W.T.B. Financial Corp

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

April 22, 2021

Dear Shareholders:

Last year at this time, assets totaled $7.4 billion and we estimated our timeline for cresting $10 billion in total assets was likely five years, or more into our future. Even at that pace, it would have meant growing more than $500 million every year for five years straight, which would have been no small feat for a relationship based and organic growth business model. And then the world changed and a variety of factors over the past year accelerated our growth dramatically, propelling assets above $10 billion at March 31, 2021. In part, this growth was a product of our success in delivering financial relief to our small business clients through the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). Over the past year, we originated more than $1.7 billion in PPP loans, while total outstanding balances remaining at the end of March were $1.2 billion, with the difference being the dollar amount of PPP loans that have been forgiven. Additionally, new deposit inflows, apart from PPP driven balances, have contributed to our growth. Those deposit inflows reflect a strong liquidity position across a large segment of our customer base.

We have always valued financial performance over balance sheet size, and the reality of the landscape right now is that deploying our considerable stockpile of liquidity profitably and responsibly is challenging. Virtually all of our earning asset growth over the past year has been in relatively low yielding categories, like PPP loans, bonds and cash. So while our liquidity position is the strongest it has ever been, with more than 40 percent of our balance sheet invested in cash and securities, the nearly 40 percent growth in assets we experienced over the past year did not translate into similar levels of earnings growth. Nonetheless, net income this period compared quite favorably quarter-over-quarter and with year ago levels.

For the first quarter of 2021, net income totaled $20.7 million, up $1.9 million, or 10.0 percent over fourth quarter of 2020 results and up $2.1 million, or 11.5 percent over first quarter of 2020 levels. Diluted earnings per share in the first quarter came in at $8.13, up $0.73, or 9.8 percent over fourth quarter results, and up $0.85 per share, or 11.7 percent higher than year ago levels. There are lots of dynamics impacting our performance, beyond just growth in the balance sheet, and we will cover those dynamics below.

Net interest revenue for the quarter came in at $69.9 million, up $6.2 million, or 9.8 percent from the first quarter of 2020. That improvement in net interest revenue was the byproduct of the adverse impact of a significantly narrower net interest margin (year-over-year, margin narrowed 71 basis points ("bps") to 2.96 percent), offset by the beneficial impact of dramatically higher earning assets (year-over-year, average earning assets grew $2.6 billion, or 37.3 percent to $9.6 billion). The substantial decline in net interest margin is partially due to the low rate environment, but also due to a significantly higher proportion of earning assets invested in lower yielding asset classes (cash and bonds in particular).

Noninterest revenue grew year-over-year by $1.8 million, or 11.7 percent to $17.3 million. That growth was primarily the result of higher gains on the sale of single family home loans (up $2.3 million year-over-year to $3.8 million), which reflect the drop in interest rates in the spring of 2020 continuing to drive higher loan refinance activity. Loan origination activity has slowed somewhat recently, which did result in lower gains on loan sales in the first quarter of 2021 ($3.8 million), as compared with the fourth quarter of 2020 ($5.8 million). Higher wealth management division revenues (up $499,000 to $6.0 million) and bank card and credit card fees (up $859,000 to $3.6 million) also benefitted noninterest revenue, though were offset by lower bond sale revenue, which dropped from a gain of $2.1 million in the first quarter of 2020 to no activity in the current quarter.

Noninterest expense was up considerably, increasing by $6.2 million, or 12.9 percent to $54.7 million, which was primarily due to higher compensation expense (up $3.2 million, or 13.0 percent to $28.1 million) and FDIC deposit insurance premiums (up $1.3 million from virtually nothing one year ago when insurance premiums were essentially nonexistent due to the FDIC's deposit insurance fund being fully funded). The rise in compensation expense was due to higher staffing levels and incentives related to loan originations. The higher staffing levels are due, in part, to additional staffing needs related to crossing over the $10 billion asset threshold and the elevated regulatory expectations for compliance and risk management capabilities, in addition to increased staffing in our technology team.

