

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

October 20, 2022

Dear Shareholders:

As a financial institution, interest rate levels, which are essentially the “price” of money, are a fundamental aspect of our business. Inflation, and inflation expectations, are embedded in the price of money and the re-emergence of inflation to levels not seen in 40 years is bringing about a dramatic shift in the interest rate environment. As a result of this dramatic shift, interest rate risk management, just one of the many financial management challenges we balance all the time, has moved to the forefront of our thinking.

The emerging problem of inflation has been attributed to the war in Ukraine, supply chain disruptions from the COVID pandemic, extraordinary government spending and equally extraordinary monetary policy accommodation by the Federal Reserve. Regardless of the causes, the Fed is now on a determined path to bring inflation under control and has raised short term interest rates 300 basis points (“bps”) through five policy moves over just the past six months. The Fed meets again in a few weeks and still more increases are expected.

While I won’t pretend to know what the future holds, the current landscape is reminiscent of the inflationary environment I experienced early in my career, which included the Prime Rate reaching a record high of 21.50 percent, versus “just” 6.25 percent today. The dynamics of that time left strong memories of the challenges that inflation brings to all of us. With the Federal Reserve leaning on policy levers designed to elevate interest rates, the risks and rewards across our business and customer portfolio are shifting too. After more than a decade of ultra-low rates, current interest rate levels are providing better pricing levels and reinvestment yields for the Bank, which is beginning to show up in widening net interest margin. But elevated rates are also shifting the competitive landscape for funding, which is already becoming a driver of higher funding costs and a damper on deposit growth. Rising rates also make borrowing more expensive for our clients and so there are shifts underway impacting loan demand, like significantly lower single-family home refinance activity. Higher rates also have the potential to bring additional payment burdens to borrowers and even though our credit metrics remain very strong, credit performance is something we are watching closely. As we are currently positioned, noncurrent loans totaled just \$3.1 million, or 0.05 percent of loans at the end of the third quarter, while the Bank’s allowance position totaled \$118.2 million, or 2.00 percent of loans.

With that back-drop, the Company's third quarter performance was excellent with earnings coming in at \$29.9 million, up \$2.7 million, or 9.7 percent over year ago levels. While third quarter earnings were down \$7.4 million from second quarter net income of \$37.4 million, second quarter performance benefitted from a significant release of aggregate loss reserves, which boosted after-tax earnings by \$14.0 million. Earnings for the year-to-date totaled \$88.1 million, up \$17.1 million, or 24.1 percent from last year's results. Similarly, diluted earnings per share increased \$6.98, or 25.0 percent to \$34.92 per share through the first nine months of the year. Return on assets in the third quarter came in at 1.10 percent, while return on equity was very solid at 13.81 percent.

Rising rates helped drive quarter-over-quarter loan yields higher by 41 bps to 4.61 percent and earning asset yields higher by 42 bps to 3.37 percent. Higher earning asset yields were a big contributor to our performance as wider margins increased net interest revenue. Net interest margin was 3.28 percent, up 38 bps over both second quarter of 2022 and year ago levels, when margin was 2.90 percent. Nearly 40 bps of incremental net interest margin spread across more than \$10 billion of earning assets helped drive quarterly net interest revenue up \$10.8 million, or 14.3 percent to a new Company record of \$86.9 million.

Noninterest revenue for the quarter was down \$2.0 million, or 12.2 percent to \$14.5 million primarily due to lower debit card revenue. Debit card revenue was down \$1.6 million, or 59.0 percent to \$1.1 million due to the Bank receiving a lower share of debit card interchange revenue beginning in July as a result of crossing over \$10 billion in assets. Noninterest expense was lower by \$6.6 million, or 9.5 percent to \$62.1 million, though most of that improvement was due to a \$6.0 million increase to our reserves for unfunded commitments in the second quarter versus no additional reserve expense in the current quarter. Reserves for unfunded commitments are recorded under noninterest expense rather than provision expense.

Total assets stayed fairly level quarter-over-quarter and year-over-year, mostly due to a relatively stable period for our deposit portfolio. At the end of September, assets totaled \$10.6 billion, which were down \$65.0 million, or 0.6 percent since the second quarter and down \$24.0 million, or 0.2 percent since one-year ago. Deposits for the quarter were down \$66.7 million, or 0.7 percent to \$9.4 billion, which indicates relative stability across our deposit base, though more recently, we are beginning to experience greater competition in the marketplace for funds in response to higher rates. Combining small declines in deposits with solid loan growth during the quarter helped lower investible cash levels by \$225.9 million to still substantial levels totaling \$643.6 million. Loan demand during the third quarter remained strong, with loans increasing \$217.9 million, or 3.8 percent to \$5.9 billion.

