W.T.B. Financial Corp

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

July 22, 2021

Dear Shareholders:

We are pleased to report a very strong second quarter performance as earnings came in at $23.1 million, up $2.4 million, or 11.6 percent from first quarter results, and up $3.9 million, or 20.6 percent over year ago levels. While many trends are positive, we remain in an environment that is still adapting to all of the disruption and aftermath of the COVID pandemic. We will cover some of that adaptation that is impacting our business below.

After all the drama one year ago, things have settled down quite a bit and the economic landscape has turned in a decidedly positive direction. From the near global shut-down of economic activity in 2020, the U.S. economy has now recorded several quarters of solid growth, with latest figures showing GDP grew 6.4 percent in the first quarter. The unemployment rate has improved markedly from a peak of 14.8 percent in 2020 to 5.9 percent in June. The delivery of vaccines seems to have turned COVID transmission rates around and reduced pressure on our healthcare system, and our society is returning to some semblance of normal. But many second level impacts of the COVID pandemic remain. Interest rates remain near historic lows. Liquidity levels across the industry are extraordinarily high as government policies push massive amounts of cash into the financial system. There is a rush of people migrating to smaller towns across America as a result of technology enabling remote workers, lower living costs and societal unrest in our major cities. Coeur d'Alene, Idaho (ranked 1st) and Spokane, Washington (ranked 5th) recently received national attention at the top of the list of hottest emerging housing markets in America. With Spokane being our home town and Coeur d'Alene a long-time core market, we have been a beneficiary of that migration.

There are other outcomes of the extraordinary conditions of the past 15 months that continue to have an impact on our business. Our balance sheet remained above $10 billion at quarter end and this level of financial footings may well be our new normal. Our stockpile of liquidity remains unusually high with over 40 percent of our balance sheet in cash and bonds. While it is a luxury to have so much liquidity, it is difficult to deploy it at attractive returns in this still low rate environment, which suppresses both margin and return on assets ("ROA"). All of our liquidity arises from customers flush with liquidity of their own, who chose to keep those funds on deposit at Washington Trust Bank. We still have $779 million in principal balance of PPP loans outstanding, though the pace of loan forgiveness by the Small Business Administration ("SBA") accelerated in the second quarter and those balances are expected to continue to diminish with time. Our allowance for loan loss position remains strong at $139 million, or 2.45 percent of loans after taking provision expense of $35 million over the past five quarters in anticipation of growing credit problems. But credit pressure on our loan customers seems to be more isolated than we all expected last year. While some financial stress has emerged in our loan portfolio, the levels seem moderate, the difficulties more situational and the challenges stabilized, for now.

For the quarter, total assets increased $173 million, or 1.7 percent to $10.3 billion. That growth was fueled by deposits, which grew $117 million, or 1.3 percent to $9.1 billion. Loans declined in the second quarter by $156 million, or 2.7 percent to $5.7 billion, and that decline was mostly due to an even greater level of forgiveness activity as more than over $430 million in PPP loans were repaid during the quarter. The combination of deposit growth and declining loans drove investible cash balances higher by $369 million to $1.3 billion. Shareholders' equity increased $29 million, or 3.8 percent from March levels to $806 million. The Company's equity to assets ratio increased 16 basis points ("bps") to 7.84 percent as equity grew faster than assets.

Earnings for the quarter were strong at $23.1 million, up 11.6 percent over first quarter performance and 20.6 percent from the second quarter of 2020. Earnings per share came in at $9.06, up $0.93, or 11.4 percent above first quarter results and $1.52, or 20.1 percent over year ago performance. Net interest revenue was up $3.4 million, or 4.8 percent to $73.3 million for the quarter, and that result was helped by a large loan recovery, which contributed $2.6 million in recaptured interest revenue. Provision expense of $3.0 million was $3.0 million lower than first quarter levels and $4.5 million lower than year ago levels as concerns over credit pressure and borrower performance lessened. Noninterest revenue was down nearly $750,000, or 4.3 percent for the quarter to $16.5 million, as lower single family loan originations resulted in lower loan sales and lower loan sale revenue. Noninterest expense for the quarter was up $2.6 million, or 4.7 percent to $57.3 million, primarily as a result of higher compensation and professional services expense. Higher expenses in those areas reflect deliberate decisions to invest in our people, deploy new systems, grow our compliance and back-office resources and execute on customer needs around loans and the PPP forgiveness process.

