W.T.B. Financial Corp

2020
Audited Financial Statements

Report of Independent Auditors

To the Board of Directors
W.T.B. Financial Corporation and Subsidiary (Washington Trust Bank)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of W.T.B. Financial Corporation and Subsidiary (Company), which comprise the consolidated statements of financial condition as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of W.T.B. Financial Corporation and Subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Washington Trust Bank's internal control over financial reporting as of December 31, 2020, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 19, 2021, expressed an unmodified opinion.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Consolidated Financial Highlights on page 1 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on it.

Moss Adams LLP

Everett, Washington
March 19, 2021

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Selected Consolidated Financial Highlights

(unaudited) (dollars in thousands, except per share data)

	At or for the Years Ended December 31,				
	2020	2019	2018	2017	2016
PERFORMANCE					
Net interest revenue, fully tax-equivalent	**$ 272,625**	$ 255,519	$ 236,749	$ 208,018	$ 182,948
Fully tax-equivalent adjustment	**368**	461	497	1,249	1,387
Net interest revenue	**272,257**	255,058	236,252	206,769	181,561
Provision for loan losses	**33,000**	3,200	2,700	-	2,250
Net interest revenue after provision for loan losses	**239,257**	251,858	233,552	206,769	179,311
Noninterest revenue	**67,372**	48,297	52,926	51,075	50,737
Noninterest expense	**208,740**	193,416	182,042	169,770	150,625
Income before provision for income taxes	**97,889**	106,739	104,436	88,074	79,423
Provision for income taxes	**21,577**	23,455	21,380	46,276	27,696
Net income available to common shareholders	**$ 76,312**	$ 83,284	$ 83,056	$ 41,798	$ 51,727
SELECTED YEAR-END DATA					
Interest-bearing deposits with banks	**$ 1,463,300**	$ 523,953	$ 751,180	$ 748,822	$ 326,002
Debt securities	**2,578,360**	1,895,823	1,589,251	1,387,176	1,384,817
Total loans	**5,591,532**	4,542,597	4,047,398	3,932,076	3,785,076
Allowance for loan losses	**132,811**	96,415	90,749	86,784	85,787
Earning assets	**9,561,272**	6,958,855	6,420,888	6,095,353	5,522,413
Total assets	**9,813,963**	7,164,664	6,552,350	6,246,093	5,668,953
Deposits	**8,698,791**	6,226,866	5,638,923	5,448,866	4,923,690
Interest-bearing liabilities	**4,763,925**	3,572,797	3,485,267	3,313,797	3,106,707
Total shareholders' equity	**806,518**	695,904	602,665	530,791	496,286
Full-time equivalent employees	**1,070**	1,021	996	965	927
PER COMMON SHARE					
Net income available to common shareholders (basic)	**$ 30.09**	$ 32.62	$ 32.52	$ 16.42	$ 20.33
Net income available to common shareholders (diluted)	**30.06**	32.56	32.42	16.36	20.29
Common cash dividends	**7.40**	7.00	4.60	3.36	3.00
Total shareholders' equity	**316.30**	272.23	234.45	206.48	193.66
PERFORMANCE RATIOS					
Return on average assets	**0.89%**	1.26%	1.30%	0.72%	0.98%
Return on average shareholders' equity	**9.90%**	12.70%	14.94%	7.93%	10.53%
Margin on average earning assets	**3.28%**	3.97%	3.77%	3.66%	3.53%
Noninterest expense to average assets	**2.43%**	2.93%	2.86%	2.92%	2.85%
Efficiency ratio	**61.4%**	63.7%	62.8%	65.5%	64.5%
Net loans to deposits	**62.8%**	71.4%	70.2%	70.6%	75.1%
Total cash dividends to net income	**24.6%**	21.5%	14.2%	20.5%	14.8%
CAPITAL RATIOS					
Total equity to total assets	**8.22%**	9.71%	9.20%	8.50%	8.75%
Tier 1 leverage	**8.06%**	10.34%	9.81%	9.32%	9.59%
Common equity tier 1 capital	**13.29%**	13.02%	13.36%	12.41%	11.90%
Tier 1 risk-based capital	**13.29%**	13.02%	13.36%	12.41%	11.90%
Total risk-based capital	**14.55%**	14.28%	14.62%	13.67%	13.16%
ASSET QUALITY RATIOS					
Allowance for loan losses to total loans	**2.38%**	2.12%	2.24%	2.21%	2.27%
Allowance for loan losses to noncurrent loans	**1,162%**	671%	755%	755%	598%
Net charge-offs (recoveries) to total average loans	**(0.06%)**	(0.06%)	(0.03%)	(0.03%)	0.04%
Noncurrent loans and ORE to assets	**0.12%**	0.20%	0.18%	0.19%	0.27%
Noncurrent loans, ORE and TDRs to assets	**0.13%**	0.22%	0.20%	0.21%	0.33%

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Condition

	December 31, 2020	December 31, 2019
ASSETS		
Cash and due from banks	**$ 101,564,883**	$ 102,602,803
Interest-bearing deposits with banks	**1,463,300,093**	523,953,345
Securities available for sale, at fair value	**1,700,704,116**	1,247,616,516
Securities held to maturity, at amortized cost	**877,655,640**	648,206,906
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**8,642,400**	7,911,600
Loans receivable:		
Held for sale	**28,571,953**	29,266,232
Held in portfolio	**5,562,959,910**	4,513,330,620
Total loans	**5,591,531,863**	4,542,596,852
Allowance for loan losses	**(132,811,083)**	(96,414,721)
Loans, net of allowance for loan losses	**5,458,720,780**	4,446,182,131
Premises and equipment, net	**92,078,811**	86,682,368
Operating lease right of use assets	**16,427,903**	18,907,385
Deferred income taxes, net	**14,623,114**	18,746,258
Cash surrender value of life insurance, net	**8,832,704**	8,503,304
Accrued interest receivable	**29,014,691**	21,158,214
Prepaid expenses and other assets	**42,397,818**	34,193,349
Total assets	**$ 9,813,962,953**	$ 7,164,664,179
LIABILITIES		
Deposits:		
Noninterest-bearing	**$ 4,151,293,727**	$ 2,817,138,103
Interest-bearing	**4,547,496,931**	3,409,727,898
Total deposits	**8,698,790,658**	6,226,866,001
Securities sold under agreements to repurchase	**216,428,301**	163,069,316
Operating lease liabilities	**17,535,807**	19,981,257
Accrued interest payable	**675,110**	1,134,357
Other liabilities	**74,015,330**	57,709,200
Total liabilities	**9,007,445,206**	6,468,760,131
COMMITMENTS AND CONTINGENCIES (NOTE 19)		
SHAREHOLDERS' EQUITY		
Class C preferred stock, no par value, 500,000 shares authorized; no shares issued and outstanding	**-**	-
Class A common stock, no par value, 25,000 shares authorized, issued and outstanding	**250,000**	250,000
Class B common stock, no par value, 3,475,000 shares authorized; 2,524,843 shares issued and outstanding at December 31, 2020; 2,531,451 shares issued and 2,531,403 outstanding at December 31, 2019	**23,990,662**	26,505,819
Surplus	**32,665,000**	32,665,000
Undivided profits	**707,388,777**	649,845,770
	764,294,439	709,266,589
Less treasury stock, at cost (no shares in 2020 and 48 Class B shares in 2019)	**-**	(18,428)
	764,294,439	709,248,161
Accumulated other comprehensive gain (loss), net of tax	**42,223,308**	(13,344,113)
Total shareholders' equity	**806,517,747**	695,904,048
Total liabilities and shareholders' equity	**$ 9,813,962,953**	$ 7,164,664,179

See notes to consolidated financial statements.

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Income

	Years Ended December 31,		
	2020	2019	2018
INTEREST REVENUE			
Loans, including fees	**$ 237,474,817**	$ 224,315,382	$ 202,233,603
Deposits with banks	**2,490,312**	7,713,318	15,399,484
Securities:			
Taxable	**46,969,474**	41,792,108	29,746,080
Tax-exempt	**227,645**	225,264	181,794
Other interest and dividend income	**307,834**	308,245	322,200
Total interest revenue	**287,470,082**	274,354,317	247,883,161
INTEREST EXPENSE			
Demand and savings deposits	**11,839,506**	13,297,267	8,021,236
Time deposits	**1,783,555**	3,547,451	3,158,146
Securities sold under agreements to repurchase and other borrowings	**1,589,790**	2,451,948	452,236
Total interest expense	**15,212,851**	19,296,666	11,631,618
Net interest revenue	**272,257,231**	255,057,651	236,251,543
Provision for loan losses	**33,000,000**	3,200,000	2,700,000
Net interest revenue after provision for loan losses	**239,257,231**	251,857,651	233,551,543
NONINTEREST REVENUE			
Fiduciary income	**18,855,810**	17,667,082	18,137,249
Investment services fees	**3,732,509**	3,091,788	3,528,012
Bank card and credit card fees, net	**12,887,206**	11,122,759	12,373,651
Mortgage banking revenue, net	**14,122,775**	4,015,838	5,820,035
Other fees on loans	**1,057,232**	1,210,720	1,005,992
Service charges on deposits	**5,845,480**	6,819,967	6,890,245
Other service charges, commissions and fees	**733,181**	927,340	856,015
Net losses on other real estate	**-**	-	(92,638)
Gains (losses) on sale of securities available for sale, net	**3,889,108**	(1,853,033)	-
Rental income	**5,652,498**	4,474,614	1,917,723
Other income	**596,207**	820,172	2,489,859
Total noninterest revenue	**67,372,006**	48,297,247	52,926,143
NONINTEREST EXPENSE			
Salaries	**107,490,938**	95,498,571	87,933,587
Pension and employee benefits	**22,621,974**	20,074,387	18,443,654
Occupancy expense	**15,166,946**	13,935,153	13,140,833
Furniture and equipment expense	**7,056,549**	7,265,623	6,794,743
Software expense	**9,475,349**	9,091,158	8,526,011
Data processing expense	**10,676,694**	10,459,869	9,493,584
Marketing and public relations	**5,206,226**	5,467,400	5,275,673
Professional fees	**6,079,253**	4,856,576	6,099,407
State revenue taxes	**3,422,236**	2,598,849	2,695,992
FDIC assessments	**2,773,324**	885,276	2,436,447
Other expense	**18,770,436**	23,282,817	21,202,042
Total noninterest expense	**208,739,925**	193,415,679	182,041,973
Income before provision for income taxes	**97,889,312**	106,739,219	104,435,713
Provision for income taxes	**21,577,556**	23,454,869	21,379,897
NET INCOME	**$ 76,311,756**	$ 83,284,350	$ 83,055,816

See notes to consolidated financial statements.

Continued

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Income (continued)

	Years Ended December 31,		
	2020	2019	2018
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,535,908**	2,553,001	2,553,971
Diluted	**2,538,290**	2,557,839	2,562,199
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 30.09**	$ 32.62	$ 32.52
Diluted	**$ 30.06**	$ 32.56	$ 32.42

See notes to consolidated financial statements.

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
	2020	2019	2018
NET INCOME	**$ 76,311,756**	$ 83,284,350	$ 83,055,816
Securities available for sale:			
Unrealized gains (losses) arising during the year	**73,020,843**	35,095,386	(5,096,261)
Income tax (expense) benefit related to unrealized gains (losses)	**(15,334,377)**	(7,370,031)	1,070,215
Reclassification adjustment for (gains) losses included in net income	**(3,889,108)**	1,853,033	-
Income tax expense (benefit) related to reclassification adjustment for (gains) losses included in net income	**816,713**	(389,137)	-
Net change in unrealized gains (losses)	**54,614,071**	29,189,251	(4,026,046)
Defined benefit pension plan:			
Unrealized (loss) gain arising during the year	**(1,107,261)**	2,300,056	(330,117)
Income tax benefit (expense) related to unrealized gain (loss)	**232,525**	(483,012)	69,325
Reclassification adjustment for amounts included in net income	**2,314,033**	3,174,773	3,295,205
Income tax benefit related to reclassification adjustment for amounts included in net income	**(485,947)**	(666,703)	(691,993)
Net change in unrealized losses	**953,350**	4,325,114	2,342,420
OTHER COMPREHENSIVE GAIN (LOSS), NET OF TAX	**55,567,421**	33,514,365	(1,683,626)
COMPREHENSIVE INCOME	**$ 131,879,177**	$ 116,798,715	$ 81,372,190

See notes to consolidated financial statements.

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Changes in Shareholders' Equity

	Number of Common Shares Outstanding	Total Shareholders' Equity	Common Stock Class A	Common Stock Class B	Treasury Stock	Surplus	Accumulated Other Comprehensive Gain (Loss), Net of Tax	Undivided Profits
Balance, December 31, 2017	2,570,614	$ 530,790,983	$ 250,000	$ 29,919,275	$ -	$ 32,665,000	$ (45,174,852)	$ 513,131,560
Net income, 2018	-	83,055,816	-	-	-	-	-	83,055,816
Other comprehensive loss, net of tax	-	(1,683,626)	-	-	-	-	(1,683,626)	-
Cash dividends of $4.60 per share	-	(11,753,902)	-	-	-	-	-	(11,753,902)
Share repurchases, net of retirements	(2,444)	(890,447)	-	(890,447)	-	-	-	-
Stock-based compensation	865	2,605,872	-	2,605,872	-	-	-	-
Stock-based directors' fees	1,512	539,950	-	539,950	-	-	-	-
Balance, December 31, 2018	2,570,547	602,664,646	250,000	32,174,650	-	32,665,000	(46,858,478)	584,433,474
Net income, 2019	-	83,284,350	-	-	-	-	-	83,284,350
Other comprehensive gain, net of tax	-	33,514,365	-	-	-	-	33,514,365	-
Cash dividends of $7.00 per share	-	(17,872,054)	-	-	-	-	-	(17,872,054)
Share repurchases, net of retirements	(23,245)	(8,517,846)	-	(8,499,418)	(18,428)	-	-	-
Stock-based compensation	7,550	2,289,267	-	2,289,267	-	-	-	-
Stock-based directors' fees	1,503	541,320	-	541,320	-	-	-	-
Balance, December 31, 2019	2,556,355	695,904,048	250,000	26,505,819	(18,428)	32,665,000	(13,344,113)	649,845,770
Net income, 2020	-	76,311,756	-	-	-	-	-	76,311,756
Other comprehensive gain, net of tax	-	55,567,421	-	-	-	-	55,567,421	-
Cash dividends of $7.40 per share	-	(18,768,749)	-	-	-	-	-	(18,768,749)
Share repurchases, net of retirements	(16,108)	(5,403,355)	-	(5,421,783)	18,428	-	-	-
Stock-based compensation	7,832	2,364,531	-	2,364,531	-	-	-	-
Stock-based directors' fees	1,764	542,095	-	542,095	-	-	-	-
Balance, December 31, 2020	2,549,843	$ 806,517,747	$ 250,000	$ 23,990,662	$ -	$ 32,665,000	$ 42,223,308	$ 707,388,777

See notes to consolidated financial statements.