The Company's shareholder's equity position improved \$6.6 million, or 0.8 percent during the quarter and \$35.7 million, or 4.3 percent over the past year to \$855.3 million. With capital growing and assets declining over the past year, the Company's equity to assets ratio improved 36 bps to 8.10 percent of assets. The Company's book value per

share also improved, increasing by \$16.16, or 5.0 percent year-over-year to \$338.95 at the end of the third quarter.

With regard to our share repurchase program, you may recall that on March 1, 2022, the Board of Directors reauthorized a share repurchase plan for up to \$10.0 million of Class B common stock, which will be in effect over a twelve-month period. Common share repurchases under this plan, if any, may be made from time to time on the open market through broker dealers or in privately negotiated transactions, at the discretion of Company management. The extent to which the Company purchases shares and the timing of any such purchases will depend upon a variety of factors, including market conditions and relevant corporate considerations. The share repurchase program will be conducted in a manner intended to comply with the safe harbor provisions of Rule 10b-18 under the Securities and Exchange Act of 1934. Under the current authorization through the end of the current quarter, we have purchased 19,050 shares for a total of \$6.6 million, leaving \$3.4 million of repurchase authorization unused at this time. Any purchases later in the year will be dependent upon market conditions and the external environment in which we operate. Under the previous share repurchase authorization, the Company repurchased 21,294 shares in total for \$8.3 million.

The emergence of inflation at levels we have not seen for 40 years, combined with an aggressive Fed is making for interesting times. The rewards of being a saver are growing, while the cost of borrowings is increasing, and so both we, and our clients, are adapting to this new environment. From a financial management perspective, interest rate risk is elevating up in priority, while we continue to make progress on our many initiatives to bring new capabilities to our clients, improve customer experience, realize scale in our business and drive for lasting efficiencies where possible. Much is being asked of our team and they are doing a great job executing on our plan. Our leadership group is really coming together, and we are on track to accomplish important initiatives. None of that would be possible without you, our shareholders and we greatly appreciate the confidence you have in us. We remain focused on delivering strong results for you, our clients, our employees and the many communities we serve.

For additional pertinent information, please also visit our Investor Relations webpage at [watrust.com/about/investor-relations](http://watrust.com/about/investor-relations).

Warm Regards,



Pete Stanton  
Chairman of the Board and CEO

Enclosure



**Summary Financial Statements,  
Selected Financial Highlights and  
Selected Credit Performance Highlights  
Q3 2022**  
(unaudited)



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

	September 30, 2022	June 30, 2022	September 30, 2021
<b>ASSETS</b>			
Cash and due from banks	\$ 119,453,042	\$ 126,783,957	\$ 129,303,180
Interest-bearing deposits with banks	643,622,224	869,483,231	1,806,151,265
Securities available for sale, at fair value	543,393,395	570,430,197	387,940,890
Securities held to maturity, at amortized cost	3,144,339,982	3,169,261,523	2,606,021,411
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	10,060,000	10,060,000	10,060,000
Loans receivable	5,903,011,291	5,685,124,146	5,482,823,353
Allowance for loan losses	(118,231,380)	(117,252,879)	(139,315,575)
Loans, net of allowance for loan losses	5,784,779,911	5,567,871,267	5,343,507,778
Premises and equipment, net	88,082,559	88,078,229	87,828,618
Accrued interest receivable	27,802,391	25,541,479	25,311,301
Other assets	197,883,073	196,916,949	187,322,829
Total assets	<u>\$ 10,559,416,577</u>	<u>\$ 10,624,426,832</u>	<u>\$ 10,583,447,272</u>
<b>LIABILITIES</b>			
Deposits:			
Noninterest-bearing	\$ 4,312,452,221	\$ 4,346,550,937	\$ 4,266,671,173
Interest-bearing	5,062,532,503	5,095,109,531	5,130,332,287
Total deposits	9,374,984,724	9,441,660,468	9,397,003,460
Securities sold under agreements to repurchase	220,764,309	227,483,165	242,293,447
Other borrowings	-	-	20,063,287
Accrued interest payable	204,541	219,623	299,749
Other liabilities	108,203,547	106,379,114	104,180,181
Total liabilities	9,704,157,121	9,775,742,370	9,763,840,124
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	12,995,790	16,858,673	19,152,179
Surplus	32,665,000	32,665,000	32,665,000
Undivided profits	857,738,727	832,431,892	764,317,151
	903,399,517	881,955,565	816,134,330
Less treasury stock, at cost	-	-	(154,006)
	903,399,517	881,955,565	815,980,324
Accumulated other comprehensive (loss) income, net of tax	(48,140,061)	(33,271,103)	3,626,824
Total shareholders' equity	855,259,456	848,684,462	819,607,148
Total liabilities and shareholders' equity	<u>\$ 10,559,416,577</u>	<u>\$ 10,624,426,832</u>	<u>\$ 10,583,447,272</u>

