W.T.B. Financial Corp

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

April 23, 2020

Dear Shareholders:

We've always believed the banking business is a noble and honorable profession. As a financial institution, we connect savers with borrowers and enable our clients to buy new homes and cars for their families, pay for their children's college education and fund the business needs of the companies they run. That partnership puts us in the position of helping people realize their dreams, protect the financial security of their families and help their businesses, large and small, grow. Those same businesses employ millions of people and collectively make up the social fabric of the communities in which we all live. In these difficult times, we can really make a profound difference in people's lives. We are seeing that dynamic playing out right now.

This letter primarily focuses on first quarter company performance, and we will cover that in the normal course, though last quarter's performance feels somewhat foreign and disconnected from today's environment, just three weeks later. And so we will also shed some light on our response to the extraordinary circumstances unfolding around us. The shift in the global landscape over the past 60 days has been stunning and I couldn't be more proud of how this organization has adapted, banded together, risen to the challenge and accomplished so much on behalf of our customers and you, our shareholders. But first, let's review first quarter performance.

Net income for the quarter came in at $18.5 million, down $1.6 million, or 8.2 percent from last year's results. There were several key factors that drove our earnings for the quarter. While average interest earning assets were up $640 million, or 10.1 percent over the first quarter of 2019, net interest margin was down 27 basis points (bps) to 3.67 percent. The decline in margin offset the majority of the benefit of earning asset growth, resulting in net interest revenue increasing only $2.3 million, or 3.7 percent to $63.7 million. The narrowing of margin was largely due to the dramatic decline in interest rates resulting from monetary policy actions by the Federal Reserve in early and mid-March, in response to the coronavirus pandemic. Another big factor impacting first quarter performance was our decision to increase the expense for the provision for loan losses to $7 million, well above year ago levels of just $800,000. While it is too early in this crisis to observe material deterioration in our loan portfolio, the shock of this event across the economy and our society raises the potential risk of losses. Bolstering our allowance for loan losses just seemed prudent. Benefitting our performance in this quarter were realized gains on our bond portfolio of $2.1 million, which we took as a result of some repositioning strategies we pursued. Diluted earnings per share for the quarter declined $0.59, or 7.5 percent to $7.28. Return on assets declined 24 bps to 1.03 percent, while return on equity declined 304 bps to 10.31 percent.

In response to the emerging pandemic, the Federal Reserve's monetary policy actions in March were forceful and dramatic. As you no doubt know, the Fed dropped short term rates twice in March for a total of 125 basis points to essentially a zero interest rate policy level. That decline in rates, combined with the general downward shift in the yield curve over the past 18 months, pressured yields and margins, and we should expect that pressure to continue. Yields on loans declined 43 bps year-over-year to 4.87 percent, which was the primary catalyst for the narrowing of margin. Our overall funding costs remained unchanged year-over-year at an already low 28 bps as we remained cautious around deposit pricing in order to ensure retention of balances and preservation of liquidity. Yields on our growing bond portfolio actually increased over the past year by 26 bps to 2.46 percent as we have been continually adding to our securities position for earnings stability and interest rate risk management purposes.

In times of great stress and economic uncertainty, balance sheet structure, strength and risk profile elevate in prominence. The Bank's allowance for loan losses is a key reservoir of loss absorbing capacity in the balance sheet. During the quarter, the Bank's allowance position was bolstered by $7 million of provision expense to $103.9 million, or 2.26 percent of loans. Capital levels remained substantial, with shareholders' equity increasing $58.1 million, or 8.4 percent over yearend 2019 levels. That growth in shareholders' equity helped drive the company's equity to assets ratio higher by 54 bps to 10.25 percent, the strongest level we have seen since June of 2014. The Bank's regulatory capital position across all four regulatory capital measures, remained strong, with the tightest cushion being $215.9 million, or 391 bps above the regulator's well capitalized minimum for total risk based capital.

At the end of March, the Bank's liquidity position was substantial as well. Readily available cash on deposit with banks (primarily at the Federal Reserve), totaled $381 million, while investment securities totaled nearly $2.2 billion. Collectively, cash and bonds totaled over $2.5 billion, or nearly 35 percent of assets. We've been extending duration and adding to our bond position for several years, and that strategy was rewarded by the decline in interest rates. The unrealized gains on our available for sale securities portfolio improved by $85 million (pre-tax) year-over-year to $72 million at the end of March. What this means in today's market conditions is that our portfolio yields are above market, which supports earnings stability, while rising unrealized gains and higher investment portfolio valuations benefit shareholders' equity and book value per share. In the first quarter, shareholders' equity increased $58.1 million, or 8.4 percent, while year-over-year, shareholders' equity increased $126.8 million, or 20.2 percent to $754 million. That improvement is also reflected in book value per share, which increased $23.33, or 8.6 percent over the past quarter and $51.78, or 21.2 percent over the past year to $295.56.