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net income	**$ 76,311,756**	$ 83,284,350	$ 83,055,816
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**33,000,000**	3,200,000	2,700,000
Provision for losses on other real estate	**-**	-	92,709
Deferred income taxes expense (benefit)	**(10,902,813)**	(1,947,683)	(2,004,409)
Depreciation	**7,521,522**	6,853,908	6,372,906
Amortization of software	**740,495**	1,054,819	1,136,959
Net premium amortization of securities	**9,281,490**	5,177,918	2,858,093
Change in mortgage servicing rights	**(62,461)**	126,346	104,190
(Gains) losses on sales of securities available for sale, net	**(3,889,108)**	1,853,033	-
Losses (Gains) on sales of premises and equipment	**263,295**	(762,361)	(664,431)
Gains on sale of other real estate, net	**-**	-	(71)
Origination of loans held for sale	**(432,660,349)**	(175,364,807)	(192,090,620)
Proceeds from sales of loans held for sale	**446,889,661**	154,374,748	214,625,235
Gains on sales of loans	**(13,535,033)**	(4,150,491)	(5,591,932)
Increase in accrued interest receivable	**(7,856,477)**	(229,013)	(1,354,849)
Increase in cash surrender value of life insurance, net	**(329,400)**	(329,400)	(314,400)
Stock-based compensation	**2,364,531**	2,289,267	2,605,872
Stock-based directors' fees	**542,095**	541,320	539,950
Contributions to pension plan	**(17,251)**	-	(10,000,000)
Decrease in other assets	**2,283,009**	1,059,993	11,863,243
Increase in accrued expenses and other liabilities	**13,401,433**	9,011,686	6,605,437
Net cash provided by operating activities	**123,346,395**	86,043,633	120,539,698
Cash flows from investing activities:			
Net (increase) decrease in interest-bearing deposits with banks	**(939,346,748)**	227,226,656	(2,358,049)
Securities available for sale:			
Payments for purchases	**(1,021,688,360)**	(741,058,713)	(193,819,177)
Proceeds from sales	**535,600,228**	491,916,383	-
Proceeds from maturities, calls, and paydowns	**99,558,392**	64,397,497	62,823,712
Securities held to maturity:			
Payments for purchases	**(330,576,827)**	(176,541,098)	(150,562,410)
Proceeds from maturities, calls, and paydowns	**98,309,586**	84,630,509	71,528,771
Net change in Federal Home Loan Bank stock	**(730,800)**	(371,000)	(683,000)
Net increase in loans held in portfolio	**(1,046,232,928)**	(467,591,755)	(131,001,193)
Purchases of premises and equipment	**(13,253,160)**	(38,119,918)	(12,632,657)
Proceeds from sales of premises and equipment	**71,900**	842,841	2,081,468
Purchases of software	**-**	(149,200)	(28,308)
Purchase of investments	**(7,248,650)**	-	-
Proceeds from investments	**41,514**	56,047	980,255
Proceeds from sales of other real estate	**-**	-	217,862
Proceeds from the settlement of life insurance	**-**	-	18,182,831
Net cash used in investing activities	**(2,625,495,853)**	(554,761,751)	(335,269,895)

See notes to consolidated financial statements.

Continued

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows (continued)

	Years Ended December 31,		
	2020	2019	2018
Cash flows from financing activities:			
Net increase in deposits	**$ 2,471,924,657**	$ 587,943,134	$ 190,056,887
Net increase (decrease) in securities sold under repurchase agreements	**53,358,985**	(96,787,706)	37,721,497
Repurchase of common stock	**(5,403,355)**	(8,517,846)	(890,447)
Common stock dividends paid	**(18,768,749)**	(17,872,054)	(11,753,902)
Net cash provided by financing activities	**2,501,111,538**	464,765,528	215,134,035
Decrease (increase) in cash and cash equivalents	**(1,037,920)**	(3,952,590)	403,838
Cash and cash equivalents at beginning of year	**102,602,803**	106,555,393	106,151,555
Cash and cash equivalents at end of year	**$ 101,564,883**	$ 102,602,803	$ 106,555,393
Supplemental disclosures of cash flow information:			
Cash paid for interest	**$ 15,672,098**	$ 20,246,586	$ 10,117,584
Cash paid for income taxes	**30,821,422**	24,379,454	16,459,138
Transfer between premises and equipment and prepaid expenses and other assets	**-**	26,151	208,400

See notes to consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Nature of Operations

W.T.B. Financial Corporation ("W.T.B.") is a bank holding company headquartered in Spokane, Washington, and through its wholly-owned subsidiary, Washington Trust Bank (the "Bank"), is primarily engaged in the business of financial services in Washington, Idaho and Oregon. The Bank was originally chartered in 1902 and provides a wide range of banking, fiduciary, asset management, mortgage banking and other financial services to corporate and individual customers. West Sprague Holding Company, LLC is a wholly-owned subsidiary of the Bank and is used to hold mortgage loans and other real estate ("ORE") properties.

Basis of Financial Statement Presentation and Consolidation

The consolidated financial statements of W.T.B. include the accounts of W.T.B. and its wholly-owned subsidiary. Intercompany transactions and balances have been eliminated in consolidation. The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of the defined benefit pension obligation, and fair value of financial instruments.

Segment Reporting

W.T.B. has not established any independent business activity apart from acting as the parent company of the Bank. W.T.B. and the Bank are managed as a single entity. Based on management's analysis, no department or line of business meets the criteria established in Accounting Standards Codification ("ASC") 280, Segment Reporting, for reporting of selected information about operating segments.

Subsequent Events

Subsequent events are events or transactions that occur after the date of the statement of financial condition but before the consolidated financial statements are available to be issued. W.T.B. recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial condition, including the estimates inherent in the process of preparing the financial statements. W.T.B.'s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial condition but arose after the date of the statement of financial condition and before the financial statements are available to be issued.

W.T.B. has evaluated subsequent events through March 19, 2021, the date these consolidated financial statements were available to be issued.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold, and securities purchased under resale agreements. Federal funds sold and securities purchased under resale agreements typically have original maturities of three months or less.

Securities

Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities classified as available for sale are carried at fair value, with any unrealized gains and losses, net of tax, reported as a component of other comprehensive income ("OCI") and shareholders' equity. Equity securities are carried at fair value, with changes reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. Other-than-temporary impairment ("OTTI") losses relating to credit impairment are included in noninterest revenue. Gains and losses realized on the sale of securities are computed on the specific-identification method and are included in noninterest revenue. Interest and dividends on debt securities are included in interest revenue. Interest revenue includes amortization of purchase premiums or discounts. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are factored into the amortization method.

W.T.B. considers the following factors when determining OTTI for a security: the length of time and the extent to which the market value has been less than amortized cost, the financial condition and near-term prospects of the issuer, terms and structure of the security, the underlying fundamentals of the relevant market and the outlook for such market for the near future. Management also makes an assessment of whether W.T.B. has (1) the intent to sell the security, or (2) more likely than not will be required to sell the security before its anticipated market recovery. If the security is likely to be sold or if it is likely the security will be required to be sold before recovering its cost basis, the entire impairment loss would be recognized in earnings as OTTI. If W.T.B. does not intend to sell the security and it is not likely the security will be required to be sold, but management does not expect to recover the entire amortized cost basis of the security, only the portion of the impairment loss representing credit losses would be recognized in earnings as OTTI. The credit loss on a security is measured as the difference between the amortized cost basis and the present value of the cash flows expected to be collected. Projected cash flows are discounted by the original interest rate when a security is analyzed for potential OTTI. The remaining impairment related to all other factors, calculated as the difference between the present value of the cash flows expected to be collected and fair value, is recognized as a charge to OCI.

Federal Home Loan Bank and Pacific Coast Bankers' Bancshares Stock

The Bank is a member of the Federal Home Loan Bank of Des Moines ("FHLB") and is required to maintain a minimum level of investment in FHLB stock based on the Bank's membership, the level of FHLB borrowings and other factors, and may invest in additional amounts. The FHLB provides a wide range of secured lending facilities and structures, which are an important source of supplemental funding and liquidity to the Bank. The Bank's investment in FHLB stock has no quoted market value, is carried at par value ($100 per share), and is classified as a restricted security. Ownership of FHLB stock is restricted to members and former members of the FHLB, and is purchased and redeemed at par. At December 31, 2020 and 2019, the Bank's investment in FHLB stock was $8,582,400 and $7,851,600, respectively.

The Bank's investment in Pacific Coast Bankers' Bancshares ("PCBB") consists of shares of PCBB's common stock. No ready market exists for PCBB stock, and it has no quoted market value. This investment is carried at cost and classified as a restricted security. At December 31, 2020 and 2019, the Bank's investment in PCBB stock was $60,000.

Management periodically evaluates FHLB and PCBB stock for impairment. Management's determination of whether these investments are impaired is based on its assessment of the ultimate recoverability of cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of cost is influenced by criteria such as (1) the significance of any deterioration in earnings performance, credit rating or asset quality of the issuer, (2) the significance of any adverse changes in the regulatory or economic environment, and (3) the significance of adverse changes in the general market condition of either the geographic area or the industry in which they operate. Management has determined there is no other-than-temporary impairment on its investments in FHLB or PCBB stock as of December 31, 2020.

Cash Surrender Value of Life Insurance

The Bank has purchased life insurance policies on certain current and/or former key executives. Bank owned life insurance is recorded at its cash surrender value, net of surrender charges, or the amount that can be realized.

Loans

Loans held in portfolio are carried at the principal amount outstanding, net of unearned income. Loans held for sale are carried at the lower of aggregate cost or market, as determined based on quoted secondary market prices for similar loans. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Interest income on loans is accrued on the principal amount outstanding. Loan origination fees and costs are capitalized and recognized as an adjustment to the yield of the related loan over its estimated life.

Loans are classified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due, in accordance with the terms of the original loan agreement. Impaired loans above a de minimis threshold are individually evaluated for impairment. The carrying value of individually evaluated impaired loans is based on the present value of expected future cash flows discounted at each loan's effective interest rate, the loan's observable market price, or for collateral dependent loans, at the fair value of the collateral, less selling costs. If the measurement of each impaired loan's value is less than the recorded investment in the loan, the Bank recognizes this impairment and adjusts the carrying value of the loan through the allowance for loan losses. This recognition of impairment is accomplished by charging-off the impaired portion of the loan, or establishing a specific amount to be provided for in the allowance for loan losses. In general, any portion of the recorded investment in a collateral dependent loan in excess of the fair value of the collateral that can be identified as uncollectible is a confirmed loss and charged-off against the allowance for loan losses.

Income Recognition on Nonaccrual and Impaired Loans

Loans are classified as nonaccrual if the collection of principal and interest is doubtful. Generally, this occurs when a loan is past due as to maturity, or payment of principal or interest by 90 days or more, unless such loans are well-secured and in the process of collection. Generally, if a loan, or portion thereof, is partially charged-off, the loan is considered impaired and classified as nonaccrual. Loans that are less than 90 days past due may also be classified as nonaccrual if repayment in full of principal and/or interest is in doubt.

When a loan is classified as nonaccrual, all uncollected accrued interest is reversed from interest income and the accrual of interest income is discontinued. Generally, any subsequent cash payments are applied as a reduction of principal outstanding. In cases where the future collectability of the principal balance in full is expected, interest income may be recognized on a cash basis. A loan may be restored to accrual status when the borrower's financial condition improves so that full collection of future contractual payments is considered likely. Restoration to accrual status for those loans placed on nonaccrual status due to payment delinquency will generally not occur until the borrower demonstrates repayment ability over a period of not less than six months.

Troubled Debt Restructuring
Loans may occasionally be restructured due to economic or legal reasons relating to the borrower's financial condition by granting a concession in order to protect the Bank's investment. Examples of such concessions may include forgiving principal or accrued interest, extending maturity date(s), or providing lower interest rates than would normally be available for transactions of similar risk. This generally occurs when the financial condition of the borrower necessitates temporary or permanent relief from the original contractual terms of the loan. A loan restructured in a troubled debt restructuring ("TDR") is an impaired loan and is accounted for as such. If a borrower on a restructured accruing loan has demonstrated performance under the previous terms and shows the capacity to continue to perform under the restructured terms, the loan will remain on accrual status. Otherwise, the loan will be placed on nonaccrual status until the borrower demonstrates repayment ability over a period of not less than six months. Restructured loans on nonaccrual status that are subsequently placed on accrual status are still accounted for as a troubled debt restructuring.

In conjunction with the passage of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in March 2020 and with the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus ("Interagency Statement"), financial institutions have been provided the option, for loans meeting specific criteria, to temporarily suspend certain requirements under GAAP related to Troubled Debt Restructurings for a limited time to assist borrowers experiencing financial hardship due to the COVID-19 Pandemic ("the Pandemic"). As a result, the Bank has not recognized eligible loan modifications as TDRs. Additionally, loans qualifying for these modifications are not required to be reported as delinquent, nonaccrual, impaired or criticized solely as a result of loan modification resulting from the economic effects of the Pandemic. Modifications include deferral of payments and interest only periods. The Bank accrues and recognizes interest income on loans under payment relief based on the original contractual interest rates. When payments resume at the end of the relief period, the payments will generally be applied to accrued interest due until accrued interest is fully paid. Accrued interest balances are assessed for collectability on a periodic basis.

Allowance for Loan Losses
The allowance for loan losses is a valuation allowance for probable incurred credit losses in the portfolio. Management's determination of the allowance is based upon an evaluation of the loan portfolio, impaired loans, past loan loss experience, economic conditions, volume, growth and composition of the loan portfolio, and other risks inherent in the portfolio. Management applies risk factors to categories of loans and individually reviews all impaired loans above a de minimis threshold. Management uses risk grades for loans in the commercial, agricultural, real estate secured, and consumer categories. For homogenous consumer portfolios, management relies heavily on statistical analysis, past loan loss experience, current payment performance and industry trends to estimate losses. Management evaluates the adequacy of the allowance at least quarterly, by reviewing relevant internal and external factors that could affect credit performance.

Mortgage Servicing Rights
Mortgage servicing rights result from the sale of mortgage loans while retaining loan servicing responsibilities. Mortgage servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on a model that calculates the present value of estimated future net servicing income. Mortgage servicing rights are amortized in proportion to, and over the period of, the estimated net servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of those rights. For purposes of measuring impairment, mortgage servicing rights are stratified based on the characteristics of the underlying loans, including loan type, size, note rate, origination date and term. Subsequent loan prepayments and elevated prepayment assumptions in excess of those forecasted can adversely impact the carrying value of mortgage servicing rights. The amount of impairment recognized is the amount by which the capitalized mortgage servicing rights for each class exceed their calculated fair value.

Fees earned for servicing loans are recorded as noninterest income and included in mortgage banking revenue, net. The fees are based on a contractual percentage of the outstanding principal and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Derivatives
Derivative instruments are contracts between two or more parties that have a notional and an underlying variable, require no net investment, and allow for the net settlement of positions. Derivative financial instruments are used to meet the ongoing credit needs of customers and the market exposure of certain types of interest rate risk. Derivative instruments are recognized as either assets or liabilities in the consolidated statements of financial condition at fair value. The Bank is party to various interest rate swaps that are considered derivative instruments. For a fair value hedge, the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged item, are recognized in current earnings as fair values change. For stand-alone derivatives that have no hedging designation, changes in the fair value of a derivative are recorded in the consolidated statements of income.

The Bank utilizes forward sales contracts associated with mortgage banking activities in its derivative risk management strategy. The Bank enters into forward sales contracts with brokers/dealers to hedge the risk of changes in fair value, due to changes in interest rates, of both locked residential mortgage loan commitments and residential loans held for sale. The estimated fair values of these derivatives are determined by the changes in the market value of the related loans, caused by changes in market interest rates, during the period from the commitment date or contract date to the valuation date. At December 31, 2020, the estimated fair value of rate locks is $307,627 and the estimate fair value of forward sales agreements is ($267,548). At December 31, 2019, the estimated fair value of rate locks is $111,498 and the estimate fair value of forward sales agreements is ($118,319).

Transfers of Financial Assets
Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Bank, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Premises and Equipment
Premises and equipment, including leasehold improvements, are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed on both the straight-line and accelerated methods over the estimated useful lives of the assets, or the terms of the associated operating leases. Gains or losses on disposition are reflected in current income. Normal costs of maintenance and repairs are treated as current expenses.

W.T.B. reviews long-lived and intangible assets any time that a change in circumstance indicates that the carrying amount of these assets may not be recoverable. Recoverability of these assets is determined by comparing the carrying value of the asset to the forecasted undiscounted cash flows of the operation associated with the asset. If the evaluation of the forecasted cash flows indicates that the carrying value of the asset is not recoverable, the asset is written down to fair value.