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

	Three Months Ended		
	September 30, 2022	June 30, 2022	September 30, 2021
<b>INTEREST REVENUE</b>			
Loans, including fees	\$ 67,434,650	\$ 58,242,163	\$ 61,713,229
Deposits with banks	5,350,739	2,222,483	583,130
Securities	16,338,705	16,915,945	14,569,917
Other interest and dividend income	75,319	80,328	86,757
Total interest revenue	<u>89,199,413</u>	<u>77,460,919</u>	<u>76,953,033</u>
<b>INTEREST EXPENSE</b>			
Deposits	2,237,341	1,548,678	1,802,376
Funds purchased and other borrowings	98,947	(108,235)	96,744
Total interest expense	<u>2,336,288</u>	<u>1,440,443</u>	<u>1,899,120</u>
Net interest revenue	<u>86,863,125</u>	<u>76,020,476</u>	<u>75,053,913</u>
Provision (recapture) for loan losses	<u>1,000,000</u>	<u>(24,000,000)</u>	<u>-</u>
Net interest revenue after provision for loan losses	<u>85,863,125</u>	<u>100,020,476</u>	<u>75,053,913</u>
<b>NONINTEREST REVENUE</b>			
Fiduciary income	5,274,951	5,578,239	5,411,728
Investment services fees	971,614	985,632	1,213,051
Bank and credit card fees, net	3,610,873	4,686,880	4,629,972
Mortgage banking revenue, net	520,361	728,181	1,344,664
Other fees on loans	362,992	303,342	320,591
Service charges on deposits	1,808,262	1,743,473	1,576,381
Other income	1,931,645	2,458,951	2,202,656
Total noninterest revenue	<u>14,480,698</u>	<u>16,484,698</u>	<u>16,699,043</u>
<b>NONINTEREST EXPENSE</b>			
Salaries and benefits	38,229,282	38,419,698	35,358,469
Occupancy, furniture and equipment expense	5,912,064	6,564,166	5,901,188
Other expense	17,952,198	23,661,423	15,567,633
Total noninterest expense	<u>62,093,544</u>	<u>68,645,287</u>	<u>56,827,290</u>
Income before provision for income taxes	<u>38,250,279</u>	<u>47,859,887</u>	<u>34,925,666</u>
Provision for income taxes	<u>8,300,995</u>	<u>10,497,883</u>	<u>7,631,757</u>
<b>NET INCOME</b>	<u>\$ 29,949,284</u>	<u>\$ 37,362,004</u>	<u>\$ 27,293,909</u>
<b>PER SHARE DATA</b>			
<b>Weighted average number of common stock shares outstanding</b>			
Basic	2,514,052	2,523,817	2,535,537
Diluted	2,515,409	2,524,932	2,539,108
<b>Earnings per common share (based on weighted average shares outstanding)</b>			
Basic	\$ 11.91	\$ 14.80	\$ 10.76
Diluted	\$ 11.91	\$ 14.80	\$ 10.75