With all that has gone on in the external environment, asset quality and credit performance have been important areas of focus for the Bank. Provision for loan loss expense both impacts the income statement, and fortifies the balance sheet through increased loss absorbing capacity provided by our allowance for loan loss ("ALLL") position. In the current quarter, provision expense totaled $6.0 million, down from the $7.0 million in provision expense we took last year and also down from the $9.5 million we recorded in the fourth quarter.

All of the provision expense we have taken in the last five quarters, which totaled $39.0 million, helped build our allowance position by $42.7 million to $139.2 million, or 2.39 percent of loans at the end of March. That substantial increase in our allowance position was a consequence of both elevating financial difficulties being felt by some borrowers and the unprecedented economic and societal stress brought on by the pandemic. Traditional measures of borrower distress across our loan portfolio were slow to materialize. For example, over the past five quarters, gross loan charge-offs have totaled just $2.6 million, while noncurrent loans did not really tick up until this quarter, when they increased $22.9 million to $34.3 million at the end of March 2021.

These low indicators of credit problems are likely due to the fairly focused impact of the recession on certain industries, as well as the significant financial relief we were able to deliver to our customers through PPP loans and loan payment deferrals. Loan payment deferrals were granted to around 680 clients covering close to $540 million in loans over the past year, but fewer than 20 clients with principal balances totaling less than $15 million remain on deferral status. Another measure of credit quality that is not just driven by timely payments is our risk grading process, which categorizes loans that are exhibiting some level of credit deterioration into special mention, substandard and doubtful categories. That credit monitoring exercise, which we conduct continuously, does show some increased financial stress in our portfolio (see the last page of the enclosed Summary Financial Statements and Selected Financial Highlights) and we have increased our ALLL position to reflect that higher level of borrowers facing difficulties.

During the first quarter, there was a second release of funds made available through the PPP loan program and we participated once again in delivering financial support to our small business borrowers under that SBA supported program. Through the end of March, we originated an additional $413 million in PPP loans, which helped drive loan and deposit balances higher. Total loans in the first quarter increased $240.5 million, or 4.3 percent to $5.8 billion. Deposits during the quarter grew $304.7 million, or 3.5 percent to $9.0 billion. That deposit growth helped drive assets up by $294.2 million to $10.1 billion, the first time in our history that we have crested the $10 billion mark. With the PPP loan program being somewhat of an artificial accelerant of our growth, it is difficult to say whether we will remain above $10 billion in assets, but we have been planning for some time for the increased regulatory expectations that come with a larger and more complex institution.

Our rapid growth has added bulk to the balance sheet, though much of that bulk has been stored in our substantial on-balance sheet liquidity position. At the end of March, investible cash totaled $962 million and investment securities totaled $3.1 billion. That nearly $4.1 billion position in liquid assets provides significant balance sheet flexibility, but not nearly the returns we would typically expect if we were more fully invested in loans. As a result, both net interest margin and return on assets have come in at levels lower than we typically report. Margin during the quarter was 2.96 percent, down 18 bps from fourth quarter levels and 71 bps from year ago levels. Return on assets for the first quarter was 0.85 percent, which was higher than last quarter when we reported 0.78 percent, but lower than one year ago (1.03 percent) when our balance sheet was smaller. While those measures were impacted by balance sheet size, return on equity was not and came in at 10.48 percent for the quarter, as compared with 9.30 percent in the prior quarter and 10.31 percent one year ago.

