465,015,276	$ 31,403,842	$ 6,505,401,146

	2022						
	Past Due						
	30-59 Days	60-89 Days	90 or more days and still accruing	Total Past Due	Current	Nonaccrual	Total Loans
Commercial and industrial	$ 2,516,092	$ 514,620	$ 86,731	$ 3,117,443	$ 1,368,240,301	$ 1,513,372	$ 1,372,871,116
Agricultural	113,603	-	-	113,603	233,834,449	38,885	233,986,937
Commercial real estate							
Owner occupied	-	-	-	-	859,709,368	79,397	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	-	-	29,333	238,872,222	-	238,901,555
Residential real estate							
First mortgage	1,919,421	-	325,271	2,244,692	1,251,968,129	303,422	1,254,516,243
Junior mortgage	211,796	-	-	211,796	15,941,016	205,058	16,357,870
Revolving	143,953	-	-	143,953	227,632,500	532,883	228,309,336
Consumer	160,153	916	7,093	168,162	125,135,184	136,681	125,440,027
Total portfolio loans	$ 5,094,351	$ 515,536	$ 419,095	$ 6,028,982	$ 6,033,423,350	$ 2,809,698	$ 6,042,262,030

The following table presents the recorded investment of loans on nonaccrual status as of December 31, 2023:

	Nonaccrual Loans with No Allowance for Credit Losses on Loans	Total Nonaccrual Loans
Commercial and industrial	$ 5,000,440	$ 16,462,517
Agricultural	-	20,918
Commercial real estate		
Owner occupied	9,374,152	12,375,198
Residential real estate		
First mortgage	-	1,268,927
Junior mortgage	-	162,804
Revolving	-	783,592
Consumer	-	329,886
Total nonaccrual loans	$ 14,374,592	$ 31,403,842

There was $102,560 of accrued interest receivable reversed against interest income during the year ended December 31, 2023. Interest income recognized on nonaccrual loans during the year ended December 31, 2023, was not significant.

Impaired Loans

Prior to the adoption of ASC 326 on January 1, 2023, a loan was considered impaired when, based on current information and circumstances, management determined it was probable that it would be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. Impaired loans below a de minimis threshold were collectively evaluated for impairment. Impaired loans collectively evaluated for impairment were $4,237,146 for the year ended December 31, 2022. For collateral dependent loans, W.T.B. recognized charge-offs in the period in which the charge-offs arise. 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 and the related valuation allowance:

	2022
December 31:	
Nonaccrual loans	$ 2,809,698
Accruing troubled debt restructurings	1,008,353
Loans past due 90 days or more and still accruing	419,095
Total impaired loans	$ 4,237,146
Impaired loans with no valuation allowance	$ 125,658
Impaired loans with a valuation allowance	4,111,488
Total impaired loans	$ 4,237,146
Allowance on impaired loans	$ 421,839

Commitments to advance additional funds in connection with impaired loans were $711 at December 31, 2022.

The following table presents impaired loans 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

Loans Modifications to Borrowers Experiencing Financial Difficulty

Occasionally, W.T.B. may agree to modify the contractual terms of a loan to a borrower experiencing financial difficulty as a normal part of loss mitigation strategies. These modifications may include principal reductions, interest rate reductions, term extensions, or a more than insignificant payment delay. In some cases, W.T.B. may provide multiple types of concessions on one loan. When a principal reduction is provided, the amount of forgiveness is charged off against the allowance for credit losses. Upon determination that a modified loan, or a portion of a modified loan, has been subsequently deemed uncollectible, the loan, or portion thereof, is written off. The amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount. At December 31, 2023, there were no loans outstanding which were to borrowers that were both experiencing financial difficulty and modified during the year ended December 31, 2023. During the year ended December 31, 2023, W.T.B. modified 3 loans resulting in 2 payment deferrals and 1 term extension. The financial effects of loan modifications made to borrowers experiencing financial difficulty during 2023 were not significant.

Troubled Debt Restructurings

Prior to the adoption of ASC 326 on January 1, 2023, loans restructured to borrowers experiencing financial difficulty in which the borrower was granted a concession in order to protect the Bank's investment were considered TDR's. A loan restructured in a TDR was considered an impaired loan and accounted for as such. Examples of such concessions included 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 occurred when the financial condition of the borrower necessitates temporary or permanent relief from the original contractual terms of the loan. If a borrower on a restructured accruing loan demonstrated performance under the previous terms and showed the capacity to continue to perform under the restructured terms, the loan remained on accrual status. Otherwise, the loan was placed on nonaccrual status until the borrower demonstrated repayment ability over a period of not less than six months. Restructured loans on nonaccrual status that were subsequently placed on accrual status were still accounted for as a TDR. At December 31, 2022, the Bank reported loans totaling $252,084 on nonaccrual status that were TDR's. In addition to these amounts, the Bank had TDR's of $1,008,353 at December 31, 2022, which were performing in accordance with their modified terms and were on accrual status. The Bank had no commitments to lend additional amounts to customers with outstanding loans that were classified as TDR's as of December 31, 2022.

The carrying value of loans modified in TDR's 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.