Stronger earnings brought some improved performance metrics, but these odd times are pushing some key performance indicators in unusual directions. ROA for the quarter came in at 0.90 percent, up 5 bps from first quarter results and in line with year ago levels. Still low by historical norms, but a reflection of the significant growth in assets over the past 15 months. Margin in the second quarter remained low at 2.94 percent, down 2 bps from first quarter levels and down 30 bps from year ago performance. In my many years of banking, I have not seen net interest margin at these levels. One of the things that makes this environment interesting is that, while margin is at a historical low, net interest revenue for the Company just hit a record high. While balance sheet size, low rates and high levels of liquidity are creating challenges for some performance measures, return on equity ("ROE") for the quarter was pretty solid, all things considered. ROE came in at 11.60 percent, up 112 bps from first quarter and 154 bps from year ago levels.

We continue to pay close attention to the risk profile of the Company. Liquidity levels are substantial with nearly $4.4 billion of cash and high quality bonds representing 43 percent of total assets. We have large, unused lines of credit at the Federal Reserve and Federal Home Loan Bank. While the COVID recession did put pressure on some borrowers, the level of relief we were able to deliver through PPP loans and payment deferrals provided a significant buffer enabling most of them to navigate through the worst of the recession. The financial stress of the past 15 months across our loan portfolio seems to have been somewhat isolated and the number of clients still under pressure is leveling out. Additionally, we have bolstered our reserve for loan losses to significant levels that compare very favorably to industry norms. The earning power of the balance sheet continues to perform at solid levels, though we recognize that as PPP loans are forgiven, revenue generation will come under additional pressure. And finally, capital levels are substantial and significantly above regulatory well capitalized minimums.

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Taking a dynamic and unusual operating environment into consideration, we feel very good about our results. Our performance was delivered while also devoting considerable internal resources to important key initiatives within the Company. There are significant system conversions in various stages of completion that are enabling us to evolve our capabilities, deliver first rate products and services to our clients, build scale into our organization and remain a competitive force in the marketplace. Additionally, with size and complexity comes a greater need for methods, systems and controls to help us run our business, and that takes people, organization and expense to execute. Our expectation is that those types of investments and initiatives are the new normal and will be a necessary core competency well into the future. Our challenge will be to make wise decisions, always improve the customer experience and build structure that we can scale well into the coming years.

We are committed to keeping you posted on our share repurchase program. As you know, on February 23, 2021, 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, we have not purchased any shares thus far and any purchases later in the year will be dependent upon market conditions and the external environment in which we operate.

We are beginning our transition back to the office and while the transition is coming with some mixed emotions, I can tell you that initial meetings across the organization of teams, divisions and regions are turning out to be joyous events as long time staff renew their friendships and new employees are welcomed in person by their teams for the first time. That relationship experience, after having been apart for 15 months, is what connects us as people and makes this organization a great place to be. Under such extraordinary circumstances, I am so proud of all we have accomplished. We hope you and your families are emerging back into your own new, and hopefully better normal, like we are. Please let us know if we can help you in any way. 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

W.T.B. Financial Corp

Summary Financial Statements, Selected Financial Highlights and Selected Credit Performance Highlights Q2 2021

(unaudited)

