W.T.B. Financial Corp

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

April 21, 2022

Dear Shareholders:

We operate in a dynamic and unpredictable world, and there always seems to be a central theme that dominates our operating landscape. Emerging inflation and the unfolding rise in interest rates have captured a lot of attention lately and they are both powerful forces that impact the economy, our industry and the actions of policymakers.

For the first time since 1990, inflation made a sustained move above 5.0 percent in June of last year and the rate of inflation has steadily increased from there. The most recent reading was in March of this year when the year-over-year change in the Consumer Price Index was reported at 8.6 percent, the highest level in 40 years. The Federal Reserve's policy response is just now getting underway with a 25-basis point ("bps") increase in the Target Fed Funds Rate announced on March 17th, coupled with clear signaling that the Fed's stance has shifted decidedly towards a tightening monetary policy. As they often do, the capital markets have already reacted to rising inflation data and policy tightening signals from the Fed by bidding rates up significantly across the yield curve. So far this year, yields on 2-year United States Treasury bonds have increased 175 bps to 2.50 percent, suggesting that the markets expect much more policy tightening from the Fed, and soon. We have seen inflationary environments and rising rates before, and planning is well underway for the many shifts in the external environment that are likely to emerge.

Earnings for the most recent quarter totaled $20.8 million, which were essentially on par with year ago levels, when we reported $20.7 million in net income, and down significantly from fourth quarter results, which were a record $29.0 million. Earnings per share followed the same pattern coming in at $8.22 per share in the most recent quarter, up from the $8.13 per share reported one-year ago, and down from the $11.47 per share in earnings last quarter. Last quarter's earnings were bolstered by the one-time benefit of $6.4 million in prepayment penalties from our bond portfolio, as well as higher revenue from a declining portfolio of Paycheck Protection Program ("PPP") loans. Return on assets, which remains lower than historical norms due to elevated asset levels and a large, low yielding liquidity portfolio, equaled 0.77 percent in the most recent quarter, which was down 8 bps from one year ago and 28 bps from last quarter's performance. Return on equity performed similarly, coming in at 10.11 percent in the first quarter of this year, which was down from 10.48 percent one year ago and 13.89 percent last quarter.

Net interest revenue was essentially flat year-over-year at $69.9 million, which was the result of an increase of $1.1 billion, or 11.4 percent in average earning assets year-over-year, diminished by a year-over-year decline in net interest margin of 30 bps to 2.66 percent in the most recent quarter. While the Company's balance sheet has bulked up considerably over the past several years, with assets increasing nearly $4 billion since yearend 2019 and most of that growth still in low yielding cash and bonds, the low-rate environment marginalizes the earnings that those incremental assets can produce. As a result, net interest margin for the Company, and the industry as a whole, has declined to record lows. While the low-rate environment and extraordinary levels of liquidity have driven margin lower, our substantial liquidity portfolio represents both a source of balance sheet strength and potential future earnings enhancement as rates rise.

Noninterest revenue totaled $16.3 million in the first quarter, which was down $1.0 million, or 5.7 percent from one year ago. The decline in noninterest revenue was largely due to lower mortgage banking revenue (down $3.4 million to $522,000) as higher rates dampened loan origination volumes and more loan originations were redirected to the portfolio to be a recurring source of interest revenue. Our strategy of retaining more loans within the portfolio has resulted over the past year in single-family home loan balances increasing $302 million, or 41.0 percent to $1.0 billion and revenue on single-family home loans increasing $1.7 million, or 25.1 percent to $8.7 million.

Noninterest expense grew $5.0 million, or 9.1 percent year-over-year to $59.7 million in the first quarter. The most significant contributor to that growth was compensation expense, which increased $2.5 million, or 9.0 percent to $30.6 million, with a $1.4 million reduction in loan capitalization costs being a significant factor in the year-over-year change. We also spent considerable sums on professional fees ($2.2 million, up from $1.4 million one year ago) as we continue to invest in technology and accelerate the transformation of our digital delivery of banking products and services to our customers. While lower year-over-year revenues and higher year-over-year expenses drove the efficiency ratio higher by 6.5 percentage points to 69.2 percent, the Company's expense burden as a percent of assets improved 5 bps to 2.21 percent.