During 2021, the Bank did not restructure any loans. Loans modified and recorded as TDR's during the years ended December 31, 2022:

	2022		
	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

A default on a TDR is when a loan is more than 90 days delinquent on its contractual payment subsequent to restructuring. For the year ended December 31, 2022, there were no restructured loans which incurred a default within the year. For the year ended December 31, 2021, there was one restructured loan with a recorded investment of $14,495 which incurred a default within the year.

Credit Quality Indicators

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.

The following table presents the recorded investment in portfolio loans by credit quality indicators by year of origination as of December 31, 2023:

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	Revolving Loans Converted To Term	
As of December 31, 2023	2023	2022	2021	Prior			Total
Commercial and industrial							
Credit Quality Indicators							
Pass	$ 216,912,746	$ 235,412,121	$ 155,769,314	$ 190,984,002	$ 532,297,830	$ 19,360,733	$1,350,736,746
Special mention	1,246,650	6,964,647	2,072,895	8,050,929	37,448,032	3,164,474	58,947,627
Substandard	913,491	2,362,513	5,328,330	3,717,877	10,216,655	768,962	23,307,828
Total commercial and industrial	$ 219,072,887	$ 244,739,281	$ 163,170,539	$ 202,752,808	$ 579,962,517	$ 23,294,169	$1,432,992,201
Current period gross writeoff	$ -	$ (17,888)	$ (151,634)	$ (285,079)	$ (1,199,600)	$ (5,000)	$ (1,659,201)
Agricultural							
Credit Quality Indicators							
Pass	$ 28,076,221	$ 24,015,093	$ 13,368,081	$ 26,762,650	$ 90,309,748	$ 47,840,410	$ 230,372,203
Special mention	8,736,353	6,743,251	-	1,474,994	20,105,846	5,654,308	42,714,752
Substandard	-	-	-	20,918	-	493,166	514,084
Total agricultural	$ 36,812,574	$ 30,758,344	$ 13,368,081	$ 28,258,562	$ 110,415,594	$ 53,987,884	$ 273,601,039
Current period gross writeoff	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate:							
Owner occupied							
Credit Quality Indicators							
Pass	$ 83,086,739	$ 206,032,182	$ 162,746,070	$ 385,501,996	$ 16,283,180	$ 4,930,763	$ 858,580,930
Special mention	-	-	6,206,742	4,915,311	-	-	11,122,053
Substandard	246,343	11,149,486	9,778,285	1,800,906	-	-	22,975,020
Total owner occupied	$ 83,333,082	$ 217,181,668	$ 178,731,097	$ 392,218,213	$ 16,283,180	$ 4,930,763	$ 892,678,003
Current period gross writeoff	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonowner occupied							
Credit Quality Indicators							
Pass	$ 124,531,145	$ 299,418,031	$ 228,505,792	$ 690,943,441	$ 59,525,459	$ 14,066,154	$1,416,990,022
Special mention	8,372,608	1,510,878	6,234,802	5,507,594	138,482	-	21,764,364
Substandard	-	-	-	28,153,841	7,777,766	-	35,931,607
Total nonowner occupied	$ 132,903,753	$ 300,928,909	$ 234,740,594	$ 724,604,876	$ 67,441,707	$ 14,066,154	$1,474,685,993
Current period gross writeoff	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction and development:							
Commercial							
Credit Quality Indicators							
Pass	$ 57,967,811	$ 120,117,910	$ 149,984,570	$ 35,999,879	$ 36,199,111	$ 241,453	$ 400,510,734
Special mention	1,629,104	-	18,042,410	-	-	-	19,671,514
Substandard	-	-	-	-	-	-	-
Total commercial	$ 59,596,915	$ 120,117,910	$ 168,026,980	$ 35,999,879	$ 36,199,111	$ 241,453	$ 420,182,248
Current period gross writeoff	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential							
Credit Quality Indicators							
Pass	$ 67,506,542	$ 81,695,388	$ 8,677,511	$ 23,483,406	$ 40,031,623	$ 1,001,622	$ 222,396,092
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total residential	$ 67,506,542	$ 81,695,388	$ 8,677,511	$ 23,483,406	$ 40,031,623	$ 1,001,622	$ 222,396,092
Current period gross writeoff	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans	Revolving Loans	
					Amortized	Converted	
As of December 31, 2023 (continued)	2023	2022	2021	Prior	Cost Basis	To Term	Total
Residential real estate:							
First mortgage							
Credit Quality Indicators							
Pass	$ 203,615,975	$ 388,568,949	$ 470,283,393	$ 304,222,711	$ 1,051,773	$ 1,803,193	$1,369,545,994
Special mention	-	3,378,302	2,261,473	4,202,470	-	-	9,842,245
Substandard	2,507,503	110,109	1,144,341	1,628,960	-	-	5,390,913
Total first mortgage	$ 206,123,478	$ 392,057,360	$ 473,689,207	$ 310,054,141	$ 1,051,773	$ 1,803,193	$1,384,779,152
Current period gross writeoff	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Junior mortgage							
Credit Quality Indicators							
Pass	$ 9,097,904	$ 5,241,574	$ 1,555,228	$ 2,405,697	$ 2,500,976	$ 944,965	$ 21,746,344
Special mention	-	394,115	-	-	-	-	394,115
Substandard	-	-	-	182,511	-	-	182,511
Total junior mortgage	$ 9,097,904	$ 5,635,689	$ 1,555,228	$ 2,588,208	$ 2,500,976	$ 944,965	$ 22,322,970
Current period gross writeoff	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revolving							
Credit Quality Indicators							
Pass	$ -	$ 1,439,200	$ -	$ 899,227	$ 229,288,157	$ 9,671,295	$ 241,297,879
Special mention	-	-	-	-	4,720,007	32,958	4,752,965
Substandard	-	-	-	455,715	7,306,515	372,136	8,134,366
Total revolving	$ -	$ 1,439,200	$ -	$ 1,354,942	$ 241,314,679	$ 10,076,389	$ 254,185,210
Current period gross writeoff	$ -	$ -	$ -	$ -	$ (48,000)	$ -	$ (48,000)
Consumer							
Credit Quality Indicators							
Pass	$ 19,243,151	$ 16,644,221	$ 7,404,343	$ 6,456,949	$ 75,323,592	$ 1,751,745	$ 126,824,001
Special mention	-	-	19,668	152,041	239,218	-	410,927
Substandard	-	66,061	23,539	196,176	19,289	38,245	343,310
Total consumer	$ 19,243,151	$ 16,710,282	$ 7,447,550	$ 6,805,166	$ 75,582,099	$ 1,789,990	$ 127,578,238
Current period gross writeoff	$ (28,049)	$ (118,486)	$ (43,575)	$ (60,037)	$ (435,331)	$ (318,744)	$ (1,004,222)
Portfolio loans							
Credit Quality Indicators							
Pass	$ 810,038,234	$1,378,584,669	$1,198,294,302	$1,667,659,958	$1,082,811,449	$ 101,612,333	$6,239,000,945
Special mention	19,984,715	18,991,193	34,837,990	24,303,339	62,651,585	8,851,740	169,620,562
Substandard	3,667,337	13,688,169	16,274,495	36,156,904	25,320,225	1,672,509	96,779,639
Total portfolio loans	$ 833,690,286	$1,411,264,031	$1,249,406,787	$1,728,120,201	$1,170,783,259	$ 112,136,582	$6,505,401,146
Total current period gross writeoff	$ (28,049)	$ (136,374)	$ (195,209)	$ (345,116)	$ (1,682,931)	$ (323,744)	$ (2,711,423)