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

	June 30, 2021	March 31, 2021	June 30, 2020
ASSETS			
Cash and due from banks	**111,332,899**	$ 114,331,868	$ 111,455,331
Interest-bearing deposits with banks	**1,330,547,291**	961,600,455	778,374,895
Securities available for sale, at fair value	**403,692,368**	1,598,637,100	1,524,082,050
Securities held to maturity, at amortized cost	**2,661,838,499**	1,504,211,439	603,767,596
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**10,060,000**	10,060,000	8,642,400
Loans receivable	**5,675,804,551**	5,832,079,142	5,726,372,330
Allowance for loan losses	**(139,112,930)**	(139,159,511)	(111,715,530)
Loans, net of allowance for loan losses	**5,536,691,621**	5,692,919,631	5,614,656,800
Premises and equipment, net	**88,987,871**	90,427,202	88,951,403
Accrued interest receivable	**27,589,783**	29,602,279	26,495,069
Other assets	**110,123,472**	106,399,169	69,629,129
Total assets	**$ 10,280,863,804**	$ 10,108,189,143	$ 8,826,054,673
LIABILITIES			
Deposits:			
Noninterest-bearing	**$ 4,316,714,723**	$ 4,247,011,643	$ 3,535,137,790
Interest-bearing	**4,803,369,864**	4,756,448,805	3,993,988,829
Total deposits	**9,120,084,587**	9,003,460,448	7,529,126,619
Securites sold under agreements to repurchase	**235,736,087**	226,729,135	430,509,054
Other borrowings	**20,063,287**	-	-
Accrued interest payable	**427,357**	485,076	884,528
Other liabilities	**98,724,089**	100,946,386	86,542,782
Total liabilities	**9,475,035,407**	9,331,621,045	8,047,062,983
SHAREHOLDERS' EQUITY			
Common stock	**25,057,245**	24,585,386	22,768,942
Surplus	**32,665,000**	32,665,000	32,665,000
Undivided profits	**741,698,974**	723,348,285	678,092,911
	799,421,219	780,598,671	733,526,853
Accumulated other comprehensive (loss) gain, net of tax	**6,407,178**	(4,030,573)	45,464,837
Total shareholders' equity	**805,828,397**	776,568,098	778,991,690
Total liabilities and shareholders' equity	**$ 10,280,863,804**	$ 10,108,189,143	$ 8,826,054,673

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

	Three Months Ended		
	June 30, 2021	March 31, 2021	June 30, 2020
INTEREST REVENUE			
Loans, including fees	**$ 61,255,688**	$ 58,641,298	$ 58,239,391
Deposits with banks	**312,414**	302,395	176,161
Securities	**14,137,707**	13,824,595	11,798,667
Other interest and dividend income	**80,682**	77,346	70,764
Total interest revenue	**75,786,491**	72,845,634	70,284,983
INTEREST EXPENSE			
Deposits	**2,289,786**	2,615,360	3,536,154
Funds purchased and other borrowings	**217,663**	315,112	389,509
Total interest expense	**2,507,449**	2,930,472	3,925,663
Net interest revenue	**73,279,042**	69,915,162	66,359,320
Provision for loan losses	**3,000,000**	6,000,004	7,500,000
Net interest revenue after provision for loan losses	**70,279,042**	63,915,158	58,859,320
NONINTEREST REVENUE			
Fiduciary income	**5,643,578**	5,111,794	4,629,012
Investment services fees	**966,166**	917,691	688,629
Bank and credit card fees, net	**4,324,851**	3,599,072	2,938,719
Mortgage banking revenue, net	**1,804,678**	3,946,286	1,983,653
Other fees on loans	**465,859**	258,948	248,085
Service charges on deposits	**1,433,817**	1,445,932	1,302,497
Other income	**1,893,619**	2,000,800	4,354,765
Total noninterest revenue	**16,532,568**	17,280,523	16,145,360
NONINTEREST EXPENSE			
Salaries and benefits	**35,527,713**	34,679,695	30,895,900
Occupancy, furniture and equipment expense	**6,143,861**	6,014,734	5,546,067
Other expense	**15,605,585**	14,014,454	14,012,262
Total noninterest expense	**57,277,159**	54,708,883	50,454,229
Income before provision for income taxes	**29,534,451**	26,486,798	24,550,452
Provision for income taxes	**6,481,574**	5,825,102	5,435,245
NET INCOME	**$ 23,052,877**	$ 20,661,696	$ 19,115,207
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,541,723**	2,538,147	2,534,765
Diluted	**2,545,526**	2,541,846	2,535,529
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 9.07**	$ 8.14	$ 7.54
Diluted	**$ 9.06**	$ 8.13	$ 7.54