Given the shock of a global pandemic, society's extreme social distancing response and the uncertainty around how this contagion might progress, credit performance and our borrowers' ability to meet their financial obligations to us are crucial topics. To be candid, our visibility into the true financial strain and payment pressure on our borrowers is limited. Typical credit reporting and performance metrics are backward looking, as with loan payments delinquent 90 days, or more. For example, non-current loans at the end of March continued at the low levels we've enjoyed for many years, coming in at $14.1 million, or just 0.31 percent of loans.

As a result of the COVID-19 pandemic, there are great shocks rippling through our markets and we hear many firsthand accounts of the impact of current conditions from our customers. Now is the time for our relationship based business model to prove its value. We know our customers well, as we have been their primary banker for many years in most cases. We are also in the process of granting loan deferral accommodations to many customers as they need financial resources to see them through this seriously challenging time. Our hope and expectation is that these efforts will help keep the vast majority of the recipients intact, but we also know that these accommodations come with risk of loss too. Our intent all along has been to build a company that has the strength to support our customers when necessary, while also withstanding the financial risks difficult conditions inevitably bring.

The steps we have taken to provide temporary support to many of our clients, will also obscure the traditional measures we rely upon to gauge the financial pressure and credit risk exposure within our loan portfolio. While traditionally late loan payments extending across 30, 60 and 90 days were a reliable indicator of emerging credit difficulties, in today's environment, late loan payment levels may not emerge until much later due to accommodations and support we have provided. And so we fall back on the typically close relationship we have with our customers and balance sheet strength. Strength in the form of a robust allowance for loan losses position, significant levels of liquidity, a substantial capital cushion above regulatory minimums, significant unrealized gains in our bond portfolio and the ongoing earning power of our balance sheet.

Additionally, as a Small Business Administration (SBA) Preferred Lender, we were able to deliver access to the United States Treasury's and the SBA's Paycheck Protection Program (PPP) to our customers. The loans under this program are designed to enable small businesses to fund payroll, rent, utilities, and interest for eight weeks. The intention of the program is to hire back or retain employees and support businesses until the COVID-19 shutdown runs its course. If used as intended, a significant portion of these loans could be forgivable by the SBA. We felt this program was critical to support our clients. We marshalled resources from across the bank and worked 24/7 to process applications and fund PPP loans. Through truly extraordinary work by our team, we are on track to deliver over a billion dollars of loans through the SBA's PPP to more than 3,500 of our business customers. Remarkable numbers and a remarkable accomplishment the likes of which I have never seen in all my years in banking. The chorus of heartfelt appreciation from our customers has been overwhelming.

Within the company, the ability of our organization to adapt to today's extraordinary operating environment has been nothing short of remarkable. In order to protect our employees and customers, we quickly shifted the vast majority of our employees to some form of remote working status. To make that shift in a matter of a week or two and be able to continue to operate fully was an impressive accomplishment. We then mobilized a broad cross section of our organization to deliver on the PPP for our customers. The letters of appreciation we have received from clients are both gratifying and heartwarming. I can tell you that what this organization accomplished and the positive impact we had on so many customers has been truly astounding.

We are committed to keep you posted on our share repurchase program. As you know, on February 25, 2020, the Board of Directors reauthorized a share repurchase plan for up to $12.0 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. We entered a trading blackout period back in the middle of March lasting until first quarter earnings were released, and so put a plan in place to continue purchasing a modest level of shares at that time. Under that plan, we have purchased $1.9 million of Company Class "B" common shares since it was authorized back on February 25, 2020.

First quarter results were quite good, given the emergence of current difficulties late in that quarter. Obviously today's environment is different from the one that shaped the first three months of the year and there is still much uncertainty about what the future holds. We are expecting challenges, performance pressure, some level of credit difficulties and more surprises, some of which we hope are for the good. We have been preparing for a challenging operating environment for some time and now all those preparations are being put to the test. We remain confident in the future and need look no further than the remarkable performance of our team and the gratitude of so many of our customers to know we are doing many things right. In the meantime, we will continue to serve our clients, brace for challenging times, take care of our people and plan for a return to some semblance of normal in the not too distant future. We hope you and your families are safe and please let us know if we can help you in anyway. For additional pertinent information, please also visit our Investor Relations webpage at watrust.com/about/investor-relations.