The following table presents the recorded investment in portfolio loans by credit quality indicators as of December 31, 2022:

	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

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, 2023 and 2022, were $92,069,183 and $96,921,076, respectively. Custodial escrow balances maintained in connection with the loan servicing, and included in the Bank's demand deposits, were $775,780 and $760,010 at December 31, 2023 and 2022, respectively. The balances of loans serviced for others related to servicing rights that have been capitalized at December 31, 2023 and 2022, were $92,025,903 and $96,864,174, respectively.

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

	2023	2022
Unamortized cost	$ 155,977	$ 124,912
Valuation allowance	(38,448)	(1,425)
Carrying value	$ 117,529	$ 123,487
Fair value	$ 1,195,024	$ 1,232,819

At December 31, 2023 and 2022, the key economic assumptions of the current fair value of mortgage servicing rights were as follows:

	2023	2022
Prepayment speed assumption (constant prepayment rate)	9.14%	6.62%
Discount rate	11.00%	11.00%

Originated loans that were sold with servicing retained were $9,294,607, $2,562,674, and $20,079,264 in 2023, 2022, and 2021, respectively. Following is an analysis of the activity for mortgage servicing rights and the related valuation allowance for the years ended December 31:

	2023	2022	2021
Unamortized cost:			
Balance at beginning of year	$ 124,912	$ 222,161	$ 277,520
Mortgage servicing rights capitalized	97,603	17,294	95,940
Amortization	(66,538)	(114,543)	(151,299)
Balance at end of year	$ 155,977	$ 124,912	$ 222,161

	2023	2022	2021
Valuation allowance:			
Balance at beginning of year	$ (1,425)	$ (16,772)	$ (41,792)
Additions	(38,801)	(51)	(3,605)
Reductions	1,778	15,398	28,625
Balance at end of year	$ (38,448)	$ (1,425)	$ (16,772)

Note 6: Premises and Equipment

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

	2023	2022
Land	$ 19,118,976	$ 19,118,976
Buildings	114,671,155	110,930,456
Furniture and equipment	67,828,749	68,836,900
	201,618,880	198,886,332
Less accumulated depreciation	(115,910,779)	(111,453,459)
	$ 85,708,101	$ 87,432,873

Depreciation on W.T.B. premises and equipment was charged to occupancy expense or furniture and equipment expense in the amounts of $8,205,318, $8,640,001, and $8,393,485 in 2023, 2022, and 2021, respectively.