Other Real Estate
ORE acquired through, or in lieu of, loan foreclosure is recorded at the fair value of the property, which becomes the property's new basis. A provision to the valuation allowance on ORE is made for subsequent declines in the fair value on a specific property basis. Direct costs incurred in connection with holding ORE are charged to expense when incurred.

Advertising Costs
W.T.B. expenses advertising costs as incurred, which are included in marketing and public relations expense. Advertising expenses were $2,607,228, $2,583,319 and $1,631,641 for 2020, 2019 and 2018, respectively.

Income Taxes
Income tax expense is separated into two components: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the current tax law to the taxable income or excess of deductions over revenues. W.T.B. determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more-likely-than-not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

W.T.B. recognizes interest and penalties on income taxes, if any, as a component of income tax expense.

Stock-Based Compensation
Compensation cost related to restricted stock awards issued to executive officers is based on fair value at the date of grant. The fair value of the awards is estimated using the market value of W.T.B.'s common stock. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Earnings per Common Share
W.T.B.'s basic earnings per common share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period, excluding nonvested restricted stock. Diluted earnings per common share is computed using the weighted-average number of common shares outstanding for the basic earnings per share computation plus the dilutive effects of nonvested restricted stock using the treasury stock method.

Stock
Class A common stock has the right to vote on certain matters. Class B common stock does not have voting rights except in those circumstances for which class voting is required by law. Class C preferred stock may be issued in one or more series. The Board of Directors of W.T.B. has the express authority to fix and designate the preferences and various other rights of Class C preferred stock. Repurchased common stock shares not retired are recorded as treasury stock at cost. Treasury shares are not deemed outstanding for earnings per share calculations.

Comprehensive Income
Comprehensive income consists of net income and other comprehensive gain (loss). Other comprehensive gain (loss) includes unrealized gains and losses on securities available for sale and unrealized gains and losses related to the defined benefit pension plan, which are reported as a separate component of equity.

Fair Value of Financial Instruments
Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, and other factors, especially in the absence of active markets that convey significant transaction-based pricing signals for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Reclassifications
Certain amounts appearing in the consolidated financial statements and notes thereto for the years ended December 31, 2019 and 2018 have been reclassified to conform to the December 31, 2020 presentation. These reclassifications had no effect on surplus or net income as previously reported and the effect of these reclassifications is not considered material.

Standards Not Yet Adopted
Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses *(Topic 326)*. This standard broadens the information that an entity must consider in developing its expected credit loss estimate for loans and other financial assets measured either collectively or individually. For W.T.B, this standard becomes effective for annual periods beginning after December 15, 2022, and interim periods within those annual periods. Current U.S. GAAP delays recognition of credit losses until it is probable a loss has occurred, generally only considering past events and current conditions in measuring the incurred loss. Once implemented, this new standard will eliminate the probable initial recognition threshold and instead, will require the measurement of expected credit losses based on historical experience, current conditions, and reasonable and supportable forecasts covering the entire term of the instrument through contractual maturity. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. This standard requires enhanced disclosures around significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the portfolio. In addition, this standard amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. W.T.B. is currently evaluating the provisions of this ASU to determine the potential impact the new standard will have on W.T.B.'s consolidated financial statements, once it becomes effective for periods beginning after December 15, 2022.

ASU 2020-04, Reference Rate Reform *(Topic 848)—Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this standard provide temporary, optional guidance to ease the potential burden in accounting for reference rate reform. This standard provides for expedients and exceptions when accounting for contracts, hedging relationships, and other transactions that reference London Inter-Bank Offered Rate ("LIBOR") or other reference rates expected to be discontinued because of reference rate reform. The standard includes relief related to contract modifications and hedging relationships, as well as provides a one-time election for the sale or transfer of debt securities classified as held-to-maturity. The guidance in ASU 2020-04 is effective immediately upon issuance in March 2020 and can generally be applied through December 31, 2022. The Financial Accounting Standards Board ("FASB") also issued ASU 2021-01, Reference Rate Reform (*Topic 848)—Scope* in January 2021. ASU 2021-01 clarifies certain optional expedients and exceptions in Topic 848 applying to derivatives that are affected by the reference rate transition. The amendments in ASU 2021-01 affect the guidance in ASU 2020-04 and are effective in the same timeframe as ASU 2020-04. W.T.B. is currently evaluating the provisions of these ASU's to determine the potential impact of applying these optional expedients and exceptions on W.T.B.'s consolidated financial statements.

Note 2: Cash and Due from Banks
Federal Reserve Board regulations require depository institutions to maintain minimum reserve balances in the form of cash on hand or deposits with the Federal Reserve Bank. At December 31, 2020, the Federal Reserve Board reduced the reserve requirement to zero percent beginning March 26, 2020. At December 31, 2019, the reserve balance requirements were $35,977,000, which were met by the Bank.

Note 3: Securities

The amortized costs and fair values for securities as of December 31, 2020 and 2019 were as follows:

2020				
Securities Available for Sale:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 605,694,108	$ 37,785,785	$ 696,387	$ 642,783,506
States and political subdivisions	4,714,846	143,396	-	4,858,242
Commercial mortgage-backed securities	684,178,843	37,832,119	8,280	722,002,682
Residential mortgage-backed securities	325,554,705	5,706,932	201,951	331,059,686
	$ 1,620,142,502	$ 81,468,232	$ 906,618	$ 1,700,704,116

2019				
Securities Available for Sale:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 441,070,959	$ 10,612,316	$ 656,630	$ 451,026,645
States and political subdivisions	5,226,385	116,063	-	5,342,448
Commercial mortgage-backed securities	537,869,469	4,822,073	4,192,886	538,498,656
Residential mortgage-backed securities	252,019,825	2,446,378	1,717,436	252,748,767
	$ 1,236,186,638	$ 17,996,830	$ 6,566,952	$ 1,247,616,516

2020				
Securities Held to Maturity:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 419,383,489	$ 22,931,551	$ 399,724	$ 441,915,316
States and political subdivisions	3,628,026	180,083	-	3,808,109
Commercial mortgage-backed securities	128,675,722	4,290,189	6,167	132,959,744
Residential mortgage-backed securities	325,968,403	3,345,601	4,950	329,309,054
	$ 877,655,640	$ 30,747,424	$ 410,841	$ 907,992,223

2019				
Securities Held to Maturity:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$ 333,659,465	$ 9,147,408	$ 979,645	$ 341,827,228
States and political subdivisions	3,704,089	100,422	-	3,804,511
Commercial mortgage-backed securities	135,534,492	357,815	3,297,797	132,594,510
Residential mortgage-backed securities	175,308,860	157,793	287,618	175,179,035
	$ 648,206,906	$ 9,763,438	$ 4,565,060	$ 653,405,284

The following tables show the gross unrealized losses and fair values, aggregated by category and the length of time that individual securities have been in a continuous unrealized loss position at December 31, 2020 and 2019:

2020						
	Less Than 12 Months		12 Months or More		Total	
Securities Available for Sale:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and federal agencies	$ 84,058,507	$ 696,387	$ -	$ -	$ 84,058,507	$ 696,387
States and political subdivisions	-	-	-	-	-	-
Commercial mortgage-backed securities	1,995,182	8,280	-	-	1,995,182	8,280
Residential mortgage-backed securities	87,606,175	201,951	-	-	87,606,175	201,951
	$ 173,659,864	$ 906,618	$ -	$ -	$ 173,659,864	$ 906,618

2019						
	Less Than 12 Months		12 Months or More		Total	
Securities Available for Sale:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and federal agencies	$ 80,578,011	$ 317,659	$ 84,633,603	$ 338,971	$ 165,211,614	$ 656,630
States and political subdivisions	-	-	-	-	-	-
Commercial mortgage-backed securities	236,640,920	3,703,372	49,463,840	489,514	286,104,760	4,192,886
Residential mortgage-backed securities	29,902,462	125,950	121,865,312	1,591,486	151,767,774	1,717,436
	$ 347,121,393	$ 4,146,981	$ 255,962,755	$ 2,419,971	$ 603,084,148	$ 6,566,952

	2020					
	Less Than 12 Months		12 Months or More		Total	
Securities Held to Maturity:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and federal agencies	$ 113,584,226	$ 399,724	$ -	$ -	$ 113,584,226	$ 399,724
States and political subdivisions	-	-	-	-	-	-
Commercial mortgage-backed securities	2,612,255	6,167	-	-	2,612,255	6,167
Residential mortgage-backed securities	1,224,198	4,950	-	-	1,224,198	4,950
	$ 117,420,679	$ 410,841	$ -	$ -	$ 117,420,679	$ 410,841

	2019					
	Less Than 12 Months		12 Months or More		Total	
Securities Held to Maturity:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and federal agencies	$ 111,991,510	$ 979,645	$ -	$ -	$ 111,991,510	$ 979,645
States and political subdivisions	-	-	-	-	-	-
Commercial mortgage-backed securities	107,651,770	3,096,228	14,483,139	201,569	122,134,909	3,297,797
Residential mortgage-backed securities	21,123,911	40,740	60,809,649	246,878	81,933,560	287,618
	$ 240,767,191	$ 4,116,613	$ 75,292,788	$ 448,447	$ 316,059,979	$ 4,565,060

The above tables represent 20 available-for-sale and 14 held-to-maturity securities for which the fair value at December 31, 2020, was less than the amortized cost. There were 53 available-for-sale securities and 46 held-to-maturity securities in an unrealized loss position as of December 31, 2019.

W.T.B. reviews investment securities on an ongoing basis for the presence of OTTI. As of December 31, 2020, there were no available-for-sale securities or held-to-maturity securities in a gross unrealized loss position for twelve months or more. Management takes into consideration current market conditions, fair value in relationship to cost, extent and nature of the decline in fair value, issuer rating changes and trends, risk of issuer default and loss, its intent to sell the security, or if it is likely that W.T.B. will be required to sell the security before recovery of our amortized cost basis, or recorded cost if previously written down, of the investment and other factors. The unrealized losses on these securities were largely due to increases in market interest rates and are not due to the underlying credit of the issuers. W.T.B. does not consider the unrealized losses on these securities to be OTTI as of December 31, 2020.

W.T.B. adopted a provision of GAAP that provides for the bifurcation of OTTI into two categories: (a) the amount of the total OTTI related to the decrease in cash flows expected to be collected from the debt security (the credit loss) that is recognized in earnings and (b) the amount of the total OTTI related to all other factors that is recognized net of income taxes, as a component of OCI. W.T.B. recorded, during the years ended December 31, 2020, 2019 and 2018, no impairments through OCI or earnings. There were no securities with OTTI losses recognized as of December 31, 2020 and 2019.

As of December 31, 2020, investment securities were pledged for the following obligations:

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Repurchase agreements	$ 21,492,947	$ 22,239,491	$ 248,772,531	$ 257,904,962
State and local government public deposits	2,496,174	2,761,760	66,080,859	70,054,196
Other	37,658,880	40,866,512	12,578,207	12,858,333
	$ 61,648,001	$ 65,867,763	$ 327,431,597	$ 340,817,491

In 2020, proceeds from the sales of available-for-sale securities were $535,600,228 resulting in gross gains of $6,591,112 and gross losses of $2,702,004. In 2019, proceeds from the sales of available-for-sale securities were $491,916,383 resulting in gross gains of $1,578,201 and gross losses of $3,431,234. In 2018, W.T.B. did not sell any available-for-sale securities.

The amortized costs and fair values of debt securities by years to maturity as of December 31, 2020 are in the table below. Maturities of mortgage-backed securities are classified in accordance with the contractual maturity dates. Expected maturities on certain securities may differ from contractual maturities since issuers may have the right to call or prepay obligations.

	2020			
	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 309,781	$ 323,649	$ -	$ -
Due after one year through five years	158,681,114	167,919,883	256,209,147	273,283,404
Due after five years through ten years	1,059,876,987	1,123,463,960	163,655,645	171,143,628
Due after ten years	401,274,620	408,996,624	457,790,848	463,565,191
	$ 1,620,142,502	$ 1,700,704,116	$ 877,655,640	$ 907,992,223

	2019			
	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 419,487	$ 428,980	$ -	$ -
Due after one year through five years	204,229,365	206,694,255	141,385,648	146,776,718
Due after five years through ten years	738,212,577	745,492,558	280,972,546	280,991,382
Due after ten years	293,325,209	295,000,723	225,848,712	225,637,184
	$ 1,236,186,638	$ 1,247,616,516	$ 648,206,906	$ 653,405,284

Note 4: Loans and Allowance for Loan Losses

Loans

Loans held in portfolio as of December 31 were as follows:

	2020	2019
Commercial and industrial	$ 2,066,376,299	$ 1,324,356,200
Agricultural	273,211,338	265,375,736
Commercial real estate		
Owner occupied	678,559,314	642,858,202
Non-owner occupied	949,905,273	842,174,267
Construction and development		
Commercial	371,516,739	281,711,676
Residential	160,109,319	179,354,931
Residential real estate		
First mortgage	735,505,366	635,721,975
Junior mortgage	24,281,234	34,463,416
Revolving	202,654,172	193,101,107
Consumer	100,840,856	114,213,110
Total portfolio loans	$ 5,562,959,910	$ 4,513,330,620

Loans were reduced by unamortized deferred fees and costs of $21,369,055 and $8,364,707 at December 31, 2020 and 2019, respectively. Loans with a principal balance of $3,288,465,636 and $2,297,343,685 were pledged at December 31, 2020 and 2019, respectively, to the FHLB and Federal Reserve to secure open borrowing lines of credit.

In 2020, the Bank participated in the Small Business Administration's Paycheck Protection Program ("PPP"). This program came about through the CARES Act passed by Congress to help small businesses keep their employees employed through the COVID-19 shelter in place orders. In 2020, the Company assisted over 5,400 businesses with more than $1.25 billion in PPP loan originations. As of December 31, 2020, there were $970,690,482 of PPP loans outstanding, net of deferred fees and costs, which are categorized as commercial and industrial. The entire principal amount of PPP loans, along with accrued interest, are forgivable, assuming the borrower complies with the terms of the use of funds under the CARES Act and are fully guaranteed by the Small Business Administration ("SBA").