Warm Regards,

Peter F. Stanton

Pete Stanton
Chairman of the Board and CEO

Enclosure

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W.T.B. Financial Corp

Summary Financial Statements and Selected Financial Highlights Q1 2020

(unaudited)

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

	March 31, 2020	December 31, 2019	March 31, 2019
ASSETS			
Cash and due from banks	**$ 116,756,121**	$ 102,602,803	$ 90,732,820
Interest-bearing deposits with banks	**381,066,931**	523,953,345	467,225,647
Securities available for sale, at fair value	**1,543,163,273**	1,247,616,516	1,123,829,993
Securities held to maturity, at amortized cost	**620,883,435**	648,206,906	543,065,327
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**8,642,400**	7,911,600	7,911,600
Loans receivable	**4,608,602,493**	4,542,596,851	4,100,672,229
Allowance for loan losses	**(103,945,726)**	(96,414,721)	(92,975,393)
Loans net of allowance for loan losses	**4,504,656,767**	4,446,182,130	4,007,696,836
Premises and equipment, net	**88,853,670**	86,682,368	55,620,373
Accrued interest receivable	**20,714,213**	21,158,214	20,997,962
Other assets	**68,552,280**	80,350,297	76,438,339
Total assets	**$ 7,353,289,090**	$ 7,164,664,179	$ 6,393,518,897
LIABILITIES			
Deposits:			
Noninterest-bearing	**$ 2,695,442,754**	$ 2,817,138,103	$ 2,309,745,996
Interest-bearing	**3,418,250,242**	3,409,727,898	3,143,077,484
Total deposits	**6,113,692,996**	6,226,866,001	5,452,823,480
Securites sold under agreements to repurchase	**405,941,647**	163,069,316	244,902,546
Accrued interest payable	**848,067**	1,134,357	2,227,949
Other liabilities	**78,790,757**	77,690,457	66,319,669
Total liabilities	**6,599,273,467**	6,468,760,131	5,766,273,644
SHAREHOLDERS' EQUITY			
Common stock	**23,073,040**	26,755,819	31,435,951
Surplus	**32,665,000**	32,665,000	32,665,000
Undivided profits	**663,666,536**	649,845,770	600,119,242
	719,404,576	709,266,589	664,220,193
Less treasury stock, at cost	**-**	(18,428)	-
	719,404,576	709,248,161	664,220,193
Accumulated other comprehensive loss	**34,611,047**	(13,344,113)	(36,974,940)
Total shareholders' equity	**754,015,623**	695,904,048	627,245,253
Total liabilities and shareholders' equity	**$ 7,353,289,090**	$ 7,164,664,179	$ 6,393,518,897

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

	Three Months Ended		
	March 31, 2020	December 31, 2019	March 31, 2019
INTEREST REVENUE			
Loans, including fees	**$ 54,875,179**	$ 56,314,001	$ 52,814,234
Deposits with banks	**1,789,283**	1,044,882	3,979,401
Securities	**11,738,621**	11,901,999	8,925,358
Other interest and dividend income	**84,444**	81,542	79,642
Total interest revenue	**68,487,527**	69,342,424	65,798,635
INTEREST EXPENSE			
Deposits	**4,179,937**	4,052,313	4,102,466
Funds purchased and other borrowings	**610,831**	505,988	270,589
Total interest expense	**4,790,768**	4,558,301	4,373,055
Net interest revenue	**63,696,759**	64,784,123	61,425,580
Provision for loan losses	**7,000,000**	1,200,000	800,000
Net interest revenue after provision for loan losses	**56,696,759**	63,584,123	60,625,580
NONINTEREST REVENUE			
Fiduciary income	**4,689,806**	4,538,314	4,205,554
Investment services fees	**840,664**	732,049	749,045
Bank and credit card fees, net	**2,739,688**	3,257,608	2,774,343
Mortgage banking revenue, net	**1,449,424**	1,457,212	760,468
Other fees on loans	**246,963**	416,480	285,849
Service charges on deposits	**1,708,085**	1,656,250	1,786,636
Other income	**3,799,548**	1,749,841	744,100
Total noninterest revenue	**15,474,178**	13,807,754	11,305,995
NONINTEREST EXPENSE			
Salaries and benefits	**31,127,161**	28,940,405	28,223,646
Occupancy, furniture and equipment expense	**5,114,942**	5,714,744	4,825,051
Other expense	**12,219,920**	15,181,542	13,060,206
Total noninterest expense	**48,462,023**	49,836,691	46,108,903
Income before provision for income taxes	**23,708,914**	27,555,186	25,822,672
Provision for income taxes	**5,185,896**	6,047,475	5,651,339
NET INCOME	**$ 18,523,018**	$ 21,507,711	$ 20,171,333
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,539,620**	2,544,395	2,558,669
Diluted	**2,544,890**	2,550,164	2,564,390
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 7.29**	$ 8.45	$ 7.88
Diluted	**$ 7.28**	$ 8.43	$ 7.87