Note 7: Deposits

At December 31 deposits were as follows:

	2023	2022
Noninterest-bearing demand	$ 3,316,554,758	$ 4,245,614,949
Interest-bearing:		
Demand	1,339,054,291	1,731,325,294
Savings	2,913,831,980	3,051,246,210
Time deposits under $250,000	291,005,727	134,365,776
Time deposits $250,000 or more	231,880,391	35,135,304
Brokered time deposits	25,974,142	19,398,341
Total interest-bearing	4,801,746,531	4,971,470,925
	$ 8,118,301,289	$ 9,217,085,874

At December 31, 2023, the scheduled maturities of time deposits, including brokered time deposits, were as follows:

2024	$ 533,033,976
2025	9,677,982
2026	2,280,740
2027	2,210,253
2028	1,657,309
	$ 548,860,260

At December 31, 2023 and 2022, overdraft deposit accounts with balances of $1,577,049 and $1,132,132, 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:

	2023	2022
December 31:		
Repurchase amount	$ 336,960,656	$ 209,031,623
Rate	2.85%	0.31%
Average for the year:		
Amount	$ 250,486,180	$ 267,086,095
Rate	2.10%	0.13%
Maximum outstanding at any month end	$ 358,777,892	$ 316,478,592

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, 2023 and 2022, 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, 2023 and 2022, 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. 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 $1,477,102,930 and $1,559,171,179 at December 31, 2023 and 2022, respectively.

At December 31, 2023, the Bank had an FHLB advance outstanding of $500,000,000, scheduled to mature in 2025 with an interest rate of 5.21%. There were no outstanding FHLB advances as of December 31, 2022. The following table summarizes FHLB advances for the years ended December 31:

	2023	2022
Average for the year:		
Amount	$ 309,134,795	$ 1,096
Rate	5.14%	1.46%
Maximum outstanding during the year	$ 1,413,000,000	$ 100,000

Note 10: Other Borrowings

Other borrowings consist of Federal Reserve Bank discount window borrowings and loans available through the Federal Reserve Bank's Bank Term Funding Program ("BTFP"). 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 $889,939,255 at December 31, 2023, 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, 2023 or 2022.

In March 2023, the Federal Reserve Board established the BTFP for eligible depository institutions. The BTFP offers loans of up to one year in length to institutions pledging collateral eligible for purchase by the Federal Reserve Bank in open market operations such as U.S. Treasuries, U.S. government agency securities, and U.S. government agency mortgage-backed securities. These assets will be valued at par for pledging purposes. The amount that can be borrowed under the BTFP is based upon the par value of securities pledged as collateral and the borrowings can be prepaid without penalty. W.T.B. pledged securities with a par value of $1,427,714,468 as of December 31, 2023, of which the Bank had outstanding borrowings of $1,415,000,000 through the program, scheduled to mature in 2024, bearing interest rates ranging from 4.38% to 4.71%. Borrowings can be requested under the BTFP until March 11, 2024.

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, 2023, 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:

	2023	2022
Accumulated benefit obligation at end of year	$ 69,810,184	$ 65,651,506
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 69,748,025	$ 97,546,663
Service cost - benefits earned during the period	976,917	1,646,279
Interest cost	3,578,968	2,503,485
Actuarial loss (gain)	3,319,830	(26,279,663)
Benefits paid	(3,644,999)	(5,668,739)
Projected benefit obligation at end of year	73,978,741	69,748,025
Change in Pension Plan assets:		
Fair value of Pension Plan assets at beginning of year	78,369,970	109,693,630
Actual return (loss) on Pension Plan assets	6,063,555	(25,654,921)
Employer contributions	-	-
Benefits paid	(3,644,999)	(5,668,739)
Fair value of Pension Plan assets at end of year	80,788,526	78,369,970
Funded status of projected benefit obligation at end of year	$ 6,809,785	$ 8,621,945
Accumulated other comprehensive loss not yet reflected in net periodic pension cost (pre-tax)	$ (22,886,111)	$ (24,457,572)
Cumulative employer contributions in excess of net periodic pension cost	29,695,896	33,079,517
Amounts recognized in the consolidated statements of financial condition at end of year:		
Other assets	$ 6,809,785	$ 8,621,945

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:

	2023	2022	2021
Assumptions used in computing the present value of the accumulated benefit obligation and the projected benefit obligation at year-end:			
Discount rate	4.83%	5.18%	2.61%
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	5.00%	3.00%	3.00%

Net periodic pension costs for 2023, 2022, and 2021, included the following components:

	2023	2022	2021
Service cost	$ 976,917	$ 1,646,279	$ 1,943,852
Interest cost	3,578,968	2,503,485	2,245,227
Expected return on Pension Plan assets	(3,816,203)	(3,229,219)	(3,435,281)
Amortization of net loss	2,643,939	1,920,692	2,329,786
Net periodic pension cost	$ 3,383,621	$ 2,841,237	$ 3,083,584

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, 2023 and 2022, by asset category, were as follows:

	2023	2022
Asset category:		
Fixed income securities	53%	52%
Group annuity contract	32%	34%
Equity securities	14%	13%
Cash equivalents	1%	1%
Total	100%	100%

W.T.B.'s target asset allocation as of December 31, 2023, 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:

2024	$ 4,274,369
2025	4,377,818
2026	4,596,352
2027	4,811,892
2028	4,888,593
Five years thereafter	25,014,144

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

	Fair Value Measurements at December 31, 2023			
	Total	Level 1	Level 2	Level 3
Group annuity contract	$ 25,604,586	$ -	$ -	$ 25,604,586
Money market fund	423,649	-	423,649	-
Assets at fair value	26,028,235	$ -	$ 423,649	$ 25,604,586
Investments measured at NAV:				
Fixed income funds	42,994,525			
Global equity funds	7,394,393			
U.S. equity funds	4,371,373			
	54,760,291			
Total assets reported	$ 80,788,526			

	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			

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 2023, 2022, and 2021 was $3,427,935, $3,167,561, and $3,023,478, 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 2023, 2022, and 2021 was $2,742,000, $2,358,588, and $2,080,940, 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, 2023 and 2022, liabilities recorded for the various supplemental retirement and salary continuation plan benefits totaled $5,842,819 and $5,813,110, respectively, and were recorded in other liabilities. Changes in the valuation of those liabilities increased benefit expense by $160,941 for the year ended December 31, 2023 and decreased benefit expense by $299,476 and $391,109 for the years ended December 31, 2022 and 2021, respectively.