Allowance for Loan Losses

The following table summarizes credit performance activity related to the allowance for loan losses by loan category and the recorded investment in loans by loan category and balances individually or collectively evaluated for impairment as of December 31:

2020	Commercial and Agricultural	Real Estate Secured Commercial	Real Estate Secured Construction	Real Estate Secured Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 37,027,202	$ 21,320,127	$ 13,761,208	$ 18,265,598	$ 1,559,213	$ 4,481,373	$ 96,414,721
Charge-offs	(1,646,807)	-	(12,441)	-	(474,631)	-	(2,133,879)
Recoveries	3,290,684	-	1,087,882	719,317	432,358	-	5,530,241
Provision (recapture)	9,896,022	18,769,046	2,358,854	3,958,093	251,898	(2,233,913)	33,000,000
Ending balance	$ 48,567,101	$ 40,089,173	$ 17,195,503	$ 22,943,008	$ 1,768,838	$ 2,247,460	$ 132,811,083
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 7,325,605	$ -	$ -	$ 324,801	$ 87,605	$ -	$ 7,738,011
Collectively evaluated for impairment	41,241,496	40,089,173	17,195,503	22,618,207	1,681,233	2,247,460	125,073,072
Total allowance for loan losses	$ 48,567,101	$ 40,089,173	$ 17,195,503	$ 22,943,008	$ 1,768,838	$ 2,247,460	$ 132,811,083
Loans:							
Portfolio loans:							
Loans individually evaluated for impairment	$ 26,719,806	$ 723,197	$ -	$ 3,203,485	$ 87,605		$ 30,734,093
Loans collectively evaluated for impairment	2,312,867,831	1,627,741,390	531,626,058	959,237,287	100,753,251		5,532,225,817
Total portfolio loans	$ 2,339,587,637	$ 1,628,464,587	$ 531,626,058	$ 962,440,772	$ 100,840,856		$ 5,562,959,910

2019	Commercial and Agricultural	Real Estate Secured Commercial	Real Estate Secured Construction	Real Estate Secured Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 37,418,069	$ 18,520,775	$ 13,785,289	$ 18,068,056	$ 1,362,596	$ 1,593,808	$ 90,748,593
Charge-offs	(4,285,256)	-	-	(320,376)	(568,665)	-	(5,174,297)
Recoveries	1,276,697	-	5,002,943	951,180	409,605	-	7,640,425
Provision (recapture)	2,617,692	2,799,352	(5,027,024)	(433,262)	355,677	2,887,565	3,200,000
Ending balance	$ 37,027,202	$ 21,320,127	$ 13,761,208	$ 18,265,598	$ 1,559,213	$ 4,481,373	$ 96,414,721
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 203,893	$ 71,624	$ -	$ 237,631	$ 91,220	$ -	$ 604,368
Collectively evaluated for impairment	36,823,309	21,248,503	13,761,208	18,027,967	1,467,993	4,481,373	95,810,353
Total allowance for loan losses	$ 37,027,202	$ 21,320,127	$ 13,761,208	$ 18,265,598	$ 1,559,213	$ 4,481,373	$ 96,414,721
Loans:							
Portfolio loans:							
Loans individually evaluated for impairment	$ 6,669,463	$ 736,875	$ 231,778	$ 2,644,158	$ 91,220		$ 10,373,494
Loans collectively evaluated for impairment	1,583,062,473	1,484,295,594	460,834,829	860,642,340	114,121,890		4,502,957,126
Total portfolio loans	$ 1,589,731,936	$ 1,485,032,469	$ 461,066,607	$ 863,286,498	$ 114,213,110		$ 4,513,330,620

	2018						
	Commercial and Agricultural	Real Estate Secured Commercial	Real Estate Secured Construction	Real Estate Secured Residential	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 34,886,108	$ 16,324,669	$ 13,749,921	$ 18,621,000	$ 1,508,090	$ 1,694,441	$ 86,784,229
Charge-offs	(4,087,466)	-	-	(398,402)	(793,673)	-	(5,279,541)
Recoveries	1,287,498	-	3,852,198	1,054,165	350,044	-	6,543,905
Provision (recapture)	5,331,929	2,196,106	(3,816,830)	(1,208,707)	298,135	(100,633)	2,700,000
Ending balance	$ 37,418,069	$ 18,520,775	$ 13,785,289	$ 18,068,056	$ 1,362,596	$ 1,593,808	$ 90,748,593
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 128,890	$ 192,774	$ 174,390	$ 62,322	$ 10,693	$ -	$ 569,069
Collectively evaluated for impairment	37,289,179	18,328,001	13,610,899	18,005,734	1,351,903	1,593,808	90,179,524
Total allowance for loan losses	$ 37,418,069	$ 18,520,775	$ 13,785,289	$ 18,068,056	$ 1,362,596	$ 1,593,808	$ 90,748,593
Loans:							
Portfolio loans:							
Loans individually evaluated for impairment	$ 1,965,025	$ 2,573,290	$ 1,692,323	$ 2,245,362	$ 102,520		$ 8,578,520
Loans collectively evaluated for impairment	1,462,992,500	1,301,711,166	424,653,096	745,402,093	99,935,362		4,034,694,217
Total portfolio loans	$ 1,464,957,525	$ 1,304,284,456	$ 426,345,419	$ 747,647,455	$ 100,037,882		$ 4,043,272,737

Impaired Loans

Impaired loans below a de minimis threshold are collectively evaluated for impairment. Impaired loans collectively evaluated for impairment were $6,278,513, $5,058,162 and $4,322,083 for the years ended December 31, 2020, 2019 and 2018, respectively. The following table presents impaired loans and the related valuation allowance:

	2020	2019	2018
December 31:			
Nonaccrual loans	$ 11,411,967	$ 13,506,112	$ 10,670,965
Accruing troubled debt restructurings	974,088	1,065,019	885,939
Loans past due 90 days or more and still accruing	17,621	860,524	1,343,699
Other accruing loans	24,608,930	-	-
Total impaired loans	$ 37,012,606	$ 15,431,655	$ 12,900,603
Impaired loans with no valuation allowance	$ 3,020,812	$ 5,239,058	$ 4,033,367
Impaired loans with a valuation allowance	33,991,794	10,192,597	8,867,236
Total impaired loans	$ 37,012,606	$ 15,431,655	$ 12,900,603
Allowance on impaired loans	$ 8,201,810	$ 1,096,020	$ 1,019,861
For the years ended December 31:			
Average impaired loans	$ 16,852,383	$ 17,091,152	$ 11,572,342
Interest income recognized on impaired loans	$ 634,686	$ 2,520,860	$ 386,230

Commitments to advance additional funds in connection with impaired loans were $29,994, $166,456 and $20,704 at December 31, 2020, 2019 and 2018, respectively.

W.T.B. recognizes the charge-off in the period in which it arises for collateral dependent loans. Therefore, impaired collateral dependent loans have been written-down to their estimated net realizable value, based on fair market value less selling costs.

The following table presents impaired loans by category as of December 31:

	2020				
	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:					
Commercial and industrial	$ 1,426,939	$ 3,493,569	$ -	$ 3,394,209	$ 326,275
Agricultural	-	-	-	-	-
Commercial real estate					
Owner occupied	723,197	723,197	-	361,599	(9,113)
Non-owner occupied	-	-	-	-	-
Construction and development					
Commercial	-	-	-	-	-
Residential	42,150	167,502	-	192,162	-
Residential real estate					
First mortgage	629,028	1,578,780	-	52,419	96,618
Junior mortgage	199,498	199,498	-	199,497	19,727
Revolving	-	-	-	-	-
Consumer	-	-	-	75,361	14,667
Total loans with no related allowance recorded	3,020,812	6,162,546	-	4,275,247	448,174
Loans with related allowance recorded:					
Commercial and industrial	3,485,476	4,601,288	296,757	3,781,690	55,087
Agricultural	24,690,924	24,713,047	7,264,937	2,229,006	14,566
Commercial real estate					
Owner occupied	295,858	309,549	24,734	563,863	6,581
Non-owner occupied	343,003	343,003	28,675	322,393	18,279
Construction and development					
Commercial	-	-	-	28,221	-
Residential	-	-	-	3,622	-
Residential real estate					
First mortgage	3,290,674	3,835,690	347,212	3,535,078	27,290
Junior mortgage	1,010,408	1,273,066	86,026	1,174,038	(2,290)
Revolving	411,794	562,045	34,426	446,911	61,372
Consumer	463,657	516,698	119,043	492,314	5,627
Total loans with related allowance recorded	33,991,794	36,154,386	8,201,810	12,577,136	186,512
Total impaired loans:					
Commercial and industrial	4,912,415	8,094,857	296,757	7,175,899	381,362
Agricultural	24,690,924	24,713,047	7,264,937	2,229,006	14,566
Commercial real estate					
Owner occupied	1,019,055	1,032,746	24,734	925,462	(2,532)
Non-owner occupied	343,003	343,003	28,675	322,393	18,279
Construction and development					
Commercial	-	-	-	28,221	-
Residential	42,150	167,502	-	195,784	-
Residential real estate					
First mortgage	3,919,702	5,414,470	347,212	3,587,497	123,908
Junior mortgage	1,209,906	1,472,564	86,026	1,373,535	17,437
Revolving	411,794	562,045	34,426	446,911	61,372
Consumer	463,657	516,698	119,043	567,675	20,294
Total impaired loans	$ 37,012,606	$ 42,316,932	$ 8,201,810	$ 16,852,383	$ 634,686

	2019				
	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:					
Commercial and industrial	$ 4,807,783	$ 6,846,573	$ -	$ 5,413,983	$ 388,603
Agricultural	-	-	-	-	-
Commercial real estate					
Owner occupied	-	-	-	1,209,935	106,620
Non-owner occupied	-	-	-	718	14,490
Construction and development					
Commercial	-	-	-	-	-
Residential	231,778	355,813	-	896,712	1,630,314
Residential real estate					
First mortgage	-	-	-	140,493	69,064
Junior mortgage	199,497	199,497	-	806,254	95,917
Revolving	-	-	-	544,740	57,003
Consumer	-	-	-	21,756	2,639
Total loans with no related allowance recorded	5,239,058	7,401,883	-	9,034,591	2,364,650
Loans with related allowance recorded:					
Commercial and industrial	4,001,826	6,928,685	411,916	3,671,052	61,907
Agricultural	115,003	125,827	11,178	115,133	-
Commercial real estate					
Owner occupied	920,776	920,776	89,499	70,829	40,704
Non-owner occupied	303,417	303,417	29,492	308,471	9,898
Construction and development					
Commercial	56,441	56,441	5,486	56,441	-
Residential	-	-	-	-	-
Residential real estate					
First mortgage	2,867,402	4,163,079	278,721	2,492,869	25,510
Junior mortgage	1,098,384	1,328,679	106,763	801,587	2,755
Revolving	540,116	780,865	52,499	324,329	8,828
Consumer	289,232	317,311	110,466	215,850	6,608
Total loans with related allowance recorded	10,192,597	14,925,080	1,096,020	8,056,561	156,210
Total impaired loans:					
Commercial and industrial	8,809,609	13,775,258	411,916	9,085,035	450,510
Agricultural	115,003	125,827	11,178	115,133	-
Commercial real estate					
Owner occupied	920,776	920,776	89,499	1,280,764	147,324
Non-owner occupied	303,417	303,417	29,492	309,189	24,388
Construction and development					
Commercial	56,441	56,441	5,486	56,441	-
Residential	231,778	355,813	-	896,712	1,630,314
Residential real estate					
First mortgage	2,867,402	4,163,079	278,721	2,633,362	94,574
Junior mortgage	1,297,881	1,528,176	106,763	1,607,841	98,672
Revolving	540,116	780,865	52,499	869,069	65,831
Consumer	289,232	317,311	110,466	237,606	9,247
Total impaired loans	$ 15,431,655	$ 22,326,963	$ 1,096,020	$ 17,091,152	$ 2,520,860

	2018				
	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:					
Commercial and industrial	$ 1,095,750	$ 2,595,750	$ -	$ 122,282	$ 19,279
Agricultural	-	-	-	-	-
Commercial real estate					
Owner occupied	1,051,452	1,051,452	-	808,809	-
Non-owner occupied	-	-	-	-	-
Construction and development					
Commercial	-	-	-	-	-
Residential	243,879	356,313	-	243,879	-
Residential real estate					
First mortgage	442,579	690,712	-	993,964	18,960
Junior mortgage	500,210	500,210	-	38,478	1,576
Revolving	699,497	699,497	-	699,497	-
Consumer	-	-	-	-	-
Total loans with no related allowance recorded	4,033,367	5,893,934	-	2,906,909	39,815
Loans with related allowance recorded:					
Commercial and industrial	2,150,434	2,381,014	262,515	2,032,637	39,716
Agricultural	116,695	125,827	12,171	131,684	61,150
Commercial real estate					
Owner occupied	1,521,838	1,521,838	192,774	492,025	176,377
Non-owner occupied	318,873	346,136	33,258	242,649	10,512
Construction and development					
Commercial	56,441	56,441	5,887	70,806	23,819
Residential	1,480,441	4,492,982	177,727	1,888,573	-
Residential real estate					
First mortgage	1,214,129	2,157,264	127,154	1,410,273	8,354
Junior mortgage	1,136,199	1,423,713	118,506	1,310,564	16,079
Revolving	688,970	1,000,955	70,760	862,781	6,540
Consumer	183,216	200,569	19,109	223,441	3,868
Total loans with related allowance recorded	8,867,236	13,706,739	1,019,861	8,665,433	346,415
Total impaired loans:					
Commercial and industrial	3,246,184	4,976,764	262,515	2,154,919	58,995
Agricultural	116,695	125,827	12,171	131,684	61,150
Commercial real estate					
Owner occupied	2,573,290	2,573,290	192,774	1,300,834	176,377
Non-owner occupied	318,873	346,136	33,258	242,649	10,512
Construction and development					
Commercial	56,441	56,441	5,887	70,806	23,819
Residential	1,724,320	4,849,295	177,727	2,132,452	-
Residential real estate					
First mortgage	1,656,708	2,847,976	127,154	2,404,237	27,314
Junior mortgage	1,636,409	1,923,923	118,506	1,349,042	17,655
Revolving	1,388,467	1,700,452	70,760	1,562,278	6,540
Consumer	183,216	200,569	19,109	223,441	3,868
Total impaired loans	$ 12,900,603	$ 19,600,673	$ 1,019,861	$ 11,572,342	$ 386,230

Troubled Debt Restructurings

At December 31, 2020 and 2019, respectively, the Bank reported loans totaling $2,102,888 and $6,331,426 that were troubled debt restructurings and on nonaccrual status. In addition to these amounts, the Bank had troubled debt restructurings of $974,088 and $1,065,019 at December 31, 2020 and 2019, respectively, which were performing in accordance with their modified terms and were on accrual status. The Bank has no commitments to lend additional amounts to customers with outstanding loans that were classified as troubled debt restructurings as of December 31, 2020.

The carrying value of loans modified in troubled debt restructurings is measured by either the present value of expected future cash flows, or for collateral dependent loans, at the fair value of the collateral, less selling costs. If the measurement of each troubled debt restructuring's value is less than the recorded investment in the loan, the Bank recognizes this impairment and adjusts the carrying value of the loan through the allowance for loan losses.

In certain circumstances, the Bank may offer one, or more, loan modifications to borrowers. The types of loan modifications offered typically impact loan payment amounts in the following ways:

- Rate Modification: A modification in which the interest rate is changed.
- Term Modification: A modification in which the maturity date, timing of payments, or frequency of payments is changed.
- Interest Only Modification: A modification in which the loan is converted to interest only payments for a period of time.
- Payment Modification: A modification in which the dollar amount of the payment is changed, other than as a result of any of the modifications described above.
- Combination Modification: Any other type of modification, including the use of multiple categories above.

There were no loans modified and recorded as troubled debt restructurings during the year ended December 31, 2018. Loans modified and recorded as troubled debt restructurings during the years ended December 31:

	2020			2019		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial and industrial	3	$ 391,312	$ 391,312	6	$ 7,128,905	$ 6,501,047
Commercial real estate						
Non-owner occupied	1	176,040	176,040	-	-	-
Residential real estate						
Junior mortgage	-	-	-	2	682,789	682,779
Consumer	1	46,511	46,511	-	-	-
Total	5	$ 613,863	$ 613,863	8	$ 7,811,694	$ 7,183,826

During 2020, the Bank restructured five loans that were combination modifications. During 2019, the Bank restructured eight loans where seven were combination modifications and one was an interest only modification. During 2018, the Bank did not have any new restructured loans.

A default on a troubled debt restructuring is when a loan is more than 90 days delinquent on its contractual payment subsequent to restructuring. The following table presents restructured loans which incurred a default within the years ended December 31, 2020, 2019 and 2018 for which the default occurred within twelve months of the restructure date:

	2020		2019		2018	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Troubled debt restructurings that subsequently defaulted:						
Commercial and industrial	2	$ 135,086	-	$ -	-	$ -
Residential real estate						
First mortgage	-	-	-	-	1	516,800
	2	$ 135,086	-	$ -	1	$ 516,800

Loan Modifications for Customers Affected by the Pandemic

During 2020, the Bank actively worked to provide loan payment deferrals to borrowers who were affected by the Pandemic. Pursuant to the CARES Act and the Interagency Statement, these loan modification were not accounted for as TDRs as long as they met certain criteria. Payment deferral terms generally ranged from 90 to 180 days and some borrowers were granted multiple deferrals. These loans are not considered past due until after the deferral period is over and scheduled payments have returned. Many of the borrowers granted a deferral have returned to normal payment performance. During the year ended December 31, 2020, approximately $482 million of loans had been modified pursuant to COVID-19 relief programs. At December 31, 2020, there were 15 loans remaining on deferral totaling $36,715,974.