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

	Six Months Ended	
	June 30, 2021	June 30, 2020
INTEREST REVENUE		
Loans, including fees	**$ 119,896,986**	$ 113,114,570
Deposits with banks	**614,809**	1,965,444
Securities	**27,962,302**	23,537,288
Other interest and dividend income	**158,028**	155,208
Total interest revenue	**148,632,125**	138,772,510
INTEREST EXPENSE		
Deposits	**4,905,145**	7,716,090
Funds purchased and other borrowings	**532,776**	1,000,341
Total interest expense	**5,437,921**	8,716,431
Net interest revenue	**143,194,204**	130,056,079
Provision for loan losses	**9,000,004**	14,500,000
Net interest revenue after provision for loan losses	**134,194,200**	115,556,079
NONINTEREST REVENUE		
Fiduciary income	**10,755,372**	9,318,818
Investment services fees	**1,883,856**	1,529,293
Bank and credit card fees	**7,923,924**	5,678,407
Mortgage banking revenue, net	**5,750,964**	3,433,077
Other fees on loans	**724,807**	495,048
Service charges on deposits	**2,879,749**	3,010,581
Other income	**3,894,419**	8,154,314
Total noninterest revenue	**33,813,091**	31,619,538
NONINTEREST EXPENSE		
Salaries and benefits	**70,207,407**	62,023,061
Occupancy, furniture and equipment expense	**12,158,595**	10,661,009
Other expense	**29,620,040**	26,232,181
Total noninterest expense	**111,986,042**	98,916,251
Income before provision for income taxes	**56,021,249**	48,259,366
Provision for income taxes	**12,306,676**	10,621,141
NET INCOME	**$ 43,714,573**	$ 37,638,225
PER SHARE DATA		
Weighted average number of common stock shares outstanding		
Basic	**2,539,945**	2,537,192
Diluted	**2,543,696**	2,540,210
Earnings per common share (based on weighted average shares outstanding)		
Basic	**$ 17.21**	$ 14.83
Diluted	**$ 17.19**	$ 14.82

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

(dollars in thousands)

	Quarters Ended				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
SELECTED DATA					
Interest-bearing deposits with banks	$ 1,330,547	$ 961,600	$ 1,463,300	$ 903,066	$ 778,375
Securities	3,065,531	3,102,849	2,578,360	2,277,328	2,127,850
Total loans	5,675,805	5,832,079	5,591,532	5,871,073	5,726,372
Allowance for loan losses	139,113	139,160	132,811	121,077	111,716
Earning assets [1]	10,068,641	9,884,576	9,561,272	8,968,308	8,555,368
Total assets	10,280,864	10,108,189	9,813,963	9,243,985	8,826,055
Deposits	9,120,085	9,003,460	8,698,791	8,151,919	7,529,127
Interest-bearing liabilities	5,059,169	4,983,178	4,763,925	4,558,869	4,424,498
Total shareholders’ equity	805,828	776,568	806,518	799,339	778,992
Total equity to total assets	7.84%	7.68%	8.22%	8.65%	8.83%
Full-time equivalent employees	1,100	1,087	1,066	1,060	1,048
ASSET QUALITY RATIOS					
Allowance for loan losses to total loans	2.45%	2.39%	2.38%	2.06%	1.95%
Allowance for loan losses to noncurrent loans	257%	406%	1162%	853%	720%
Net charge-offs (recoveries) to total average loans	0.05%	-0.01%	-0.04%	-0.01%	0.00%
Noncurrent loans and ORE to assets	0.53%	0.34%	0.12%	0.15%	0.18%
Noncurrent loans, ORE and TDRs to assets	0.54%	0.35%	0.13%	0.17%	0.19%

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

(dollars in thousands, except per share data)

	Quarters Ended			% Change	
	June 30, 2021	March 31, 2021	June 30, 2020	Sequential Quarter	Year over Year
PERFORMANCE					
Net interest revenue, fully tax-equivalent	$ 73,349	$ 69,988	$ 66,434	4.8%	10.4%
Fully tax-equivalent adjustment	70	73	75	-4.1%	-6.7%
Net interest revenue	73,279	69,915	66,359	4.8%	10.4%
Provision for loan losses	3,000	6,000	7,500	-50.0%	-60.0%
Net interest revenue after provision for loan losses	70,279	63,915	58,859	10.0%	19.4%
Noninterest revenue	16,533	17,281	16,145	-4.3%	2.4%
Noninterest expense	57,278	54,709	50,454	4.7%	13.5%
Income before provision for income taxes	29,534	26,487	24,550	11.5%	20.3%
Provision for income taxes	6,481	5,825	5,435	11.3%	19.2%
Net income	$ 23,053	$ 20,662	$ 19,115	11.6%	20.6%
PER COMMON SHARE					
Earnings per common share - basic	$ 9.07	$ 8.14	$ 7.54	11.4%	20.3%
Earnings per common share - diluted	9.06	8.13	7.54	11.4%	20.2%
Common cash dividends	1.85	1.85	1.85	0.0%	0.0%
Common shareholders’ equity	315.29	303.84	305.72	3.8%	3.1%