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 $9,123,481, $7,634,822, and $7,446,437 for 2023, 2022, and 2021, respectively. Self-insurance reserves were $843,035 and $617,858 for 2023 and 2022, 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 2023, 2022, and 2021 was $2,159,792, $2,043,879, and $1,539,515, 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 2023, 2022, and 2021 were $441,262, $546,395, and $437,523, respectively.

A summary of changes in the Phantom Stock Plan follows:

	Number of Shares	Total Share Value
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
Granted	7,092	2,443,832
Increase in value	-	652,353
Forfeited	-	-
Settled	-	-
Balance, December 31, 2023	59,630	$ 21,200,254

At December 31, 2023 and 2022, there were 13,509 and 10,389 unvested phantom shares with total share values of $4,802,855 and $3,579,946, and those unvested shares had related liabilities recorded in the amounts of $1,265,918 and $977,602, respectively. Included in other liabilities are Phantom Stock Plan liabilities in the amounts of $17,663,317 and $15,503,525 at December 31, 2023 and 2022, 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 106,362 shares have been granted. A total of 61,561 shares are available for future grants at December 31, 2023. 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, 1,597 shares were granted in 2023 and 1,452 were granted in 2022 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, 2023, 2022, and 2021:

	Number of Shares	Weighted Average Grant Date Fair Value
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
Granted	7,869	368.00
Vested	(6,440)	368.91
Forfeited	-	-
Balance, December 31, 2023	16,507	371.35

The grant date fair value of the restricted shares is estimated using recent observable sales. Compensation expense related to the Restricted Stock Plan was $2,493,507, $2,315,720, and $1,999,062 for the years ended December 31, 2023, 2022, and 2021, respectively. The total income tax benefit recognized related to this Plan was $522,753, $532,727, and $445,465 for the years ended December 31, 2023, 2022, and 2021, respectively. As of December 31, 2023, there was $4,521,886 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:

	2023	2022	2021
Current expense:			
Federal	$ 17,426,059	$ 28,417,751	$ 29,119,105
State	1,181,405	1,894,585	1,887,248
	18,607,464	30,312,336	31,006,353
Deferred expense (benefit):			
Federal	(2,806,534)	1,330,754	(2,930,408)
State	(511,730)	80,556	(110,631)
	(3,318,264)	1,411,310	(3,041,039)
Income taxes	$ 15,289,200	$ 31,723,646	$ 27,965,314

Income taxes on pre-tax income differ from the statutory rate of 21 percent for the years ended December 31, 2023, 2022, and 2021 for the following reasons:

	2023		2022		2021	
Federal income taxes at statutory rate	$ 14,939,367	21.00%	$ 30,615,775	21.00%	$ 26,879,041	21.00%
State income taxes, net of federal tax benefit	529,035	0.74%	1,532,421	1.05%	1,413,521	1.10%
Decrease in income taxes due to tax-exempt interest on securities and loans of states and political subdivisions	(317,962)	(0.45%)	(150,238)	(0.10%)	(211,742)	(0.17%)
Nondeductible interest expense from carrying tax-exempt assets	73,219	0.10%	3,955	-	4,178	-
Bank owned life insurance	(755,130)	(1.06%)	(456,541)	(0.31%)	(184,446)	(0.14%)
Other nondeductible expenses	859,663	1.21%	424,152	0.29%	399,382	0.31%
Low-income housing tax credits	(335,567)	(0.47%)	(197,082)	(0.14%)	(302,873)	(0.24%)
Other	296,575	0.42%	(48,796)	(0.03%)	(31,747)	(0.03%)
Income taxes	$ 15,289,200	21.49%	$ 31,723,646	21.76%	$ 27,965,314	21.83%

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:

	2023	2022
Deferred tax assets:		
Allowance for credit losses on loans	$ 32,424,811	$ 26,755,056
Allowance for credit losses on off-balance sheet credit exposures	3,139,952	1,549,881
Credit card rewards	974,252	1,732,947
Deferred compensation	8,939,306	8,443,445
Lease liability	3,066,684	2,980,522
Unrealized losses on AFS Securities	7,488,882	10,043,677
Interest on nonaccrual loans	185,158	355,387
Commitment fees	159,977	123,216
Research and development expenses	1,229,600	420,682
Other	628,781	711,438
Total deferred tax assets	58,237,403	53,116,251
Deferred tax liabilities:		
Unrealized gains on HTM Securities	1,570,369	2,367,222
Pension benefits	1,778,126	2,194,178
Financial-over-tax depreciation	1,560,264	1,913,644
Deferred loan origination costs	2,419,399	1,765,303
Right of use assets - lease	2,844,515	2,779,245
Prepaid expenses	412,900	374,695
State income taxes	376,909	274,313
Other	205,358	197,038
Total deferred tax liabilities	11,167,840	11,865,638
Net deferred tax assets	$ 47,069,563	$ 41,250,613

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 2020.