Credit Quality Indicators

The following table presents the recorded investment in portfolio loans by payment status as of December 31:

2020	Noncurrent Loans Nonaccrual	Noncurrent Loans Past Due 90 or More Days and Still Accruing	Noncurrent Loans Total	Loans Past Due 30-89 Days Still Accruing	Current Loans	Total Loans
Commercial and industrial	$ 4,267,722	$ 14,182	$ 4,281,904	$ 761,811	$ 2,061,332,584	$ 2,066,376,299
Agricultural	81,994	-	81,994	-	273,129,344	273,211,338
Commercial real estate						
Owner occupied	1,019,055	-	1,019,055	176,450	677,363,809	678,559,314
Non-owner occupied	119,223	-	119,223	-	949,786,050	949,905,273
Construction and development						
Commercial	-	-	-	-	371,516,739	371,516,739
Residential	42,150	-	42,150	-	160,067,169	160,109,319
Residential real estate						
First mortgage	3,846,397	-	3,846,397	586,539	731,072,430	735,505,366
Junior mortgage	1,180,260	-	1,180,260	-	23,100,974	24,281,234
Revolving	411,794	-	411,794	63,820	202,178,558	202,654,172
Consumer	443,372	3,439	446,811	98,914	100,295,131	100,840,856
Total portfolio loans	$ 11,411,967	$ 17,621	$ 11,429,588	$ 1,687,534	$ 5,549,842,788	$ 5,562,959,910

2019	Noncurrent Loans Nonaccrual	Noncurrent Loans Past Due 90 or More Days and Still Accruing	Noncurrent Loans Total	Loans Past Due 30-89 Days Still Accruing	Current Loans	Total Loans
Commercial and industrial	$ 7,960,980	$ 114,241	$ 8,075,221	$ 520,841	$ 1,315,760,138	$ 1,324,356,200
Agricultural	115,003	-	115,003	-	265,260,733	265,375,736
Commercial real estate						
Owner occupied	183,901	736,875	920,776	131,751	641,805,675	642,858,202
Non-owner occupied	119,223	-	119,223	-	842,055,044	842,174,267
Construction and development						
Commercial	56,441	-	56,441	-	281,655,235	281,711,676
Residential	231,778	-	231,778	321,298	178,801,855	179,354,931
Residential real estate						
First mortgage	2,789,693	-	2,789,693	1,632,639	631,299,643	635,721,975
Junior mortgage	1,263,907	-	1,263,907	278,518	32,920,991	34,463,416
Revolving	540,116	-	540,116	150,704	192,410,287	193,101,107
Consumer	245,070	9,408	254,478	699,247	113,259,385	114,213,110
Total portfolio loans	$ 13,506,112	$ 860,524	$ 14,366,636	$ 3,734,998	$ 4,495,228,986	$ 4,513,330,620

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors.

The Bank analyzes all loans as to credit risk. All extensions of credit have a loan risk grade assigned either individually or on a pooled basis. This analysis is performed on a monthly basis.

The Bank uses risk categories that have the following definitions:

- Pass: Loans classified as pass have minimal risk to acceptable risk, but may require additional monitoring, and do not meet the criteria of the higher risk grade categories.
- Special Mention: Loans classified as special mention have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.
- Substandard: Loans classified as substandard are inadequately protected by the current net worth and/or paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt in full. Substandard loans are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.
- Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and collateral values, highly questionable and improbable.
- Loss: Loans classified as loss are considered uncollectible, and therefore, continuing to reflect their balances on the books is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off the asset, even though partial recovery may be possible in the future.

Loans by risk categories as of December 31 were as follows:

	2020				
	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	$ 1,985,610,591	$ 26,721,950	$ 54,029,576	$ 14,182	$ 2,066,376,299
Agricultural	228,704,977	43,632,610	873,751	-	273,211,338
Commercial real estate					
Owner occupied	641,461,027	16,917,656	20,180,631	-	678,559,314
Non-owner occupied	790,386,657	107,186,384	52,332,232	-	949,905,273
Construction and development					
Commercial	356,158,416	15,358,323	-	-	371,516,739
Residential	160,067,169	-	42,150	-	160,109,319
Residential real estate					
First mortgage	724,498,795	2,474,286	8,532,285	-	735,505,366
Junior mortgage	22,610,432	117,370	1,553,432	-	24,281,234
Revolving	200,481,762	232,728	1,916,740	22,942	202,654,172
Consumer	99,808,785	208,767	819,865	3,439	100,840,856
Total portfolio loans	$ 5,209,788,611	$ 212,850,074	$ 140,280,662	$ 40,563	$ 5,562,959,910

	2019				
	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	$ 1,272,025,501	$ 20,129,069	$ 32,163,534	$ 38,096	$ 1,324,356,200
Agricultural	256,465,680	8,787,303	122,753	-	265,375,736
Commercial real estate					
Owner occupied	611,607,510	8,857,102	22,393,590	-	642,858,202
Non-owner occupied	841,886,305	168,739	119,223	-	842,174,267
Construction and development					
Commercial	279,792,918	-	1,918,758	-	281,711,676
Residential	179,123,153	-	231,778	-	179,354,931
Residential real estate					
First mortgage	627,682,226	2,681,616	5,358,133	-	635,721,975
Junior mortgage	32,769,433	-	1,657,231	36,752	34,463,416
Revolving	191,174,258	230,831	1,667,355	28,663	193,101,107
Consumer	113,473,643	75,731	654,328	9,408	114,213,110
Total portfolio loans	$ 4,406,000,627	$ 40,930,391	$ 66,286,683	$ 112,919	$ 4,513,330,620

Note 5: Loan Servicing

Mortgage loans serviced for others are not assets of the Bank and therefore were not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of mortgage loans serviced for others at December 31, 2020 and 2019 were $122,587,003 and $97,864,370, respectively. Custodial escrow balances maintained in connection with the loan servicing, and included in the Bank's demand deposits, were $909,525 and $833,171 at December 31, 2020 and 2019, respectively. The balances of loans serviced for others related to servicing rights that have been capitalized at December 31, 2020 and 2019 were $122,444,797 and $97,687,272, respectively.

A summary of the carrying values and fair values of mortgage servicing rights, included in other assets, at December 31 were as follows:

	2020	2019
Unamortized cost	$ 277,520	$ 210,102
Valuation allowance	(41,792)	(36,835)
Carrying value	$ 235,728	$ 173,267
Fair value	$ 410,569	$ 455,853

At December 31, 2020 and 2019, the key economic assumptions of the current fair value of mortgage servicing rights were as follows:

	2020	2019
Prepayment speed assumption (constant prepayment rate)	39.33%	28.37%
Discount rate	11.00%	11.00%

Originated loans that were sold with servicing retained were $52,510,819, $1,346,887 and $3,425,604 in 2020, 2019 and 2018, respectively. Following is an analysis of the activity for mortgage servicing rights and the related valuation allowance for the years ended December 31:

	2020	2019	2018
Unamortized cost:			
Balance at beginning of year	$ 210,102	$ 315,517	$ 789,127
Mortgage servicing rights capitalized	185,884	8,050	30,446
Amortization	(118,466)	(113,465)	(504,056)
Balance at end of year	$ 277,520	$ 210,102	$ 315,517

	2020	2019	2018
Valuation allowance:			
Balance at beginning of year	$ (36,835)	$ (15,904)	$ (385,324)
Additions	(34,997)	(43,534)	(6,064)
Reductions	30,040	22,603	375,484
Balance at end of year	$ (41,792)	$ (36,835)	$ (15,904)

Note 6: Other Real Estate

The following table summarizes activity related to other real estate for the years ended December 31:

	2020	2019	2018
Balance at beginning of year	$ -	$ -	$ 310,500
Properties acquired	-	-	-
Sales of foreclosed properties, net	-	-	(217,791)
Valuation adjustments	-	-	(92,709)
Balance at end of year	$ -	$ -	$ -

Revenues and expenses related to maintaining, operating and disposing of other real estate included the following:

	2020	2019	2018
Gains on sales	$ -	$ -	$ 71
Valuation adjustments on other real estate	-	-	(92,709)
Net losses on other real estate	-	-	(92,638)
Operating expenses	-	-	(18,677)
Total other real estate related net loss	$ -	$ -	$ (111,315)

The Bank has no recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process as of December 31, 2020. The recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process was $144,540 as of December 31, 2019.

Note 7: Premises and Equipment

A summary of W.T.B. premises and equipment at December 31 follows:

	2020	2019
Land	$ 18,370,448	$ 18,370,448
Buildings	106,070,055	99,850,829
Furniture and equipment	69,456,215	67,345,824
	193,896,718	185,567,101
Less accumulated depreciation	(101,817,907)	(98,884,733)
	$ 92,078,811	$ 86,682,368

Depreciation on W.T.B. premises and equipment was charged to occupancy expense or furniture and equipment expense in the amounts of $7,521,522, $6,853,908 and $6,372,906 in 2020, 2019 and 2018, respectively.

Note 8: Deposits

At December 31 deposits were as follows:

	2020	2019
Noninterest-bearing demand	$ 4,151,293,727	$ 2,817,138,103
Interest-bearing:		
Demand	1,567,207,483	1,068,135,973
Savings	2,755,707,522	2,104,484,556
Time deposits under $250,000	156,712,851	176,538,001
Time deposits $250,000 or more	51,202,119	45,669,354
Brokered time deposits	16,666,956	14,900,014
Total interest-bearing	4,547,496,931	3,409,727,898
	$ 8,698,790,658	$ 6,226,866,001

At December 31, 2020, the scheduled maturities of time deposits, including brokered time deposits, were as follows:

2021	$ 177,007,210
2022	28,493,367
2023	5,556,568
2024	7,305,544
2025 and thereafter	6,219,237
	$ 224,581,926

At December 31, 2020 and 2019, overdraft deposit accounts with balances of $4,675,747 and $1,127,921, respectively, have been reclassified and were reported as loans.

Note 9: Securities Sold Under Agreements to Repurchase and Federal Funds Purchased

The following table presents information regarding securities sold under agreements to repurchase:

	2020	2019
December 31:		
Repurchase amount	$ 216,428,301	$ 163,069,316
Rate	0.28%	0.73%
Average for the year:		
Amount	$ 390,094,987	$ 266,548,475
Rate	0.41%	0.89%
Maximum outstanding at any month end	$ 445,018,914	$ 381,347,884

Securities sold under agreements to repurchase are performed with sweep accounts in conjunction with a master repurchase agreement on an overnight basis. Investment securities are pledged as collateral in an amount greater than the repurchase agreements. The Bank maintains custodial control over the securities.

At December 31, 2020 and 2019, the Bank had no outstanding federal funds purchased balances. The Bank had uncommitted federal funds line of credit agreements with financial institutions totaling $100,000,000 and $90,000,000 at December 31, 2020 and 2019, respectively. Availability of the lines is subject to federal funds balances available for loan and continued borrower eligibility which are reviewed and renewed periodically by the issuing correspondent banks throughout the year. These lines are intended to support the Bank's short-term liquidity needs, and the agreements may restrict consecutive day usage. Federal funds purchased typically mature within one day and interest is payable at the then stated rate.

Note 10: FHLB Borrowings

The Bank maintains a borrowing arrangement with the FHLB to borrow funds under a short-term floating-rate cash management advance program and fixed-term loan agreements. FHLB borrowings consist of FHLB notes and advances. The Bank's borrowing line with the FHLB allows borrowings up to the lesser of 45 percent of total assets or adjusted qualifying collateral pledged, which, based upon adjusted qualifying collateral pledged, provided a maximum available credit line of $907,106,844 at December 31, 2020.

There were no outstanding FHLB advances as of December 31, 2020 and 2019, respectively. The following table summarizes FHLB advances for the years ended December 31:

	2020	2019
Average for the year:		
Amount	$ 274,044	$ 3,746,301
Rate	0.44%	2.12%
Maximum outstanding during the year	$ 100,000,000	$ 165,000,000

Note 11: Other Borrowings

Other borrowings consist of Federal Reserve Bank discount window borrowings. The Bank has established a borrowing line with the Federal Reserve Bank to borrow up to the qualifying collateral pledged, which provided a maximum available credit line of $1,507,008,241 at December 31, 2020 with interest payable at the then stated rate. Federal Reserve Bank discount window borrowings are intended to support short term liquidity needs. There were no Federal Reserve Bank discount window borrowings outstanding at December 31, 2020 or 2019.

During 2020, the Federal Reserve established the Paycheck Protection Program Liquidity Facility ("PPPLF") to facilitate lending under the PPP program. Borrowings under the PPPLF are secured by PPP loans, which are guaranteed by the SBA and mature at the same time as the PPP loan pledged to secure the extension of credit. Under the PPPLF, the Bank can borrow up to the principal amount of pledged PPP loans. As of December 31, 2020, there were no PPP loans pledged to the PPPLF, therefore, there was no borrowing capacity or borrowings outstanding.

Note 12: Pension and Employee Benefit Plans

Qualified Defined Benefit Pension Plan

W.T.B. maintains a qualified defined benefit pension plan ("Pension Plan") for employees hired before January 1, 2004. Benefits under the Pension Plan are based on the number of years of service and the employee's career average compensation during such years.

W.T.B. uses a December 31 measurement date for the Pension Plan. The following table provides a reconciliation of the changes in the Pension Plan's benefit obligation and fair value of assets over the two-year period ended December 31, 2020, and a statement of the funded status, the excess or shortfall of the Pension Plan's fair value of assets over the Pension Plan's projected benefit obligation, at December 31 of both years:

	2020	2019
Accumulated benefit obligation at end of year	$ 96,675,847	$ 87,289,781
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 94,258,777	$ 83,294,155
Service cost - benefits earned during the period	1,666,073	1,491,013
Interest cost	2,876,485	3,337,008
Actuarial loss	11,679,020	11,723,874
Benefits paid	(5,862,193)	(5,587,273)
Projected benefit obligation at end of year	104,618,162	94,258,777
Change in Pension Plan assets:		
Fair value of Pension Plan assets at beginning of year	107,761,465	95,132,745
Actual return on Pension Plan assets	14,591,589	18,215,993
Employer contributions	17,251	-
Benefits paid	(5,862,193)	(5,587,273)
Fair value of Pension Plan assets at end of year	116,508,112	107,761,465
Funded status of projected benefit obligation at end of year	$ 11,889,950	$ 13,502,688
Accumulated other comprehensive loss not yet reflected in net periodic pension cost (pre-tax)	$ (27,114,388)	$ (28,321,160)
Cumulative employer contributions in excess of net periodic pension cost	39,004,338	41,823,848
Amounts recognized in the consolidated statements of financial condition at end of year:		
Other assets	$ 11,889,950	$ 13,502,688

W.T.B. selects various assumptions in measuring the Pension Plan's defined benefit obligation and recording the net periodic benefit cost. W.T.B. selects the discount rate used to measure liabilities at year ends after reviewing both bond indices with similar durations to the Pension Plan as well as a supportable discount rate from an actuary's proprietary yield curve, under which the Pension Plan's projected benefit payments are matched against a series of spot rates derived from high quality fixed income securities.

W.T.B.'s assumption for expected long-term return on Pension Plan assets is based on a periodic review and modeling of the Pension Plan's asset allocation over a long-term horizon. The expected long-term rate of return on assets is selected from within the reasonable range of rates determined by (a) historical real returns for the asset classes covered by the investment policy, and (b) expected economic conditions over the long-term period during which benefits are payable to plan participants.