The Company's balance sheet showed a fair amount of stability in the first quarter, with mostly incremental changes throughout. Assets declined $5 million to $11.1 billion. Deposits were up $14 million to $9.9 billion, while loans declined $84 million to $5.5 billion. All of the reported decline in loans was a result of PPP loans declining $100 million, indicating that non-PPP lending increased balances by $15 million. Liquidity resources continue to be substantial with investable cash decreasing $354 million to $1.6 billion and securities increasing $390 million to $3.7 billion. First quarter dividends and the rising rate impact on the Company's available for sale bond portfolio pushed shareholders' equity lower by $5 million to $828 million, representing 7.47 percent of assets. Regulatory capital levels remained substantially above well capitalized minimums.

The Bank's credit performance continued at solid levels. Noncurrent loans declined slightly to $49.7 million, or 0.91 percent of loans, while the Bank reported no foreclosed real estate on the books. Loan charge-offs were minimal at $600,000, while recoveries totaled $900,000. With no provision expense taken in the quarter, the Bank's allowance for loan loss position remained substantial at $140.9 million, or 2.58 percent of loans.

We are committed to keeping you posted on our share repurchase program. As you know, 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, 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. Under the preceding share repurchase authorization, the Company repurchased 21,294 shares in total for $8.3 million, and 2,550 of those shares were repurchased in the first quarter of 2022.

As always, we remain focused on serving our customers by helping them with their financial affairs and partnering with them to achieve their financial goals. Behind the scenes, we continue to execute on a myriad of technology initiatives around our information systems, digital delivery, data and payment capabilities. These important initiatives are designed to improve our delivery to our clients and enhance our internal architecture and capabilities. These initiatives are both expensive and crucial to our competitive standing. The growth we have experienced in the last several years is some evidence that we are accomplishing our objective. Additionally, we never stop looking for opportunities to improve our internal governance, work processes and control framework in order to enhance our risk management capabilities and build scale into our business. If we can continue to be successful meeting our clients' needs, improving our capabilities and refining our internal processes, we should continue to find opportunities to grow our business. We so appreciate your trust in us as shareholders as we navigate the evolving banking landscape and we look forward to seeing many of you at our upcoming annual shareholders' meeting on April 25th at 1:30 p.m. at our headquarters building at 717 West Sprague Avenue, Spokane, Washington. 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 2022

(unaudited)

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

	March 31, 2022	December 31, 2021	March 31, 2021
ASSETS			
Cash and due from banks	**109,115,109**	$ 62,283,161	$ 114,331,868
Interest-bearing deposits with banks	**1,632,922,295**	1,987,135,451	961,600,455
Securities available for sale, at fair value	**594,095,225**	538,718,995	1,598,637,100
Securities held to maturity, at amortized cost	**3,121,276,543**	2,787,035,395	1,504,211,439
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**10,060,000**	10,060,000	10,060,000
Loans receivable	**5,451,587,886**	5,536,075,557	5,832,079,142
Allowance for loan losses	**(140,903,957)**	(140,603,388)	(139,159,511)
Loans, net of allowance for loan losses	**5,310,683,929**	5,395,472,169	5,692,919,631
Premises and equipment, net	**88,293,788**	88,114,622	90,427,202
Accrued interest receivable	**24,397,597**	23,678,316	29,602,279
Other assets	**193,365,671**	197,069,385	106,399,169
Total assets	**$ 11,084,210,157**	$ 11,089,567,494	$ 10,108,189,143
LIABILITIES			
Deposits:			
Noninterest-bearing	**$ 4,604,567,856**	$ 4,593,153,112	$ 4,247,011,643
Interest-bearing	**5,299,960,728**	5,297,117,374	4,756,448,805
Total deposits	**9,904,528,584**	9,890,270,486	9,003,460,448
Securites sold under agreements to repurchase	**235,649,386**	239,510,563	226,729,135
Other borrowings	**20,063,287**	20,063,287	-
Accrued interest payable	**806,798**	662,208	485,076
Other liabilities	**94,982,263**	106,115,618	100,946,386
Total liabilities	**10,256,030,318**	10,256,622,162	9,331,621,045
SHAREHOLDERS' EQUITY			
Common stock	**18,649,519**	19,262,049	24,585,386
Surplus	**32,665,000**	32,665,000	32,665,000
Undivided profits	**799,737,498**	783,617,442	723,348,285
	851,052,017	835,544,491	780,598,671
Accumulated other comprehensive loss, net of tax	**(22,872,178)**	(2,599,159)	(4,030,573)
Total shareholders' equity	**828,179,839**	832,945,332	776,568,098
Total liabilities and shareholders' equity	**$ 11,084,210,157**	$ 11,089,567,494	$ 10,108,189,143