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

	Nine Months Ended	
	September 30, 2022	September 30, 2021
<b>INTEREST REVENUE</b>		
Loans, including fees	\$ 182,016,781	\$ 181,610,216
Deposits with banks	8,404,004	1,197,939
Securities	47,785,973	42,532,219
Other interest and dividend income	232,817	244,784
Total interest revenue	238,439,575	225,585,158
<b>INTEREST EXPENSE</b>		
Deposits	5,411,456	6,707,522
Funds purchased and other borrowings	241,505	629,519
Total interest expense	5,652,961	7,337,041
Net interest revenue	232,786,614	218,248,117
(Recapture) provision for loan losses	(23,000,000)	9,000,004
Net interest revenue after provision for loan losses	255,786,614	209,248,113
<b>NONINTEREST REVENUE</b>		
Fiduciary income	16,290,052	16,167,099
Investment services fees	3,009,985	3,096,907
Bank and credit card fees	13,268,344	12,553,895
Mortgage banking revenue, net	1,770,431	7,095,628
Other fees on loans	904,130	1,045,398
Service charges on deposits	5,307,474	4,456,130
Other income	6,705,279	6,097,077
Total noninterest revenue	47,255,695	50,512,134
<b>NONINTEREST EXPENSE</b>		
Salaries and benefits	114,722,705	105,565,876
Occupancy, furniture and equipment expense	18,687,838	18,059,783
Other expense	57,025,141	45,187,673
Total noninterest expense	190,435,684	168,813,332
Income before provision for income taxes	112,606,625	90,946,915
Provision for income taxes	24,499,902	19,938,433
<b>NET INCOME</b>	<b>\$ 88,106,723</b>	<b>\$ 71,008,482</b>
<b>PER SHARE DATA</b>		
<b>Weighted average number of common stock shares outstanding</b>		
Basic	2,520,818	2,538,459
Diluted	2,522,969	2,541,546
<b>Earnings per common share (based on weighted average shares outstanding)</b>		
Basic	\$ 34.95	\$ 27.97
Diluted	\$ 34.92	\$ 27.94

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

(dollars in thousands)

	Quarters Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
<b>SELECTED DATA</b>					
Interest-bearing deposits with banks	\$ 643,622	\$ 869,483	\$ 1,632,922	\$ 1,987,135	\$ 1,806,151
Securities	3,687,733	3,739,692	3,715,372	3,325,754	2,993,962
Total loans	5,903,011	5,685,124	5,451,588	5,536,076	5,482,823
Allowance for loan losses	118,231	117,253	140,904	140,603	139,316
Earning assets <sup>1</sup>	10,293,630	10,336,044	10,830,404	10,854,717	10,282,215
Total assets	10,559,417	10,624,427	11,084,210	11,089,567	10,583,447
Deposits	9,374,985	9,441,660	9,904,529	9,890,270	9,397,003
Interest-bearing liabilities	5,283,297	5,322,593	5,555,673	5,556,691	5,392,689
Total shareholders' equity	855,259	848,684	828,180	832,945	819,607
Total equity to total assets	8.10%	7.99%	7.47%	7.51%	7.74%
Full-time equivalent employees	1,134	1,116	1,104	1,092	1,101
<b>ASSET QUALITY RATIOS</b>					
Allowance for loan losses to total loans	2.00%	2.06%	2.58%	2.54%	2.54%
Allowance for loan losses to noncurrent loans	3842%	3249%	283%	273%	267%
Net charge-offs (recoveries) to total average loans	0.00%	-0.01%	-0.01%	-0.02%	0.00%
Noncurrent loans and ORE to assets	0.03%	0.03%	0.45%	0.46%	0.49%
Noncurrent loans, ORE and TDRs to assets	0.04%	0.04%	0.45%	0.47%	0.50%

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

	(dollars in thousands, except per share data)			% Change	
	Quarters Ended			Sequential	Year over
	September 30, 2022	June 30, 2022	September 30, 2021	Quarter	Year
<b>PERFORMANCE</b>					
Net interest revenue, fully tax-equivalent	\$ 86,906	\$ 76,064	\$ 75,117	14.3%	15.7%
Fully tax-equivalent adjustment	43	44	63	-2.3%	-31.7%
Net interest revenue	86,863	76,020	75,054	14.3%	15.7%
Provision (recapture) for loan losses	1,000	(24,000)	-	-104.2%	NM
Net interest revenue after provision for loan losses	85,863	100,020	75,054	-14.2%	14.4%
Noninterest revenue	14,481	16,485	16,699	-12.2%	-13.3%
Noninterest expense	62,094	68,645	56,827	-9.5%	9.3%
Income before provision for income taxes	38,250	47,860	34,926	-20.1%	9.5%
Provision for income taxes	8,301	10,498	7,632	-20.9%	8.8%
<b>Net income</b>	<b>\$ 29,949</b>	<b>\$ 37,362</b>	<b>\$ 27,294</b>	<b>-19.8%</b>	<b>9.7%</b>
<b>PER COMMON SHARE</b>					
Earnings per common share - basic	\$ 11.91	\$ 14.80	\$ 10.76	-19.5%	10.7%
Earnings per common share - diluted	11.91	14.80	10.75	-19.5%	10.8%
Common cash dividends	1.85	1.85	1.85	0.0%	0.0%
Common shareholders' equity	338.95	334.64	322.79	1.3%	5.0%