	2020	2019	2018
Assumptions used in computing the present value of the accumulated benefit obligation and the projected benefit obligation at year-end:			
Discount rate	2.17%	3.13%	4.08%
Rates of increase in compensation	5.00%	5.00%	5.00%
Expected long-term rate of return on assets used in computing the net pension expense determined at beginning of year	3.80%	4.50%	4.50%

Net periodic pension costs for 2020, 2019 and 2018, included the following components:

	2020	2019	2018
Service cost	$ 1,666,073	$ 1,491,013	$ 1,871,238
Interest cost	2,876,485	3,337,008	3,221,713
Expected return on Pension Plan assets	(4,019,830)	(4,192,063)	(4,444,404)
Amortization of net loss	2,314,033	3,174,773	3,295,205
Net periodic pension cost	$ 2,836,761	$ 3,810,731	$ 3,943,752

Total service costs in the table above are recognized in pension and employee benefits expense on the consolidated statements of income. Non-service cost components of net periodic pension cost are recorded in other expense.

W.T.B.'s Pension Plan asset allocations at December 31, 2020 and 2019, by asset category, were as follows:

	2020	2019
Asset category:		
Fixed income securities	51%	40%
Group annuity contract	34%	35%
Equity securities	15%	24%
Cash equivalents	0%	1%
Total	100%	100%

W.T.B.'s target asset allocation as of December 31, 2020 was 20 percent growth assets and 80 percent liability hedging assets, excluding the group annuity contract.

W.T.B.'s investment policy provides direction regarding the investment philosophy, objectives and guidelines for Pension Plan assets. Pension Plan assets are to be invested in a diversified structure that appropriately balances risk and rewards. Diversification includes asset allocation between equity, fixed income, alternative and cash/cash equivalent securities, foreign and domestic securities, industry sectors and asset management styles. W.T.B. seeks to reduce its net interest rate exposure of Pension Plan assets and liabilities with a target interest rate hedge ratio between 85 percent and 100 percent.

W.T.B has elected, as a practical expedient, to measure the fair value of investments that do not have readily determinable fair values on the basis of the net asset value ("NAV") per share of the investment. Investments that are measured on the basis of the NAV per share have not been classified in the fair value hierarchy.

The Pension Plan investment policy is periodically reviewed by W.T.B.'s Retirement Benefits Committee. The investment policy is established and administered in a manner so as to comply at all times with applicable government regulations. The Retirement Benefits Committee sets funding targets to contribute amounts not less than the minimum required to be funded under ERISA.

A summary of estimated future pension benefit payments are as follows:

2021	$ 4,097,493
2022	4,293,877
2023	4,492,521
2024	4,641,951
2025	4,709,582
Five years thereafter	25,486,396

The fair value of W.T.B.'s Pension Plan assets by asset category were as follows:

	Fair Value Measurements at December 31, 2020			
	Total	Level 1	Level 2	Level 3
Group annuity contract	$ 39,790,765	$ -	$ -	$ 39,790,765
Money market fund	342,786	-	342,786	-
Assets at fair value	40,133,551	$ -	$ 342,786	$ 39,790,765
Investments measured at NAV:				
Fixed income funds	59,343,517			
Global equity funds	10,765,085			
U.S. equity funds	6,265,959			
	76,374,561			
Total assets reported	$ 116,508,112			

	Fair Value Measurements at December 31, 2019			
	Total	Level 1	Level 2	Level 3
Group annuity contract	$ 38,009,224	$ -	$ -	$ 38,009,224
Money market fund	479,988	-	479,988	-
Assets at fair value	38,489,212	$ -	$ 479,988	$ 38,009,224
Investments measured at NAV:				
Fixed income funds	43,168,934			
Emerging markets equity funds	3,738,257			
Global equity funds	12,309,032			
U.S. equity funds	7,888,108			
Multi-Asset funds	2,167,922			
	69,272,253			
Total assets reported	$ 107,761,465			

Employee Savings Plan

Substantially all of W.T.B.'s employees are eligible to participate in the WTB Defined Contribution Retirement and 401(k) Plan ("WTB 401(k) Plan"), a defined contribution plan sponsored by the Bank. This plan allows qualified employees, at their option, to make contributions of up to certain percentages of pre-tax base salary through salary deductions under Section 401(k) of the Internal Revenue Code. Employer contributions may be made at the discretion of the Board of Directors of the Bank (and electing affiliates of the Bank). The Bank matches a portion of qualified employee contributions. Matching contribution expense for 2020, 2019 and 2018 was $2,717,317, $2,361,785 and $2,135,564, respectively. Employees hired on or after January 1, 2004, are placed in an eligible class for an annual nonelective supplementary contribution equal to at least three percent of eligible compensation after meeting certain requirements. The defined contribution expense for 2020, 2019 and 2018 was $2,135,008, $1,707,707 and $1,620,640, respectively. Contributions are invested at the employees' direction among a variety of investment alternatives.

Supplemental Retirement Plans

W.T.B. is obligated under various nonqualified deferred compensation plans to help supplement the retirement income of certain executives, including certain retired executives. These unfunded plans are defined benefit plans, and provide for payments after the executive's retirement. At December 31, 2020 and 2019, liabilities recorded for the various supplemental retirement and salary continuation plan benefits totaled $6,754,980 and $5,782,142, respectively, and were recorded in other liabilities. Changes in the valuation of those liabilities increased benefit expense by $1,093,982, $529,187 and $260,089 for the years ended December 31, 2020, 2019 and 2018, respectively.

Self-Insured Medical, Dental and Vision Plans

W.T.B. offers medical, dental and vision plans to its employees and self-insures many of these plans. W.T.B. contracts with third-parties to act as claims administrators. Funding for benefits is derived from employer and employee contributions. W.T.B. limits its potential losses through insurance policies with stop-loss carriers. Medical, dental and vision plan expenses were $5,843,423, $5,946,806 and $5,364,137 for 2020, 2019 and 2018, respectively. Self-insurance reserves were $822,212 and $522,983 for 2020 and 2019, respectively, and were included in other liabilities.

Note 13: Stock-Based Compensation Plans
W.T.B. has a nonqualified deferred compensation "phantom stock" plan for executive officers ("Phantom Stock Plan"). The values of the Phantom Stock Plan awards are indexed to W.T.B.'s book value per share and vest over a five-year period. The stock awards and the change in value of the prior years' stock awards are expensed as compensation over the vesting period. Phantom Stock Plan compensation expense for 2020, 2019 and 2018 was $2,948,657, $2,858,550 and $2,025,053, respectively. Dividend payments on vested and unvested phantom stock are recorded as compensation expense during the period in which they are paid. Phantom Stock Plan dividend payments for 2020, 2019 and 2018 were $342,047, $334,726 and $241,350, respectively.

A summary of changes in the Phantom Stock Plan follows:

	Number of Shares	Total Share Value
Balance, December 31, 2017	56,691	$ 11,705,558
Granted	6,378	1,316,930
Increase in value	-	1,289,087
Forfeited	(3,523)	(727,429)
Settled	(13,773)	(2,852,666)
Balance, December 31, 2018	45,773	10,731,480
Granted	5,097	1,194,992
Increase in value	-	1,813,461
Forfeited	(501)	(117,459)
Settled	(5,603)	(1,435,826)
Balance, December 31, 2019	44,766	12,186,648
Granted	3,910	1,064,419
Increase in value	-	2,073,360
Forfeited	(747)	(203,356)
Settled	(4,971)	(1,542,048)
Balance, December 31, 2020	42,958	$ 13,579,023

At December 31, 2020 and 2019, there were 7,460 and 8,670 unvested phantom shares with total share values of $2,358,106 and $2,360,234, and those unvested shares had related liabilities recorded in the amounts of $699,656 and $687,109, respectively. Included in other liabilities are Phantom Stock Plan liabilities in the amounts of $11,920,131 and $10,513,523 at December 31, 2020 and 2019, respectively.

On February 23, 2010, the Board of Directors approved the W.T.B. Financial Corporation 2010 Restricted Stock Incentive Plan (the "Restricted Stock Plan") to enhance the long-term shareholder value of W.T.B. by offering opportunities to select persons to participate in the growth and success of W.T.B., encourage them to remain in service and to acquire stock and maintain ownership of W.T.B. Under the Restricted Stock Plan, W.T.B. is authorized to grant up to 150,000 shares of Class B common stock, of which 85,125 shares have been granted. A total 78,401 shares are available for future grants at December 31, 2020 which included 13,526 reused shares. Any awards that lapse, expire, terminate, forfeit, or are cancelled prior to delivery to a participant are available for reuse. Awards tendered or withheld to satisfy tax withholding are also available for reuse. The vesting period, if any, is determined by the plan administrator on an individual grant basis. Generally, the vesting is 20 percent per year over five years, however, 1,332 shares were granted in 2020 and 1,320 were granted in 2019 with no vesting. Recipients do not have the right to receive dividends on unvested restricted shares.

The following is a summary of W.T.B.'s unvested restricted stock activity for the years ended December 31, 2020, 2019 and 2018:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, December 31, 2017	23,092	$ 191.79
Granted	9,295	364.34
Vested	(10,658)	227.54
Forfeited	(8,430)	248.94
Balance, December 31, 2018	13,299	247.52
Granted	5,920	359.92
Vested	(5,822)	254.12
Forfeited	-	-
Balance, December 31, 2019	13,397	294.32
Granted	5,982	379.58
Vested	(5,804)	290.97
Forfeited	-	-
Balance, December 31, 2020	13,575	333.32

The grant date fair value of the restricted shares are estimated using recent observable sales. Compensation expense related to the Restricted Stock Plan was $1,842,309, $1,628.597 and $2,110,976 for the years ended December 31, 2020, 2019 and 2018, respectively. The total income tax benefit recognized related to this Plan was $477,552, $456,030 and $708,873 for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, there was $3,479,506 of unrecognized compensation cost related to the unvested restricted stock awards under this Plan, which is expected to be recognized over a weighted average period of 3.2 years.

Note 14: Income Taxes

The Tax Cut and Job Act (the "Tax Act") was enacted on December 22, 2017. The law included significant changes to the U.S. corporate tax system, including a federal corporate tax rate reduction from 35 percent to 21 percent starting in 2018. As a result of the Tax Act being signed into law in 2017, W.T.B.'s deferred tax assets and liabilities were required to be re-measured using the lower 21 percent federal rate as of December 31, 2017. This resulted in a one-time unfavorable charge to tax expense of $16,786,807 in 2017 based on certain estimates of the deferred tax balance. The deferred net tax assets were reevaluated in 2018, which resulted in a favorable tax benefit of $1,367,943 in 2018.

The current and deferred portions of income taxes for the years ended December 31 were as follows:

	2020	2019	2018
Current expense:			
Federal	$ 30,568,122	$ 23,933,467	$ 21,949,642
State	1,912,247	1,469,085	1,434,664
	32,480,369	25,402,552	23,384,306
Deferred expense (benefit):			
Federal	(10,268,779)	(1,824,942)	(1,904,243)
State	(634,034)	(122,741)	(100,166)
	(10,902,813)	(1,947,683)	(2,004,409)
Income taxes	$ 21,577,556	$ 23,454,869	$ 21,379,897

Income taxes on pre-tax income differ from the statutory rate of 21 percent for the years ended December 31, 2020, 2019 and 2018 for the following reasons:

	2020		2019		2018	
Federal income taxes at statutory rate	$ 20,556,754	21.00%	$ 22,415,236	21.00%	$ 21,931,501	21.00%
State income taxes, net of federal tax benefit	1,009,788	1.03%	1,085,167	1.02%	1,044,595	1.00%
Decrease in income taxes due to tax-exempt interest on securities and loans of states and political subdivisions	(302,231)	(0.31%)	(385,125)	(0.36%)	(407,607)	(0.39%)
Nondeductible interest expense from carrying tax-exempt assets	10,979	0.01%	20,839	0.02%	14,690	0.01%
Bank owned life insurance	(48,878)	(0.05%)	(48,878)	(0.05%)	(47,525)	(0.05%)
Other nondeductible expenses	363,901	0.37%	497,960	0.47%	478,042	0.21%
Revaluation effect of the Tax Act	-	-	-	-	(1,367,943)	(1.31%)
Other	(12,757)	(0.01%)	(130,330)	(0.13%)	(265,856)	-
Income taxes	$ 21,577,556	22.04%	$ 23,454,869	21.97%	$ 21,379,897	20.47%

Included in income taxes were tax expenses of $816,713 on net securities gains for the year ended December 31, 2020.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred assets and liabilities at December 31 were as follows:

	2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 29,474,157	$ 21,404,852
Allowance for off-balance sheet credit exposures	221,911	222,045
Credit card rewards	1,102,469	-
Deferred compensation	7,568,293	6,318,438
Lease liability	3,891,393	-
Other real estate	39,252	39,275
Interest on nonaccrual loans	264,176	298,827
Commitment fees	106,712	89,515
Other	322,863	147,823
Total deferred tax assets	42,991,226	28,520,775
Deferred tax liabilities:		
Unrealized gains on securities available for sale	16,917,939	2,400,274
Pension benefits	2,957,652	3,339,350
Financial-over-tax depreciation	1,733,992	1,727,600
Deferred loan origination costs	2,055,713	1,778,497
Right of use assets - lease	3,645,536	-
Mortgage servicing	52,311	38,473
Prepaid expenses	265,967	173,503
State income tax	240,798	209,988
Other	498,204	106,832
Total deferred tax liabilities	28,368,112	9,774,517
Net deferred tax assets	$ 14,623,114	$ 18,746,258

W.T.B. files income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, W.T.B. is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2017.

W.T.B. determined that it is not required to establish a valuation allowance for deferred tax assets since it is more likely than not that the deferred tax asset will be realized through future reversals of existing taxable temporary differences, and, to a lesser extent, future taxable income.

At December 31, 2020 and 2019, W.T.B. had no unrecognized tax benefits. W.T.B. does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months.

W.T.B. had no uncertain tax positions as of December 31, 2020 or 2019; therefore, no liabilities were necessary for unrecognized tax benefits.

Note 15: Financial Instruments with Off-Balance-Sheet Risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. The Bank's financial instruments with off-balance-sheet risk include commitments to extend credit, standby letters of credit, and commercial letters of credit.

Such commitments involve, to varying degrees, elements of credit, liquidity and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The Bank's exposure to credit losses was represented by the contractual amounts of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as used in the lending process.

Commitments to extend credit are agreements to lend to customers as long as there are no violations of any conditions established in the commitment contracts. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates customers' creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer.

Collateral varies, but may include accounts receivable; inventory; property, plant and equipment; residential real estate; or income producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of commercial customers to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers.

Through commercial letters of credit, the Bank guarantees customers' trade transactions to third parties, generally to finance commercial contracts for the shipment of goods. The Bank's credit risk in these transactions is limited, since the contracts are supported by the merchandise being shipped and are generally of short duration.

Following is a summary of the Bank's exposure to off-balance-sheet risk at December 31:

	2020	2019
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 2,687,028,077	$ 2,328,100,070
Standby letters of credit	82,618,806	76,465,298
Commercial letters of credit	110,556	-

A reserve for credit losses on off-balance-sheet credit exposures is maintained at a level management considers adequate. As of December 31, 2020 and 2019, the balance of the allowance was $1,000,000, which was included in other liabilities in the consolidated statements of financial condition.

Note 16: Fair Value Measurements

W.T.B. measures some of its assets on a fair value basis. Fair value is used on a recurring basis for certain assets, such as securities available for sale and interest rate swaps, for which fair value is the primary basis of accounting. Fair value is defined as the price that would be received for the sale of an asset in an orderly transaction between market participants at the measurement date. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair value measurement, among other things, requires W.T.B. to maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect W.T.B.'s market assumptions. Three types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets that W.T.B. has the ability to access as of the measurement date.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable market data.