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

	Three Months Ended		
	March 31, 2022	December 31, 2021	March 31, 2021
INTEREST REVENUE			
Loans, including fees	**$ 56,339,968**	$ 61,706,891	$ 58,641,298
Deposits with banks	**830,782**	839,926	302,395
Securities	**14,531,324**	20,417,612	13,824,595
Other interest and dividend income	**77,169**	87,560	77,346
Total interest revenue	**71,779,243**	83,051,989	72,845,634
INTEREST EXPENSE			
Deposits	**1,625,436**	1,772,467	2,615,360
Funds purchased and other borrowings	**250,794**	471,010	315,112
Total interest expense	**1,876,230**	2,243,477	2,930,472
Net interest revenue	**69,903,013**	80,808,512	69,915,162
Provision for loan losses	**-**	-	6,000,004
Net interest revenue after provision for loan losses	**69,903,013**	80,808,512	63,915,158
NONINTEREST REVENUE			
Fiduciary income	**5,436,861**	5,638,328	5,111,794
Investment services fees	**1,052,740**	974,786	917,691
Bank and credit card fees, net	**4,970,592**	4,510,168	3,599,072
Mortgage banking revenue, net	**521,889**	1,470,829	3,946,286
Other fees on loans	**237,795**	433,173	258,948
Service charges on deposits	**1,755,739**	1,631,678	1,445,932
Other income	**2,314,682**	2,677,774	2,000,800
Total noninterest revenue	**16,290,298**	17,336,736	17,280,523
NONINTEREST EXPENSE			
Salaries and benefits	**38,073,725**	36,350,006	34,679,695
Occupancy, furniture and equipment expense	**6,211,609**	5,818,939	6,014,734
Other expense	**15,411,518**	18,927,793	14,014,454
Total noninterest expense	**59,696,852**	61,096,738	54,708,883
Income before provision for income taxes	**26,496,459**	37,048,510	26,486,798
Provision for income taxes	**5,701,024**	8,026,881	5,825,102
NET INCOME	**$ 20,795,435**	$ 29,021,629	$ 20,661,696
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,524,702**	2,524,943	2,538,147
Diluted	**2,528,713**	2,529,573	2,541,381
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 8.24**	$ 11.49	$ 8.14
Diluted	**$ 8.22**	$ 11.47	$ 8.13

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

	(dollars in thousands) Quarters Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
SELECTED DATA					
Interest-bearing deposits with banks	$ 1,632,922	$ 1,987,135	$ 1,806,151	$ 1,330,547	$ 961,600
Securities	3,715,372	3,325,754	2,993,962	3,065,531	3,102,849
Total loans	5,451,588	5,536,076	5,482,823	5,675,805	5,832,079
Allowance for loan losses	140,904	140,603	139,316	139,113	139,160
Earning assets [1]	10,830,404	10,854,717	10,282,215	10,068,641	9,884,576
Total assets	11,084,210	11,089,567	10,583,447	10,280,864	10,108,189
Deposits	9,904,529	9,890,270	9,397,003	9,120,085	9,003,460
Interest-bearing liabilities	5,555,673	5,556,691	5,392,689	5,059,169	4,983,178
Total shareholders' equity	828,180	832,945	819,607	805,828	776,568
Total equity to total assets	7.47%	7.51%	7.74%	7.84%	7.68%
Full-time equivalent employees	1,104	1,092	1,101	1,100	1,087
ASSET QUALITY RATIOS					
Allowance for loan losses to total loans	2.58%	2.54%	2.54%	2.45%	2.39%
Allowance for loan losses to noncurrent loans	283%	273%	267%	257%	406%
Net charge-offs (recoveries) to total average loans	-0.01%	-0.02%	0.00%	0.05%	-0.01%
Noncurrent loans and ORE to assets	0.45%	0.46%	0.49%	0.53%	0.34%
Noncurrent loans, ORE and TDRs to assets	0.45%	0.47%	0.50%	0.54%	0.35%