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

	(dollars in thousands) Quarters Ended				
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
SELECTED DATA					
Interest-bearing deposits with banks	$ 381,067	$ 523,953	$ 83,279	$ 207,118	$ 467,226
Securities	2,164,047	1,895,823	1,946,040	1,752,278	1,666,895
Total loans	4,608,602	4,542,597	4,539,107	4,394,500	4,100,672
Allowance for loan losses	103,946	96,415	96,856	94,349	92,975
Earning assets [1]	7,090,226	6,958,855	6,554,930	6,351,760	6,255,713
Total assets	7,353,289	7,164,664	6,811,084	6,561,914	6,393,519
Deposits	6,113,693	6,226,866	5,595,329	5,520,830	5,452,823
Interest-bearing liabilities	3,824,192	3,572,797	3,558,091	3,485,587	3,387,980
Total shareholders' equity	754,016	695,904	686,543	659,530	627,245
Total equity to total assets	10.25%	9.71%	10.08%	10.05%	9.81%
Full-time equivalent employees	1,023	1,017	1,013	1,004	994
ASSET QUALITY RATIOS					
Allowance for loan losses to total loans	2.26%	2.12%	2.13%	2.15%	2.27%
Allowance for loan losses to noncurrent loans	737%	671%	918%	502%	721%
Net charge-offs (recoveries) to total average loans	-0.01%	0.04%	-0.04%	-0.02%	-0.04%
Noncurrent loans and ORE to assets	0.19%	0.20%	0.15%	0.29%	0.20%
Noncurrent loans, ORE and TDRs to assets	0.21%	0.22%	0.17%	0.30%	0.21%

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

	(dollars in thousands, except per share data) Quarters Ended			% Change	
	March 31, 2020	December 31, 2019	March 31, 2019	Sequential Quarter	Year over Year
PERFORMANCE [1]					
Net interest revenue, fully tax-equivalent	$ 63,799	$ 64,893	$ 61,550	-1.7%	3.7%
Fully tax-equivalent adjustment	102	109	124	-6.4%	-17.7%
Net interest revenue	63,697	64,784	61,426	-1.7%	3.7%
Provision for loan losses	7,000	1,200	800	483.3%	775.0%
Net interest revenue after provision for loan losses	56,697	63,584	60,626	-10.8%	-6.5%
Noninterest revenue	15,474	13,808	11,306	12.1%	36.9%
Noninterest expense	48,462	49,837	46,109	-2.8%	5.1%
Income before provision for income taxes	23,709	27,555	25,823	-14.0%	-8.2%
Provision for income taxes	5,186	6,047	5,652	-14.2%	-8.2%
Net income	$ 18,523	$ 21,508	$ 20,171	-13.9%	-8.2%
PER COMMON SHARE					
Earnings per common share - basic	$ 7.29	$ 8.45	$ 7.88	-13.7%	-7.5%
Earnings per common share - diluted	7.28	8.43	7.87	-13.6%	-7.5%
Common cash dividends	1.85	1.75	1.75	5.7%	5.7%
Common shareholders' equity	295.56	272.23	243.78	8.6%	21.2%

	Quarters Ended			% Change	
	March 31, 2020	December 31, 2019	March 31, 2019	Sequential Quarter	Year over Year
PERFORMANCE RATIOS [1]					
Return on average assets	1.03%	1.24%	1.27%	-0.21%	-0.24%
Return on average shareholders' equity	10.31%	12.30%	13.35%	-1.99%	-3.04%
Margin on average earning assets [2]	3.67%	3.85%	3.94%	-0.18%	-0.27%
Noninterest expense to average assets	2.71%	2.87%	2.89%	-0.16%	-0.18%
Noninterest revenue to average assets	0.86%	0.80%	0.71%	0.06%	0.15%
Efficiency ratio	61.1%	63.3%	63.3%	-2.2%	-2.2%
Common cash dividends to net income	25.38%	20.70%	22.24%	4.68%	-1.54%

(1) Prior period amounts have been reclassified to conform with the current period presentation of rental income.
(2) Tax exempt interest has been adjusted to a taxable equivalent basis using a tax rate of 21%.
NM = not meaningful