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, 2023 and 2022, 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, 2023 or 2022; 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:

	2023	2022
Tax credit investments	$ 33,780,240	$ 35,576,682
Unfunded commitments - tax credit investments	22,283,563	27,822,171

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

	2023	2022	2021
Tax credits and other tax benefits recognized	$ 2,362,546	$ 1,209,955	$ 1,914,822
Tax credit amortization expense included in provision for income taxes	(2,026,979)	(1,012,873)	(1,611,949)
Net credits included in provision for income taxes	$ 335,567	$ 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. There were no commercial letters of credit outstanding at December 31, 2023 and 2022.

Following is a summary of the Bank's exposure to off-balance sheet risk at December 31:

	2023	2022
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 3,157,973,465	$ 2,951,169,735
Standby letters of credit	101,109,642	96,147,132

The Bank maintains an allowance for off-balance sheet credit exposures, such as unfunded balances for existing lines of credit, unfunded loan commitments, and commitments to extend future credit when the commitments are not unconditionally cancelable. As of December 31, 2023 and 2022, the balance of the allowance was $14,083,480 and $7,000,000, respectively. The following table presented the balance and activity in the allowance for credit losses on off balance sheet credit exposures for the year ended December 31, 2023:

	2023						
	Commercial and Agricultural	Real Estate Secured			Consumer	Unallocated	Total
		Commercial	Construction	Residential			
Allowance for credit losses on off-balance sheet credit exposures:							
Beginning balance	$ 3,343,085	$ 244,901	$ 1,035,448	$ 1,449,274	$ 457,284	$ 470,008	$ 7,000,000
Impact of adopting ASC 326	1,168,429	387,459	4,416,484	(152,685)	(121,199)	(470,008)	5,228,480
Provision (recapture)	105,850	(5,914)	1,495,810	50,277	(9,841)	218,818	1,855,000
Ending balance	$ 4,617,364	$ 626,446	$ 6,947,742	$ 1,346,866	$ 326,244	$ 218,818	$ 14,083,480

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:

	2023			
	Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. Treasury securities	$ 194,088,478	$ -	$ 194,088,478	$ -
U.S. government agency securities	34,213,214	-	34,213,214	-
States and municipal securities	2,581,850	-	2,581,850	-
Commercial mortgage-backed securities	92,381,095	-	92,381,095	-
Residential mortgage-backed securities	162,426,359	-	162,426,359	-
Equity securities at fair value	24,100	24,100	-	-
Interest rate swap assets	311,419	-	311,419	-
Total assets	$ 486,026,515	$ 24,100	$ 486,002,415	$ -
Interest rate swap liabilities	$ 311,419	$ -	$ 311,419	$ -
Total liabilities	$ 311,419	$ -	$ 311,419	$ -

	2022			
	Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. Treasury securities	$ 187,598,502	$ -	$ 187,598,502	$ -
U.S. government agency securities	48,724,580	-	48,724,580	-
States and municipal securities	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	$ -

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, 2023:

	2023			
	Total	Level 1	Level 2	Level 3
Collateral-dependent loans	$ 17,027,541	$ -	$ -	$ 17,027,541
Total	$ 17,027,541	$ -	$ -	$ 17,027,541

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, 2023:

2023				
Financial Instrument	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Collateral-dependent loans	$ 17,027,541	Market approach	Discount to appraised value	22.5%
			Selling costs	6.3%
	$ 17,027,541			

Collateral-dependent loans are reported at the fair value of the underlying collateral if repayment is expected solely from collateral. The collateral-dependent loans are reported at fair value through a specific valuation allowance. If it is determined that the fair value of a collateral-dependent loan is less than the recorded investment in the loan, the carrying value of the loan is adjusted to fair value through a charge to the allowance for credit losses on loans. Depending on the characteristics of a loan, the fair value of collateral is generally estimated by obtaining external appraisals. The significant unobservable inputs used in the fair value measurement of collateral-dependent 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.

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:

	2023		
	Level in Fair Value Hierarchy	Carrying Amount	Estimated Fair Value
Financial assets:			
Cash and due from banks and interest-bearing deposits with banks	1	$ 1,145,042,993	$ 1,145,042,993
Securities available for sale	2	485,690,996	485,690,996
Securities held to maturity	2	3,079,857,073	2,728,748,052
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock	2	28,807,700	28,807,700
Loans held for sale	2	4,726,632	4,734,096
Loans held in portfolio, net	3	6,359,244,742	6,193,438,037
Cash surrender value of life insurance	1	82,034,030	82,034,030
Mortgage servicing rights	3	117,529	1,195,024
Interest rate swaps	2	311,419	311,419
Equity securities at fair value	1	24,100	24,100
Financial liabilities:			
Demand and savings deposits[1]	1	7,569,441,029	7,569,441,029
Time deposits	2	548,860,260	548,272,185
Securities sold under agreements to repurchase	1	336,960,656	336,960,656
Federal Home Loan Bank borrowings	2	500,000,000	505,976,649
Other borrowings	2	1,415,000,000	1,411,152,304
Interest rate swaps	2	311,419	311,419

	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]	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

[1] Fair value equals or approximates carrying amount. The fair value of deposits with no stated maturity does not take into consideration the value ascribed to core deposit intangibles.