Level 3 - Valuations for instruments with inputs that are unobservable, are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such instruments.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents information about W.T.B.'s assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy of the fair value measurements for those assets at December 31:

	2020			
	Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. Treasury and federal agencies	$ 642,783,506	$ -	$ 642,783,506	$ -
States and political subdivisions	4,858,242	-	4,858,242	-
Commercial mortgage-backed securities	722,002,682	-	722,002,682	-
Residential mortgage-backed securities	331,059,686	-	331,059,686	-
Equity securities at fair value	12,600	12,600	-	-
Interest rate swap assets	7,641,484	-	7,641,484	-
Total assets	$ 1,708,358,200	$ 12,600	$ 1,708,345,600	$ -
Interest rate swap liabilities	$ 7,641,728	$ -	$ 7,641,728	$ -
Total liabilities	$ 7,641,728	$ -	$ 7,641,728	$ -

	2019			
	Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. Treasury and federal agencies	$ 930,251,777	$ -	$ 451,026,645	$ -
States and political subdivisions	5,342,448	-	5,342,448	-
Commercial mortgage-backed securities	-	-	538,498,656	-
Residential mortgage-backed securities	312,022,291	-	252,748,767	-
Equity securities at fair value	12,500	12,500	-	-
Interest rate swap assets	4,216,455	-	4,216,455	-
Total assets	$ 1,251,845,471	$ 12,500	$ 1,251,832,971	$ -
Interest rate swap liabilities	$ 4,234,714	$ -	$ 4,234,714	$ -
Total liabilities	$ 4,234,714	$ -	$ 4,234,714	$ -

The following methods and assumptions were used by W.T.B. in estimating its fair value of each class of financial instrument that is carried at fair value in the table above.

Securities Available for Sale

W.T.B. estimates fair values using external, independent pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, live trading levels, trade execution data, market consensus prepayment speeds and credit spreads. Examples of such instruments that would generally be classified within Level 2 of the valuation hierarchy include government-sponsored entity obligations, corporate bonds and other securities. Mortgage-backed securities are included in Level 2 if observable inputs are available. In certain cases, where there is limited activity or less transparency around inputs to the valuation, W.T.B. classifies those securities as Level 3.

Equity Securities at Fair Value

W.T.B. determines the fair value using quoted market prices.

Interest Rate Swaps

The fair value of interest rate swaps is estimated by discounting the estimated expected cash flows of the swap using a discount curve and implied forward rates.

The following table presents the fair value measurement of assets on a nonrecurring basis and the level within the fair value hierarchy for those assets at December 31:

	2020			
	Total	Level 1	Level 2	Level 3
Impaired loans	$ 19,075,745	$ -	$ -	$ 19,075,745
Total	$ 19,075,745	$ -	$ -	$ 19,075,745

	2019			
	Total	Level 1	Level 2	Level 3
Impaired loans	$ 4,807,783	$ -	$ -	$ 4,807,783
Total	$ 4,807,783	$ -	$ -	$ 4,807,783

The following table provides additional quantitative information about the unobservable inputs for W.T.B.'s assets classified as Level 3 and measured at fair value on a nonrecurring basis at December 31:

2020				
Financial Instrument	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Impaired loans	$ 19,075,745	Market approach	Discount to appraised value	40.8%
			Selling costs	0.4%
	$ 19,075,745			

2019				
Financial Instrument	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Impaired loans	$ 4,807,783	Market approach	Discount to appraised value	45.8%
	$ 4,807,783			

Carrying values of certain impaired loans were periodically evaluated to determine if valuation adjustments, or partial write-downs, should be recorded. When a collateral dependent loan is identified as impaired, the impairment is measured using the current fair value of the collateral, less selling costs. Depending on the characteristics of a loan, the fair value of collateral is generally estimated by obtaining external appraisals. Troubled debt restructurings that are not collateral dependent utilize discounted expected future cash flows based on the original contractual rate of the loan and are not considered to be at fair value. The significant unobservable inputs used in the fair value measurement of impaired loans may include estimated selling costs, discounts that may be required to dispose of the property, and management assumptions regarding market trends and other relevant factors. If the determined value of the impaired loan is less than the recorded investment in the loan, impairment is recognized by adjusting the carrying value of the loan through a charge-off to the allowance for loan losses. The carrying value of loans fully charged-off is zero.

W.T.B. is required to disclose the estimated fair value of financial instruments, whether or not recognized in the consolidated statements of financial condition, for which it is practicable to estimate those values. These fair value estimates were made at December 31 based on relevant market information and information about the financial instruments. Fair value estimates are intended to represent the price at which an asset could be sold or the price at which a liability could be settled. The estimated fair value of loans held in portfolio is based on an exit price assumption. Given there is no active market or observable market transactions for many of W.T.B.'s financial instruments, W.T.B.'s estimates of many of these fair values are subjective in nature, involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimated values. Nonfinancial instruments are excluded from disclosure requirements. Specifically, land and buildings are not disclosed at fair value, nor is the value derived from retaining customer deposit relationships, commonly referred to as a customer deposit base intangible. Accordingly, the aggregate fair value amounts presented are not intended to represent the fair value of W.T.B.'s assets and liabilities taken as a whole, nor W.T.B.'s shareholders' equity.

Carrying Amounts and Estimated Fair Value of Financial Instruments

The carrying amounts and estimated fair values of W.T.B.'s financial instruments at December 31 were as follows:

	2020		
	Level in Fair Value Hierarchy	Carrying Amount	Estimated Fair Value
Financial assets:			
Cash and due from banks and interest-bearing deposits with banks	1	$ 1,564,864,976	$ 1,564,864,976
Securities available for sale	2	1,700,704,116	1,700,704,116
Securities held to maturity	2	877,655,640	907,992,223
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock	2	8,642,400	8,642,400
Loans held for sale	2	28,571,953	28,571,953
Loans held in portfolio, net	3	5,430,148,827	5,657,198,826
Cash surrender value of life insurance	1	8,832,704	8,832,704
Mortgage servicing rights	3	235,728	410,569
Interest rate swaps	2	7,641,484	7,641,484
Equity securities at fair value	1	12,600	12,600
Financial liabilities:			
Demand and savings deposits	1	8,474,208,732	8,474,208,732
Time deposits	2	224,581,926	224,851,642
Securities sold under agreements to repurchase	1	216,428,301	216,428,301
Interest rate swaps	2	7,641,728	7,641,728

	2019		
	Level in Fair Value Hierarchy	Carrying Amount	Estimated Fair Value
Financial assets:			
Cash and due from banks and interest-bearing deposits with banks	1	$ 626,556,148	$ 626,556,148
Securities available for sale	2	1,247,616,516	1,247,616,516
Securities held to maturity	2	648,206,906	653,405,284
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock	2	7,911,600	7,911,600
Loans held for sale	2	29,266,232	29,266,232
Loans held in portfolio, net	3	4,416,915,899	4,580,990,724
Cash surrender value of life insurance	1	8,503,304	8,503,304
Mortgage servicing rights	3	173,267	455,853
Interest rate swaps	2	4,216,455	4,216,455
Equity securities at fair value	1	12,500	12,500
Financial liabilities:			
Demand and savings deposits	1	5,989,758,632	5,989,758,632
Time deposits	2	237,107,369	237,284,873
Securities sold under agreements to repurchase	1	163,069,316	163,069,316
Interest rate swaps	2	4,234,714	4,234,714

Note 17: Interest Rate Swaps

W.T.B. utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and other terms of the individual interest rate swap agreements.

Fair Value Hedges

Interest rate swaps with notional amounts totaling $61,238 and $775,286 as of December 31, 2020 and 2019 were designated as fair value hedges of certain loans. The hedges were determined to be effective during all periods presented. W.T.B. expects the hedges to remain effective during the remaining terms of the swaps.

Derivatives Not Designated As Hedges

W.T.B. also enters into interest rates swaps with its loan customers. The notional amounts of interest rate swaps with loan customers as of December 31, 2020 and 2019 were $46,620,391 and $46,734,456. W.T.B. enters into corresponding offsetting derivatives with third parties. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes.

The following table presents the amounts recorded on the consolidated statements of financial condition related to cumulative basis adjustments for fair value hedges as of December 31:

Line Item in Which the Hedged Item is Included	Carrying Amount of the Hedged Assets 2020	Carrying Amount of the Hedged Assets 2019	Cumulative Amount of Fair Value 2020	Cumulative Amount of Fair Value 2019
Loans receivable	$ 61,238	$ 775,286	$ -	$ 12,805

W.T.B. presents its derivative position gross on the consolidated statements of financial condition. The following table reflects the derivatives recorded on the consolidated statements of financial condition of December 31:

	2020		2019	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in other assets:				
Derivatives not designated as hedging instruments:				
Interest rates swaps	$ 46,620,391	$ 7,641,484	$ 46,734,456	$ 4,216,455
Total included in other assets		$ 7,641,484		$ 4,216,455
Included in other liabilities:				
Derivatives designated as hedges:				
Interest rate swaps related to loans receivable	$ 61,238	$ 244	$ 775,286	$ 14,893
Derivatives not designated as hedging instruments:				
Interest rates swaps	46,620,391	7,641,484	46,927,637	4,219,821
Total included in other liabilities		$ 7,641,728		$ 4,234,714

Net payments on interest rate swaps designated as hedging instruments reduced interest revenue on loans by the following amounts for the years ended December 31:

	2020	2019	2018
Net payments made on fair value hedging relationships:			
Interest rate contracts designated as hedging instruments	$ 15,641	$ 36,552	$ 67,278

Note 18: Leases

Lessor Arrangements

W.T.B. has various operating lease arrangements covering the use of certain premises. Payment terms are generally fixed; however, in some agreements, lease payments may be indexed to a rate or index, such as the Consumer Price Index. Leases are typically payable in monthly installments with terms ranging from one to nine years and may contain renewal options. Total operating lease income was $5,106,306, $3,898,914 and $1,638,536 for the years ended December 31, 2020, 2019 and 2018, respectively.

The remaining maturities of lease receivables as of December 31, 2020 are as follows:

2021	$ 4,656,075
2022	3,358,142
2023	2,848,279
2024	2,876,860
2025	2,409,239
2026 and thereafter	9,629,710
Total lease receivables	$ 25,778,305

Lessee Arrangements

W.T.B. enters into operating leases covering the use of certain premises. These leases have remaining terms ranging from 1 to 14 years, some of which include renewal or termination options to extend the lease for up to 5 years and some of which include options to terminate the lease within 1 year.

W.T.B. includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain W.T.B will exercise the option. W.T.B. did not elect to account for any non-lease components in its real estate leases as part of the associated lease component. W.T.B. elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the consolidated statements of financial condition.

Leases are classified as operating leases at the lease commencement date. Lease expense for operating leases and short-term leases are recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

W.T.B. uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. W.T.B.'s incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

Right-of-use assets and lease liabilities by lease type, and the associated consolidated statements of financial condition classifications for the two years ending December 31, 2020 are as follows:

	2020	2019
Right-of-use assets:		
Operating leases	$ 16,427,903	$ 18,907,385
Total right-of-use assets	$ 16,427,903	$ 18,907,385
Lease liabilities:		
Operating leases	$ 17,535,807	$ 19,981,257
Total lease liabilities	$ 17,535,807	$ 19,981,257

Lease Expense

The components of total lease cost were as follows for the two years ending December 31, 2020:

	2020	2019
Operating lease cost	$ 4,094,214	$ 3,864,490
Short-term lease cost	25,942	23,896
Variable lease cost	11,287	24,528
Total lease cost, net	$ 4,131,443	$ 3,912,914

Lease Obligations

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2020 are as follows:

2021	$ 3,875,330
2022	3,566,639
2023	3,018,063
2024	2,650,969
2025	1,718,839
2026 and thereafter	4,208,520
Total future minimum lease payments	19,038,360
Less: imputed interest	(1,502,553)
Present value of lease liabilities	$ 17,535,807

Supplemental Lease Information

Weighted Average Lease Term - Operating Leases	6.14 yrs
Weighted Average Discount Rate - Operating Leases	2.54%

Note 19: Commitments and Contingencies

Concentrations of Credit Risk

The Bank grants commercial and agricultural, real estate and consumer loans to customers, mainly in Washington, Idaho and Oregon, secured by business, real and personal property. The loans are expected to be repaid from cash flow or proceeds from the sale of selected assets of the borrowers. Although the loan portfolio is diversified, a substantial portion of the borrower's ability to honor their agreements is dependent upon economic conditions in Washington, Idaho and Oregon. The Bank has no significant exposure to foreign credits in its loan portfolio.

Legal Proceedings

During the normal course of business, W.T.B. and the Bank are involved as defendants in various legal matters. In the opinion of W.T.B.'s management, the potential liability, if any, upon resolution of all litigation currently pending would not have a material adverse effect on W.T.B.'s financial position or results of operations.

Note 20: Parent Company Statements

W.T.B.'s parent company statements are presented using the equity method of accounting; therefore, accounts of its subsidiary have not been included. Intercompany transactions and balances have not been eliminated. The condensed parent company statements follow:

Statements of Financial Condition	Years Ended December 31,	
	2020	2019
Assets		
Cash	$ 16,315,312	$ 7,731,448
U.S. Treasury securities available for sale, carried at fair value	1,024,492	1,018,086
Equity in underlying net book value of bank subsidiary	778,959,984	674,952,971
Premises and equipment, net	9,887,176	10,427,489
Other assets	489,313	1,876,745
Total assets	$ 806,676,277	$ 696,006,739
Liabilities		
Other liabilities	$ 158,530	$ 102,691
Shareholders' equity	806,517,747	695,904,048
Total liabilities and shareholders' equity	$ 806,676,277	$ 696,006,739

Statements of Income	Years Ended December 31, 2020	2019	2018
Revenue			
Dividends from banking subsidiary	$ 29,108,000	$ 27,501,000	$ 13,915,000
Other	746,030	1,405,617	2,952,255
Total revenue	29,854,030	28,906,617	16,867,255
Expense			
Salaries and employee benefits	772,313	803,481	704,869
Other	1,563,907	2,132,277	2,085,114
Total expense	2,336,220	2,935,758	2,789,983
Income before income tax benefit and equity in undistributed net income of subsidiary	27,517,810	25,970,859	14,077,272
Income tax expense (benefit)	(348,854)	(335,643)	35,528
Income before equity in undistributed net income of subsidiary	27,866,664	26,306,502	14,041,744
Equity in undistributed net income of banking subsidiary	48,445,092	56,977,848	69,014,072
Net income	$ 76,311,756	$ 83,284,350	$ 83,055,816

Statements of Cash Flows	Years Ended December 31, 2020	2019	2018
Cash flows from operating activities:			
Net income	$ 76,311,756	$ 83,284,350	$ 83,055,816
Adjustments to reconcile net income to cash provided by operating activities:			
Undistributed net income of subsidiary	(48,445,092)	(56,977,848)	(69,014,072)
Depreciation	609,407	431,545	433,633
Deferred income taxes (benefit)	(131,432)	641,254	(68,725)
Gains on sales of premises and equipment	-	(47,376)	(700,000)
Gains on sales of investments	(11,514)	(730)	-
Other, net	1,618,064	(1,037,312)	773,664
Net cash provided by operating activities	29,951,189	26,293,883	14,480,316
Cash flows from investing activities:			
Purchase of securities available for sale	-	(1,001,641)	-
Proceeds from maturities of securities available for sale	-	1,000,000	-
Purchases of premises and equipment	(69,094)	(3,219,528)	-
Proceeds from sales of premises and equipment	-	47,376	700,000
Purchase of other assets and investments	(73,333)	(90,000)	(89,000)
Proceeds from investments	41,514	56,047	980,255
Net cash provided (used) by investing activities	(100,913)	(3,207,746)	1,591,255
Cash flows from financing activities:			
Common share repurchase and retirement	(5,403,355)	(8,517,846)	(890,447)
Proceeds from issuance of common stock	2,905,692	2,830,587	3,145,822
Common stock dividends paid	(18,768,749)	(17,872,054)	(11,753,902)
Net cash used in financing activities	(21,266,412)	(23,559,313)	(9,498,527)
Increase (decrease) in cash	8,583,864	(473,176)	6,573,044
Cash at beginning of year	7,731,448	8,204,624	1,631,580
Cash at end of year	$ 16,315,312	$ 7,731,448	$ 8,204,624

Note 21: Related Parties

In the ordinary course of business, W.T.B. and the Bank make loans and enter into other transactions with certain related parties, its directors and entities having a specified relationship with W.T.B.'s and the Bank's directors. Such transactions are made on substantially the same terms and conditions as transactions with other customers. Total deposits from these related parties were $34,175,619, $15,716,391 and $25,778,718 at December 31, 2020, 2019 and 2018, respectively. Related party loan amounts for the years ended December 31, 2020, 2019 and 2018, are summarized in the table below. The reclassifications represent loans that were not related party that subsequently became related party, or loans that were once considered related party but are no longer considered related party.