Total shareholders' equity declined $30 million during the quarter to $776.6 million due to the impact of rising interest rates on our available for sale bond portfolio. Just as declining rates last spring and summer provided a nice tailwind from rising bond values, we knew we would give some of that value back when rates rose, which they did over the past nine months, or so. The significant growth in assets also had an impact on certain capital ratios, with the Company's equity to assets ratio declining 54 bps during the quarter to 7.68 percent. Our strategy of carrying a strong capital position across the business cycle has enabled us to not only withstand a really difficult external environment, but also nearly 40 percent growth in assets over the last year. We remain comfortable with our capital position, especially given that virtually all of the growth we have experienced resides in either cash, high quality government bonds, or government guaranteed PPP loans. Our regulatory capital ratios remain well above minimum standards.

Overall, we feel very good about our performance and success in navigating through the extraordinary sequence of events that unfolded over the past year. Our strategy of balance sheet strength helped us withstand a stressful and dynamic external environment, while also enabling us to deliver the banking services and financial support our clients rightfully expect. Behind all the financial numbers, much was accomplished organizationally, as well. We continue to invest in the business through enhanced electronic delivery capabilities, including a new, top flight treasury and cash management platform for our business clients. We are investing in the people, processes and systems necessary to meet increased expectations as we crest $10 billion in assets. There are a number of new faces on the executive team that will provide leadership well into the future. Our share price has returned to break a new high, after being carried lower by the markets and the considerable uncertainties of mid-2020.

While we are much more comfortable now than during the depths of the unfolding global pandemic nearly one year ago, many challenges remain. We still have a $1.2 billion portfolio of PPP loans that will roll off in due course as our clients apply for loan forgiveness. We have a substantial liquidity position that we need to manage and invest wisely. The external rate environment continues to pressure yields and financial performance. The pace of technological change and the importance of continuing to invest in technology is a crucial part of our longer term strategy. In response to COVID, we remain largely on a remote worker footing, but with vaccines becoming widely available, it seems like a return to the office and more normal operations could be a reality later this year.

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.

The entire team remains very busy serving clients, managing through this still quite dynamic environment and executing on our longer term strategic objectives. We hope that a return to more normal times is not too far out in our future so we can get a little closer to our team, our clients and you our valued shareholders. Our annual shareholders' meeting will again be virtual this year, but hopefully next year at this time we can meet in person and get reacquainted. 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

W.T.B. Financial Corp

Summary Financial Statements and Selected Financial Highlights Q1 2021

(unaudited)

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

	March 31, 2021	December 31, 2020	March 31, 2020
ASSETS			
Cash and due from banks	**114,331,868**	$ 101,564,883	$ 116,756,121
Interest-bearing deposits with banks	**961,600,455**	1,463,300,093	381,066,931
Securities available for sale, at fair value	**1,598,637,100**	1,700,704,116	1,543,163,273
Securities held to maturity, at amortized cost	**1,504,211,439**	877,655,640	620,883,435
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**10,060,000**	8,642,400	8,642,400
Loans receivable	**5,832,079,142**	5,591,531,863	4,608,602,494
Allowance for loan losses	**(139,159,511)**	(132,811,083)	(103,945,726)
Loans, net of allowance for loan losses	**5,692,919,631**	5,458,720,780	4,504,656,767
Premises and equipment, net	**90,427,202**	92,078,811	88,853,670
Accrued interest receivable	**29,602,279**	29,014,691	20,714,213
Other assets	**106,399,169**	82,281,539	68,552,280
Total assets	**$ 10,108,189,143**	$ 9,813,962,953	$ 7,353,289,090
LIABILITIES			
Deposits:			
Noninterest-bearing	**$ 4,247,011,643**	$ 4,151,293,727	$ 2,695,442,754
Interest-bearing	**4,756,448,805**	4,547,496,931	3,418,250,242
Total deposits	**9,003,460,448**	8,698,790,658	6,113,692,996
Securites sold under agreements to repurchase	**226,729,135**	216,428,301	405,941,647
Accrued interest payable	**485,076**	675,110	848,067
Other liabilities	**100,946,386**	91,551,137	78,790,757
Total liabilities	**9,331,621,045**	9,007,445,206	6,599,273,467
SHAREHOLDERS' EQUITY			
Common stock	**24,585,386**	24,240,662	23,073,040
Surplus	**32,665,000**	32,665,000	32,665,000
Undivided profits	**723,348,285**	707,388,777	663,666,536
	780,598,671	764,294,439	719,404,576
Accumulated other comprehensive (loss) gain, net of tax	**(4,030,573)**	42,223,308	34,611,047
Total shareholders' equity	**776,568,098**	806,517,747	754,015,623
Total liabilities and shareholders' equity	**$ 10,108,189,143**	$ 9,813,962,953	$ 7,353,289,090