	Quarters Ended			% Change	
	September 30, 2022	June 30, 2022	September 30, 2021	Sequential	Year over
				Quarter	Year
<b>PERFORMANCE RATIOS</b>					
Return on average assets	1.10%	1.39%	1.03%	-0.29%	0.07%
Return on average shareholders' equity	13.81%	18.00%	13.28%	-4.19%	0.53%
Margin on average earning assets <sup>2</sup>	3.28%	2.90%	2.90%	0.38%	0.38%
Noninterest expense to average assets	2.28%	2.55%	2.14%	-0.27%	0.14%
Noninterest revenue to average assets	0.53%	0.61%	0.63%	-0.08%	-0.10%
Efficiency ratio	61.2%	74.2%	61.9%	-13.0%	-0.7%
Common cash dividends to net income	15.50%	12.49%	17.13%	3.01%	-4.64%

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

NM = not meaningful

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

(dollars in thousands, except per share data)

	<b>Nine Months Ended</b>		<b>% Change</b>
	September 30, 2022	September 30, 2021	Year over Year
<b>PERFORMANCE</b>			
Net interest revenue, fully tax-equivalent	\$ 232,921	\$ 218,454	6.6%
Fully tax-equivalent adjustment	134	206	-35.0%
Net interest revenue	232,787	218,248	6.7%
(Recapture) provision for loan losses	(23,000)	9,000	-355.6%
Net interest revenue after provision for loan losses	255,787	209,248	22.2%
Noninterest revenue	47,256	50,512	-6.4%
Noninterest expense	190,436	168,813	12.8%
Income before provision for income taxes	112,607	90,947	23.8%
Provision for income taxes	24,500	19,939	22.9%
<b>Net income</b>	<b>\$ 88,107</b>	<b>\$ 71,008</b>	<b>24.1%</b>
<b>PER COMMON SHARE</b>			
Earnings per common share - basic	\$ 34.95	\$ 27.97	25.0%
Earnings per common share - diluted	34.92	27.94	25.0%
Common cash dividends	5.55	5.55	0.0%
Common shareholders' equity	338.95	322.79	5.0%
<b>PERFORMANCE RATIOS</b>			
Return on average assets	1.09%	0.93%	0.16%
Return on average shareholders' equity	13.98%	11.81%	2.17%
Margin on average earning assets <sup>2</sup>	2.95%	2.93%	0.02%
Noninterest expense to average assets	2.35%	2.21%	0.14%
Noninterest revenue to average assets	0.58%	0.66%	-0.08%
Efficiency ratio	68.0%	62.8%	5.2%
Common cash dividends to net income	15.87%	19.83%	-3.96%

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

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

	Quarters Ended		
	September 30, 2022	June 30, 2022	September 30, 2021
<b>Loans by Credit Risk Rating:</b>			
Pass	\$ 5,656,280	\$ 5,452,013	\$ 5,179,850
Special Mention	139,896	153,683	162,815
Substandard	106,831	79,424	140,155
Doubtful	4	4	3
Total	<u>\$ 5,903,011</u>	<u>\$ 5,685,124</u>	<u>\$ 5,482,823</u>

	Quarters Ended		
	September 30, 2022	June 30, 2022	September 30, 2021
<b>Loans by Payment Status:</b>			
Current Loans	\$ 5,897,996	\$ 5,679,566	\$ 5,429,189
Loans Past Due 30-89 Days, Still Accruing	1,938	1,949	1,464
Noncurrent Loans	3,077	3,609	52,170
Total	<u>\$ 5,903,011</u>	<u>\$ 5,685,124</u>	<u>\$ 5,482,823</u>

	Quarters Ended		
	September 30, 2022	June 30, 2022	September 30, 2021
<b>Allowance for Loan Losses Position:</b>			
Allowance for Loan Losses	\$ 118,231	\$ 117,253	\$ 139,316
Allowance to Total Loans	2.00%	2.06%	2.54%