	2020	2019	2018
Balance at beginning of year	$ 14,986,128	$ 11,877,162	$ 23,511,572
New loans and advances	525,903	6,651,691	8,602,882
Repayments	(4,224,397)	(5,411,396)	(17,635,292)
Other and reclassifications	7,618,659	1,868,671	(2,602,000)
Balance at end of year	$ 18,906,293	$ 14,986,128	$ 11,877,162

Under current federal regulations, W.T.B. is limited in the amount that may be borrowed from the Bank. At December 31, 2020, 2019 and 2018, a maximum of $4,319,875 could be loaned to W.T.B. No such loans have been made.

Note 22: Earnings per Share

The numerators and denominators used in computing basic and diluted earnings per common share for the years ended December 31, 2020, 2019 and 2018, can be reconciled as follows:

	2020	2019	2018
Numerator:			
Net income	$ 76,311,756	$ 83,284,350	$ 83,055,816
Denominator:			
Weighted-average number of common shares outstanding - basic	2,535,908	2,553,001	2,553,971
Effect of potentially dilutive common shares	2,382	4,838	8,228
Weighted-average number of common shares - diluted	2,538,290	2,557,839	2,562,199
Earnings per common share:			
Basic	$ 30.09	$ 32.62	$ 32.52
Diluted	$ 30.06	$ 32.56	$ 32.42

For the year ended December 31, 2020, there were 4,650 shares that would have been antidilutive and were excluded from the diluted earnings per share calculation. There were no antidulutive shares for the years ended December 31, 2019 and 2018.

Note 23: Accumulated Other Comprehensive Gain (Loss)

Accumulated other comprehensive gain (loss) includes the after tax change in unrealized market value adjustment of securities available for sale and the unrealized net losses related to W.T.B.'s defined benefit plan. Changes in accumulated other comprehensive gain (loss), by component, net of tax, for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Unrealized Gains (Losses) on Securities Available for Sale	Unrealized Losses on Defined Benefit Pension Plan	Total
Balance, December 31, 2017	$ (13,274,481)	$ (31,900,371)	$ (45,174,852)
Other comprehensive loss before reclassification	(4,026,046)	(952,785)	(4,978,831)
Amounts reclassified from other comprehensive income	-	3,295,205	3,295,205
Net current period other comprehensive (loss) income	(4,026,046)	2,342,420	(1,683,626)
Balance, December 31, 2018	(17,300,527)	(29,557,951)	(46,858,478)
Other comprehensive income before reclassification	27,336,218	1,150,341	28,486,559
Amounts reclassified from other comprehensive income	1,853,033	3,174,773	5,027,806
Net current period other comprehensive income	29,189,251	4,325,114	33,514,365
Balance, December 31, 2019	11,888,724	(25,232,837)	(13,344,113)
Other comprehensive income (loss) before reclassification	58,503,179	(1,360,683)	57,142,496
Amounts reclassified from other comprehensive income	(3,889,108)	2,314,033	(1,575,075)
Net current period other comprehensive income	54,614,071	953,350	55,567,421
Balance, December 31, 2020	$ 66,502,795	$ (24,279,487)	$ 42,223,308

The following were the significant amounts reclassified out of each component of accumulated other comprehensive gain (loss):

Details About Accumulated Other Comprehensive Gain (Loss) Components	Years Ended December 31, 2020	2019	2018	Affected Line in the Consolidated Statements of Income
Securities available for sale:				
(Gains) losses on sale of securities	$ (3,889,108)	$ 1,853,033	$ -	Gains (losses) on sale of securities available for sale, net
Total before tax	(3,889,108)	1,853,033	-	
Income tax expense (benefit)	816,713	(389,137)	-	Provision for income taxes
Net of tax	(3,072,395)	1,463,896	-	
Defined benefit pension plan:				
Amortization of net loss	2,314,033	3,174,773	3,295,205	Other expense
Total before tax	2,314,033	3,174,773	3,295,205	
Income tax benefit	(485,947)	(666,703)	(691,993)	Provision for income taxes
Net of tax	1,828,086	2,508,070	2,603,212	
Total reclassifications for the period, net of tax	$ (1,244,309)	$ 3,971,966	$ 2,603,212	

Note 24: Regulatory Matters

W.T.B. (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on W.T.B.'s and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, W.T.B. and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. W.T.B.'s and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

The Bank was capitalized under the regulatory framework for prompt corrective action as of December 31, 2020. W.T.B. is not subject to the regulatory framework for prompt corrective action. To be categorized as well capitalized, a bank must maintain minimum capital ratios as set forth in the table below.

The capital amounts and ratios, as calculated under regulatory guidelines at December 31, 2020 and 2019, were as follows (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020						
Tier 1 capital to average assets:						
W.T.B. Financial Corporation	$ 764,294	8.06%	$ 379,137	4.00%	N/A	N/A
Washington Trust Bank	736,755	7.78%	378,692	4.00%	473,365	5.00%
Common equity tier 1 capital to risk-weighted assets:						
W.T.B. Financial Corporation	764,294	13.29%	258,798	4.50%	N/A	N/A
Washington Trust Bank	736,755	12.83%	258,348	4.50%	373,170	6.50%
Tier 1 risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	764,294	13.29%	345,064	6.00%	N/A	N/A
Washington Trust Bank	736,755	12.83%	344,465	6.00%	459,286	8.00%
Total risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	836,946	14.55%	460,086	8.00%	N/A	N/A
Washington Trust Bank	809,284	14.10%	459,286	8.00%	574,108	10.00%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019						
Tier 1 capital to average assets:						
W.T.B. Financial Corporation	$ 709,248	10.34%	$ 274,349	4.00%	N/A	N/A
Washington Trust Bank	688,310	10.05%	273,977	4.00%	342,472	5.00%
Common equity tier 1 capital to risk-weighted assets:						
W.T.B. Financial Corporation	709,248	13.02%	245,133	4.50%	N/A	N/A
Washington Trust Bank	688,310	12.66%	244,599	4.50%	353,310	6.50%
Tier 1 risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	709,248	13.02%	326,844	6.00%	N/A	N/A
Washington Trust Bank	688,310	12.66%	326,132	6.00%	434,843	8.00%
Total risk-based capital to risk-weighted assets:						
W.T.B. Financial Corporation	777,703	14.28%	435,792	8.00%	N/A	N/A
Washington Trust Bank	756,619	13.92%	434,843	8.00%	543,554	10.00%

The payment of cash dividends by W.T.B. to its shareholders is subject to federal regulatory requirements for capital levels and other restrictions. In addition, the cash dividends paid by the Bank to W.T.B. are subject to both federal and state regulatory requirements.

The Federal Reserve and the Federal Deposit Insurance Corporation approved new regulations (the "Basel III Capital Regulation") that became effective on January 1, 2015. The Basel III Capital Regulation included a capital conservation buffer that equaled 2.5 percent of risk-weighted assets fully phased in on January 1, 2019, that was in addition to adequately capitalized regulatory minimums across all three risk-based capital ratios. The capital conservation buffer began being phased in beginning on January 1, 2016 with full implementation by January 1, 2019. An institution that does not maintain risk-based capital ratio levels above the sum of adequately capitalized levels plus the phased in portion of the conservation buffer will be subject to restrictions on certain activities including payment of dividends, stock repurchases and discretionary bonuses to executive officers. As part of the implementation of the Basel III Capital Regulation, W.T.B. and the Bank made a one-time election to exclude accumulated other comprehensive income or loss from regulatory capital calculations. Management believes as of December 31, 2020 W.T.B. and the Bank meet all capital adequacy requirements to which it was subject.

Note 25: Revenue from Contracts with Customers

All of W.T.B.'s revenue from contracts with customers in the scope of ASC 606 was recognized within noninterest revenue. The following table presents W.T.B.'s noninterest revenue by revenue stream for the years ended December 31, 2020, 2019 and 2018. Items outside the scope of ASC 606 are noted as such.

	2020	2019	2018
Noninterest revenue:			
Fiduciary income	$ 18,855,810	$ 17,667,082	$ 18,137,249
Investment services fees	3,732,509	3,091,788	3,528,012
Bank card and credit card fees, net:			
Interchange income, net	11,183,302	9,552,488	10,393,840
Merchant services income, net	965,085	707,395	1,117,994
ATM surcharge fees	552,269	530,923	501,938
All other fees (a)	186,550	331,953	359,879
Total bank card and credit card fees, net	12,887,206	11,122,759	12,373,651
Mortgage banking revenue, net (a)	14,122,775	4,015,838	5,820,035
Other fees on loans (a)	1,057,232	1,210,720	1,005,992
Service charges on deposits	5,845,480	6,819,967	6,890,245
Other service charges, commissions and fees (a)	733,181	927,340	856,015
Net losses on other real estate	-	-	(92,638)
Net gain (losses) on sales of securities (a)	3,889,108	(1,853,033)	-
Other income (a)	6,248,705	5,294,786	4,407,582
Total noninterest revenue	$ 67,372,006	$ 48,297,247	$ 52,929,143

(a) Not within scope of ASC 606

Fiduciary Income

The Bank earns fiduciary income from its contracts with trust customers to manage assets for investment and/or to transact on their accounts. These fees are primarily earned over time as the Bank provides the contracted services and are generally assessed based on a tiered scale of the market value of assets under management. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed. Other related services that are based on a fixed fee schedule, are recognized when the services are rendered.

Investment Services Fees

The Bank earns fees from investment brokerage services provided to its customers by a third-party service provider. The Bank receives commissions from the third-party service provider on a monthly basis based upon customer activity for the month. The fees are recognized monthly and a receivable is recorded until commissions are paid the following month. Because the Bank acts as an agent in arranging the relationship between the customer and the third party service provider and does not control the services rendered to the customer, investment services fees are presented net of costs.

Bank Card and Credit Card Fees

The Bank earns fees when a debit card or credit card issued by the Bank is used. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized when the cost of the transaction is charged to the cardholder's bank card or credit card. Certain expenses directly associated with the credit and debit card are recorded on a net basis with the interchange income. The Bank also earns income for card payment services provided to its merchant customers. The Bank outsources these services to a third party to provide card payment services to these merchants. The third party provider passes the payments made by the merchants to the Bank, and they are recorded as income. The Bank also has to pay interchange expense for debit card or credit card transactions processed by these merchants. These payments are recorded as a net reduction against fee income when they are made to the payment network.

Service Charges on Deposits

The Bank earns fees from its deposit customers for transaction-based, account maintenance and overdraft services. Services charges on deposits are withdrawn directly from the customer's account balance. Transaction-based fees are charges for specific services, such as ATM use charges, stop payment charges, and wire fees, and are recognized at the time the transaction is executed, which is the point in time the Bank fulfills the customer's request. Account maintenance fees consist primarily of base service charge fees and analyzed account fees. The performance obligation is satisfied and the fees are recognized primarily on a monthly basis as the service period is completed. Overdraft fees are recognized at the point in time that the overdraft occurs.

Net Gains (Losses) on Other Real Estate

W.T.B. records a gain or loss from the sale of ORE when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When W.T.B. finances the sale of ORE to the buyer, W.T.B. assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the ORE asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, W.T.B. adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

W.T.B. FINANCIAL CORPORATION AND SUBSIDIARY
Directors and Officers

W.T.B. Financial Corporation

BOARD OF DIRECTORS
- Peter F. Stanton
  - Chairman of the Board, President and Chief Executive Officer
- John E. (Jack) Heath, III
  - Vice-Chairman of the Board, Executive Vice President and Chief Operating Officer
- Christopher Ackerley
  - Managing Partner, Ackerley Partners, LLC
- Steven M. Helmbrecht
  - Venture Investor
- John J. Luger
  - President, JDL Enterprises, LLC

ADMINISTRATION
- Peter F. Stanton
  - Chairman of the Board, President and Chief Executive Officer
- John E. (Jack) Heath, III
  - Vice-Chairman of the Board, Executive Vice President and Chief Operating Officer
- Larry V. Sorensen
  - Senior Vice President and Chief Financial Officer
- Shelby P. Phillips
  - Vice President and Interim Corporate Secretary
- Johanne Lapointe
  - Senior Vice President and Director of Internal Audit

Washington Trust Bank

BOARD OF DIRECTORS
- Peter F. Stanton
  - Chairman of the Board and Chief Executive Officer
- John E. (Jack) Heath, III
  - President and Chief Operating Officer
- Christopher H. Ackerley
  - Managing Partner, Ackerley Partners, LLC
- Steven M. Helmbrecht
  - Venture Investor
- Molly J. Scammell Hurley
  - Retired Officer, Washington Trust Bank
- Michael J. Lee
  - President, Lakeside Industries, Inc.
- John J. Luger
  - President, JDL Enterprises, LLC
- Dennis P. Murphy
  - Chief Executive Officer, Hayden Homes, LLC
- Nancy Sue Wallace
  - Community Volunteer
- Jeffrey J. Wright
  - Chairman, Space Needle Corporation
- Peter D. Nickerson
  - Director and Co-founder, Chinus Asset Management

ADMINISTRATION
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  - Chairman of the Board and Chief Executive Officer
- John E. (Jack) Heath, III
  - President and Chief Operating Officer

COMMERCIAL BANKING
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- Kevin L. Blair
  - Regional President, Western Washington/Oregon Group Manager
- Steve K. Roberts
  - Senior Vice President, Regional Manager/Credit Approval Officer, Central Washington Region
- Steve L. Utt
  - Senior Vice President, Inland Northwest Commercial Group Manager
- Mike E. Williams
  - Regional President, Oregon Region

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  - Senior Vice President and Chief Compliance Officer

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  - Senior Vice President and Chief Credit Officer

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  - Senior Vice President and Chief Financial Officer
- Laura M. Gingrich
  - Senior Vice President and Chief Accounting Officer

HUMAN RESOURCES
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  - Senior Vice President, Human Resources Director

RETAIL BANKING, INFORMATION TECHNOLOGY, OPERATIONS, CLIENT EXPERIENCE, AND STRATEGIC SERVICES
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  - Senior Vice President and Chief Banking Officer; Director of Technology, Operations, and Consumer Banking
- Tami T. Ferguson
  - Senior Vice President, Client Experience Director
- Michael Slama
  - Senior Vice President and Chief Information Officer
- F. Mack Wood
  - Senior Vice President and Strategic Services Director
- Shane S. Patnoi
  - Vice President, Director of Mortgage and Consumer Lending

INTERNAL AUDIT
- Johanne Lapointe
  - Senior Vice President and Director of Internal Audit

LEGAL
- Shelby P. Phillips
  - Vice President and Interim Corporate Counsel

WEALTH MANAGEMENT AND ADVISORY SERVICES
- Alicia O'Mary
  - Senior Vice President, Managing Director of WMAS

Additional information or copies of this report may be obtained by referencing the Investor Relations webpage at watrust.com/about/investor-relations, or by writing to:

W.T.B. Financial Corporation
Larry V. Sorensen
Senior Vice President & Chief Financial Officer
P.O. Box 2127
Spokane, Washington 99210-2127