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

	Three Months Ended		
	March 31, 2021	December 31, 2020	March 31, 2020
INTEREST REVENUE			
Loans, including fees	**$ 58,641,298**	$ 63,777,586	$ 54,875,179
Deposits with banks	**302,395**	300,510	1,789,283
Securities	**13,824,595**	12,154,516	11,738,621
Other interest and dividend income	**77,346**	76,365	84,444
Total interest revenue	**72,845,634**	76,308,977	68,487,527
INTEREST EXPENSE			
Deposits	**2,615,360**	2,820,574	4,179,937
Funds purchased and other borrowings	**315,112**	291,546	610,831
Total interest expense	**2,930,472**	3,112,120	4,790,768
Net interest revenue	**69,915,162**	73,196,857	63,696,759
Provision for loan losses	**6,000,004**	9,500,000	7,000,000
Net interest revenue after provision for loan losses	**63,915,158**	63,696,857	56,696,759
NONINTEREST REVENUE			
Fiduciary income	**5,111,794**	4,803,327	4,689,806
Investment services fees	**917,691**	1,322,348	840,664
Bank and credit card fees, net	**3,599,072**	3,483,639	2,739,688
Mortgage banking revenue, net	**3,946,286**	6,007,859	1,449,424
Other fees on loans	**258,948**	342,260	246,963
Service charges on deposits	**1,445,932**	1,465,958	1,708,085
Other income	**2,000,800**	938,313	3,799,548
Total noninterest revenue	**17,280,523**	18,363,704	15,474,178
NONINTEREST EXPENSE			
Salaries and benefits	**34,679,695**	35,497,762	31,127,161
Occupancy, furniture and equipment expense	**6,014,734**	5,986,331	5,114,942
Other expense	**14,014,454**	16,497,352	12,219,920
Total noninterest expense	**54,708,883**	57,981,445	48,462,023
Income before provision for income taxes	**26,486,798**	24,079,116	23,708,914
Provision for income taxes	**5,825,102**	5,292,935	5,185,896
NET INCOME	**$ 20,661,696**	$ 18,786,181	$ 18,523,018
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,538,147**	2,534,772	2,539,620
Diluted	**2,541,846**	2,537,095	2,544,890
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 8.14**	$ 7.41	$ 7.29
Diluted	**$ 8.13**	$ 7.40	$ 7.28