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, 2023 and 2022, 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, 2023 and 2022 were $44,545,104 and $45,517,907, 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:

	2023		2022	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in other assets:				
Derivatives not designated as hedging instruments:				
Interest rates swaps	$ 44,545,104	$ 311,419	$ 45,517,907	$ 779,918
Total included in other assets		$ 311,419		$ 779,918
Included in other liabilities:				
Derivatives not designated as hedging instruments:				
Interest rates swaps	$ 44,545,104	$ 311,419	$ 45,517,907	$ 779,918
Total included in other liabilities		$ 311,419		$ 779,918

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 $3,627,987, $3,889,433, and $5,114,407 for the years ended December 31, 2023, 2022, and 2021, respectively, and is included in rental income in the consolidated statements of income.

The remaining maturities of lease receivables as of December 31, 2023, are as follows:

2024	$ 3,534,494
2025	3,085,669
2026	2,574,153
2027	1,643,835
2028	1,331,357
2029 and thereafter	2,078,363
Total lease receivables	$ 14,247,871

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 three months to 20 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 years ended December 31 are as follows:

	2023	2022
Right-of-use assets:		
Operating leases	$ 12,821,791	$ 12,552,387
Total right-of-use assets	$ 12,821,791	$ 12,552,387
Lease liabilities:		
Operating leases	$ 13,602,154	$ 13,461,452
Total lease liabilities	$ 13,602,154	$ 13,461,452

Lease Expense

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

	2023	2022	2021
Operating lease cost	$ 3,564,510	$ 3,885,169	$ 4,032,265
Short-term lease cost	32,267	14,215	36,701
Variable lease cost	-	7,263	9,818
Total lease cost, net	$ 3,596,777	$ 3,906,647	$ 4,078,784

Lease Obligations

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2023, are as follows:

2024	$ 3,417,148
2025	2,456,941
2026	2,037,789
2027	1,562,547
2028	1,231,479
2029 and thereafter	5,704,388
Total future minimum lease payments	16,410,292
Less: imputed interest	(2,808,138)
Present value of lease liabilities	$ 13,602,154

Supplemental Lease Information

Weighted Average Lease Term - Operating Leases	8.71 years
Weighted Average Discount Rate - Operating Leases	3.12%

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, 2023	2022
Assets		
Cash	$ 24,610,745	$ 19,371,496
U.S. Treasury securities available for sale, carried at fair value	964,844	940,352
Equity in underlying net book value of bank subsidiary	862,493,995	836,764,776
Premises and equipment, net	8,057,199	8,667,191
Other assets	2,980,888	3,217,651
Total assets	$ 899,107,671	$ 868,961,466
Liabilities		
Other liabilities	$ 1,664,699	$ 1,832,214
Shareholders' equity	897,442,972	867,129,252
Total liabilities and shareholders' equity	$ 899,107,671	$ 868,961,466

Statements of Income	Years Ended December 31, 2023	2022	2021
Revenue			
Dividends from banking subsidiary	$ 22,290,000	$ 32,995,000	$ 35,351,000
Other	1,711,501	1,562,362	1,418,187
Total revenue	24,001,501	34,557,362	36,769,187
Expense			
Salaries and employee benefits	923,557	880,342	883,161
Other	2,462,188	2,439,977	1,891,189
Total expense	3,385,745	3,320,319	2,774,350
Income before income tax benefit and equity in undistributed net income of subsidiary	20,615,756	31,237,043	33,994,837
Income tax benefit	(367,589)	(395,885)	(296,675)
Income before equity in undistributed net income of subsidiary	20,983,345	31,632,928	34,291,512
Equity in undistributed net income of banking subsidiary	34,867,299	82,420,313	65,738,599
Net income	$ 55,850,644	$ 114,053,241	$ 100,030,111

Statements of Cash Flows	Years Ended December 31, 2023	2022	2021
Cash flows from operating activities:			
Net income	$ 55,850,644	$ 114,053,241	$ 100,030,111
Adjustments to reconcile net income to cash provided by operating activities:			
Undistributed net income of subsidiary	(34,867,299)	(82,420,313)	(65,738,599)
Depreciation	609,992	609,992	609,992
Deferred income taxes benefit	(161,332)	(111,755)	(120,687)
Other, net	394,309	186,579	(182,644)
Net cash provided by operating activities	21,826,314	32,317,744	34,598,173
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	-
Purchase of other assets and investments	(123,333)	(273,333)	(253,333)
Proceeds from investments	-	-	5,669
Net cash used by investing activities	(123,333)	(278,411)	(247,664)
Cash flows from financing activities:			
Common share repurchase and retirement	(1,032,472)	(11,253,088)	(7,915,606)
Proceeds from issuance of common stock	3,108,626	3,084,295	2,894,040
Common stock dividends paid	(18,539,886)	(26,108,702)	(23,801,446)
Net change in advances from subsidiaries	-	-	(233,151)
Net cash used in financing activities	(16,463,732)	(34,277,495)	(29,056,163)
Increase (decrease) in cash	5,239,249	(2,238,162)	5,294,346
Cash at beginning of year	19,371,496	21,609,658	16,315,312
Cash at end of year	$ 24,610,745	$ 19,371,496	$ 21,609,658

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 $24,613,350 and $29,813,826 at December 31, 2023 and 2022, respectively. Related party loan amounts for the years ended December 31, 2023 and 2022, 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.