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

	(dollars in thousands, except per share data) Quarters Ended			% Change	
	March 31, 2022	December 31, 2021	March 31, 2021	Sequential Quarter	Year over Year
PERFORMANCE					
Net interest revenue, fully tax-equivalent	$ 69,949	$ 80,866	$ 69,988	-13.5%	-0.1%
Fully tax-equivalent adjustment	46	57	73	-19.3%	-37.0%
Net interest revenue	69,903	80,809	69,915	-13.5%	0.0%
Provision for loan losses	-	-	6,000	NM	-100.0%
Net interest revenue after provision for loan losses	69,903	80,809	63,915	-13.5%	9.4%
Noninterest revenue	16,290	17,337	17,281	-6.0%	-5.7%
Noninterest expense	59,697	61,097	54,709	-2.3%	9.1%
Income before provision for income taxes	26,496	37,049	26,487	-28.5%	0.0%
Provision for income taxes	5,701	8,027	5,825	-29.0%	-2.1%
Net income	$ 20,795	$ 29,022	$ 20,662	-28.3%	0.6%
PER COMMON SHARE					
Earnings per common share - basic	$ 8.24	$ 11.49	$ 8.14	-28.3%	1.2%
Earnings per common share - diluted	8.22	11.47	8.13	-28.3%	1.1%
Common cash dividends	1.85	3.85	1.85	-51.9%	0.0%
Common shareholders' equity	325.76	328.11	303.84	-0.7%	7.2%

	Quarters Ended			% Change	
	March 31, 2022	December 31, 2021	March 31, 2021	Sequential Quarter	Year over Year
PERFORMANCE RATIOS					
Return on average assets	0.77%	1.05%	0.85%	-0.28%	-0.08%
Return on average shareholders' equity	10.11%	13.89%	10.48%	-3.78%	-0.37%
Margin on average earning assets [2]	2.66%	3.00%	2.96%	-0.34%	-0.30%
Noninterest expense to average assets	2.21%	2.21%	2.26%	0.00%	-0.05%
Noninterest revenue to average assets	0.60%	0.63%	0.71%	-0.03%	-0.11%
Efficiency ratio	69.2%	62.2%	62.7%	7.0%	6.5%
Common cash dividends to net income	22.48%	33.50%	22.76%	-11.02%	10.74%

(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 Credit Performance Highlights
(unaudited)

	Quarters Ended		
Loans by Credit Risk Rating:	**March 31, 2022**	**December 30, 2021**	**March 31, 2021**
Pass	$ 5,192,624,477	$ 5,251,410,269	$ 5,514,618,445
Special Mention	139,492,302	158,368,527	171,440,879
Substandard	119,466,651	126,288,810	145,978,235
Doubtful	4,456	7,951	41,583
Total	$ 5,451,587,886	$ 5,536,075,557	$ 5,832,079,142

	Quarters Ended		
Loans by Payment Status:	**March 31, 2022**	**December 30, 2021**	**March 31, 2021**
Current Loans	$ 5,389,174,662	$ 5,479,062,894	$ 5,797,432,118
Noncurrent Loans	49,717,527	51,476,560	34,301,852
Loans Past Due 30-89 Days, Still Accruing	12,695,697	5,536,103	345,172
Total	$ 5,451,587,886	$ 5,536,075,557	$ 5,832,079,142

	Quarters Ended		
Allowance for Loan Losses Position:	**March 31, 2022**	**December 30, 2021**	**March 31, 2021**
Allowance for Loan Losses	$ 140,903,957	$ 140,603,388	$ 139,159,511
Allowance to Total Loans	2.58%	2.54%	2.39%