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

	(dollars in thousands) Quarters Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
SELECTED DATA					
Interest-bearing deposits with banks	$ 961,600	$ 1,463,300	$ 903,066	$ 778,375	$ 381,067
Securities	3,102,849	2,578,360	2,277,328	2,127,850	2,164,047
Total loans	5,832,079	5,591,532	5,871,073	5,726,372	4,608,602
Allowance for loan losses	139,160	132,811	121,077	111,716	103,946
Earning assets [1]	9,884,576	9,561,272	8,968,308	8,555,368	7,090,226
Total assets	10,108,189	9,813,963	9,243,985	8,826,055	7,353,289
Deposits	9,003,460	8,698,791	8,151,919	7,529,127	6,113,693
Interest-bearing liabilities	4,983,178	4,763,925	4,558,869	4,424,498	3,824,192
Total shareholders' equity	776,568	806,518	799,339	778,992	754,016
Total equity to total assets	7.68%	8.22%	8.65%	8.83%	10.25%
Full-time equivalent employees	1,087	1,066	1,060	1,048	1,023
ASSET QUALITY RATIOS					
Allowance for loan losses to total loans	2.39%	2.38%	2.06%	1.95%	2.26%
Allowance for loan losses to noncurrent loans	406%	1162%	853%	720%	737%
Net charge-offs (recoveries) to total average loans	-0.01%	-0.04%	-0.01%	0.00%	-0.01%
Noncurrent loans and ORE to assets	0.34%	0.12%	0.15%	0.18%	0.19%
Noncurrent loans, ORE and TDRs to assets	0.35%	0.13%	0.17%	0.19%	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, 2021	December 31, 2020	March 31, 2020	Sequential Quarter	Year over Year
PERFORMANCE					
Net interest revenue, fully tax-equivalent	$ 69,988	$ 73,307	$ 63,799	-4.5%	9.7%
Fully tax-equivalent adjustment	73	110	102	-33.6%	-28.4%
Net interest revenue	69,915	73,197	63,697	-4.5%	9.8%
Provision for loan losses	6,000	9,500	7,000	-36.8%	-14.3%
Net interest revenue after provision for loan losses	63,915	63,697	56,697	0.3%	12.7%
Noninterest revenue	17,281	18,364	15,474	-5.9%	11.7%
Noninterest expense	54,709	57,982	48,462	-5.6%	12.9%
Income before provision for income taxes	26,487	24,079	23,709	10.0%	11.7%
Provision for income taxes	5,825	5,293	5,186	10.1%	12.3%
Net income	$ 20,662	$ 18,786	$ 18,523	10.0%	11.5%
PER COMMON SHARE					
Earnings per common share - basic	$ 8.14	$ 7.41	$ 7.29	9.9%	11.7%
Earnings per common share - diluted	8.13	7.40	7.28	9.9%	11.7%
Common cash dividends	1.85	1.85	1.85	0.0%	0.0%
Common shareholders' equity	303.84	316.30	295.56	-3.9%	2.8%

	Quarters Ended			% Change	
	March 31, 2021	December 31, 2020	March 31, 2020	Sequential Quarter	Year over Year
PERFORMANCE RATIOS					
Return on average assets	0.85%	0.78%	1.03%	0.07%	-0.18%
Return on average shareholders' equity	10.48%	9.30%	10.31%	1.18%	0.17%
Margin on average earning assets [1]	2.96%	3.14%	3.67%	-0.18%	-0.71%
Noninterest expense to average assets	2.26%	2.42%	2.71%	-0.16%	-0.45%
Noninterest revenue to average assets	0.71%	0.77%	0.86%	-0.06%	-0.15%
Efficiency ratio	62.7%	63.3%	61.1%	-0.6%	1.6%
Common cash dividends to net income	22.76%	24.96%	25.38%	-2.20%	-0.42%

(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 Credit Performance Highlights
(unaudited)

	Quarters Ended		
Loans by Credit Risk Rating:	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Pass	$ 5,514,618,445	$ 5,238,360,564	$ 4,487,718,309
Special Mention	171,440,879	212,850,074	57,713,706
Substandard	145,978,235	140,280,662	63,071,985
Doubtful	41,583	40,563	98,494
Total	$ 5,832,079,142	$ 5,591,531,863	$ 4,608,602,494

	Quarters Ended		
Loans by Payment Status:	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Current Loans	$ 5,797,432,118	$ 5,578,414,741	$ 4,576,063,613
Noncurrent Loans	34,301,852	11,429,588	14,110,696
Loans Past Due 30-89 Days, Still Accruing	345,172	1,687,534	18,428,185
Total	$ 5,832,079,142	$ 5,591,531,863	$ 4,608,602,494

	Quarters Ended		
Allowance for Loan Losses Position:	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Allowance for Loan Losses	$ 139,159,511	$ 132,811,083	$ 103,945,726
Allowance to Total Loans	2.39%	2.38%	2.26%