	2023	2022
Balance at beginning of year	$ 34,368,594	$ 18,909,651
New loans and advances	6,421,015	777,051
Repayments	(1,658,563)	(2,016,047)
Other and reclassifications	2,035,389	16,697,939
Balance at end of year	$ 41,166,435	$ 34,368,594

Under current federal regulations, W.T.B. is limited in the amount that may be borrowed from the Bank. At December 31, 2023 and 2022, 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, 2023, 2022, and 2021, can be reconciled as follows:

	2023	2022	2021
Numerator:			
Net income	$ 55,850,644	$ 114,053,241	$ 100,030,111
Denominator:			
Weighted-average number of common shares outstanding - basic	2,504,753	2,516,636	2,535,053
Effect of potentially dilutive common shares	958	2,284	3,476
Weighted-average number of common shares - diluted	2,505,711	2,518,920	2,538,529
Earnings per common share:			
Basic	$ 22.30	$ 45.32	$ 39.46
Diluted	$ 22.29	$ 45.28	$ 39.40

For the year ended December 31, 2023, there were 10,727 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, 2023, 2022, and 2021, were as follows:

	Unrealized (Losses) Gains 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, 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)
Other comprehensive income (loss) before reclassifications	9,610,895	-	(847,258)	8,763,637
Amounts reclassified from other comprehensive income	-	(2,997,690)	2,088,712	(908,978)
Net current period other comprehensive gain (loss)	9,610,895	(2,997,690)	1,241,454	7,854,659
Balance, December 31, 2023	$ (28,172,462)	$ 5,907,580	$ (18,080,028)	$ (40,344,910)

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

	Years Ended December 31,			Affected Line in the
	2023	2022	2021	Consolidated Statements of Income
Securities held to maturity:				
Amortization of previously unrealized net gains	$ 3,794,544	$ 4,903,041	$ 6,191,614	Interest revenue, securities
Total before tax	3,794,544	4,903,041	6,191,614	
Income tax expense	(796,854)	(1,029,639)	(1,300,239)	Provision for income taxes
Net of tax	2,997,690	3,873,402	4,891,375	
Defined benefit pension plan:				
Amortization of net loss	(2,643,939)	(1,920,692)	(2,329,786)	Other expense
Total before tax	(2,643,939)	(1,920,692)	(2,329,786)	
Income tax benefit	555,227	403,345	489,255	Provision for income taxes
Net of tax	(2,088,712)	(1,517,347)	(1,840,531)	
Total reclassifications for the period, net of tax	$ 908,978	$ 2,356,055	$ 3,050,844	

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, 2023. 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, 2023 and 2022, 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, 2023						
Tier 1 capital to average assets:						
W.T.B. Financial Corporation	$ 950,517	8.32%	$ 456,876	4.00%	N/A	N/A
Washington Trust Bank	915,539	8.02%	456,484	4.00%	$ 570,605	5.00%
Common equity tier 1 capital to risk-weighted assets:						
W.T.B. Financial Corporation	950,517	12.32%	347,115	4.50%	N/A	N/A
Washington Trust Bank	915,539	11.88%	346,716	4.50%	500,811	6.50%
Tier 1 risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	950,517	12.32%	462,820	6.00%	N/A	N/A
Washington Trust Bank	915,539	11.88%	462,287	6.00%	616,383	8.00%
Total risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	1,047,527	13.58%	617,094	8.00%	N/A	N/A
Washington Trust Bank	1,012,439	13.14%	616,383	8.00%	770,479	10.00%

	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%

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, 2023, 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, 2023, 2022, and 2021. Items outside the scope of ASC 606 are noted as such.

	2023	2022	2021
Noninterest revenue:			
Fiduciary income	$24,252,751	$21,590,123	$21,805,428
Investment services fees	3,681,485	3,985,839	4,071,692
Bank card and credit card fees, net:			
Interchange income, net	9,138,586	11,745,030	15,037,634
Merchant services income, net	1,189,436	1,153,135	1,122,022
ATM surcharge fees	614,104	610,657	800,555
All other fees (a)	724,361	610,762	103,852
Total bank card and credit card fees, net	11,666,487	14,119,584	17,064,063
Mortgage banking revenue, net (a)	1,184,997	2,140,229	8,566,457
Other fees on loans (a)	1,191,349	1,173,917	1,478,571
Service charges on deposits	5,444,981	6,895,594	6,087,808
Other service charges, commissions and fees (a)	1,173,818	952,160	822,176
Other income (a)	8,646,136	7,325,249	7,952,675
Total noninterest revenue	$57,242,004	$58,182,695	$67,848,870

(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, 2023)

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
  - Manager, 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
  - Manager, JDL Enterprises, LLC
- Dennis P. Murphy
  - Chief Executive Officer, Hayden Homes, LLC
- Peter D. Nickerson
  - Co-founder and Principal, 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
- Nicholas K. Olsen
  - 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

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