	Quarters Ended			% Change	
	June 30, 2021	March 31, 2021	June 30, 2020	Sequential Quarter	Year over Year
PERFORMANCE RATIOS					
Return on average assets	0.90%	0.85%	0.90%	0.05%	0.00%
Return on average shareholders’ equity	11.60%	10.48%	10.06%	1.12%	1.54%
Margin on average earning assets [1]	2.94%	2.96%	3.24%	-0.02%	-0.30%
Noninterest expense to average assets	2.25%	2.26%	2.38%	-0.01%	-0.13%
Noninterest revenue to average assets	0.65%	0.71%	0.76%	-0.06%	-0.11%
Efficiency ratio	63.7%	62.7%	61.1%	1.0%	2.6%
Common cash dividends to net income	20.40%	22.76%	24.53%	-2.36%	-1.77%

(1) Tax exempt interest has been adjusted to a taxable equivalent basis using a tax rate of 21%.
NM = not meaningful

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

	(dollars in thousands, except per share data)		
	Six Months Ended		% Change
	June 30, 2021	June 30, 2020	Year over Year
PERFORMANCE			
Net interest revenue, fully tax-equivalent	$ 143,337	$ 130,233	10.1%
Fully tax-equivalent adjustment	143	177	-19.2%
Net interest revenue	143,194	130,056	10.1%
Provision for loan losses	9,000	14,500	-37.9%
Net interest revenue after provision for loan losses	134,194	115,556	16.1%
Noninterest revenue	33,813	31,619	6.9%
Noninterest expense	111,986	98,916	13.2%
Income before provision for income taxes	56,021	48,259	16.1%
Provision for income taxes	12,306	10,621	15.9%
Net income	$ 43,715	$ 37,638	16.1%
PER COMMON SHARE			
Earnings per common share - basic	$ 17.21	$ 14.83	16.0%
Earnings per common share - diluted	17.19	14.82	16.0%
Common cash dividends	3.70	3.70	0.0%
Common shareholders' equity	315.29	305.72	3.1%
PERFORMANCE RATIOS			
Return on average assets	0.88%	0.96%	-0.08%
Return on average shareholders' equity	11.04%	10.18%	0.86%
Margin on average earning assets[1]	2.95%	3.44%	-0.49%
Noninterest expense to average assets	2.25%	2.53%	-0.28%
Noninterest revenue to average assets	0.68%	0.81%	-0.13%
Efficiency ratio	63.2%	61.1%	2.1%
Common cash dividends to net income	21.51%	24.95%	-3.44%

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

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

Loans by Credit Risk Rating:	Quarters Ended June 30, 2021	March 31, 2021	June 30, 2020
Pass	$ 5,360,668,095	$ 5,514,618,445	$ 5,573,842,551
Special Mention	165,554,800	171,440,879	77,175,567
Substandard	149,575,870	145,978,235	75,237,233
Doubtful	5,786	41,583	116,979
Total	$ 5,675,804,551	$ 5,832,079,142	$ 5,726,372,330

Loans by Payment Status:	Quarters Ended June 30, 2021	March 31, 2021	June 30, 2020
Current Loans	$ 5,619,739,509	$ 5,797,432,118	$ 5,704,269,975
Noncurrent Loans	54,176,640	34,301,852	15,512,804
Loans Past Due 30-89 Days, Still Accruing	1,888,402	345,172	6,589,550
Total	$ 5,675,804,551	$ 5,832,079,142	$ 5,726,372,330

Allowance for Loan Losses Position:	Quarters Ended June 30, 2021	March 31, 2021	June 30, 2020
Allowance for Loan Losses	$ 139,112,930	$ 139,159,511	$ 111,715,530
Allowance to Total Loans	2.45%	2.39%	1.95%