W.T.B. Financial Corp

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

April 18, 2024

Dear Shareholders:

The focus of the macro environment remains solidly on inflation, interest rates and Federal Reserve monetary policy. The Fed's sharp rise in rates in 2022 and 2023 helped bring inflation down dramatically from its peak, but that last mile to the Fed's stated inflation target of 2.00 percent is proving difficult to accomplish. The most recent Consumer Price Index reading came in at 3.5 percent in March, indicating the Fed has more work to do. The yield curve has been inverted for nearly two years, signifying that the economy will slow, inflation will subside, and rates will come down. But GDP growth of 3.1 percent in the fourth quarter and a persistently low unemployment rate of 3.8 percent in March suggest the Fed's sharp rise in rates has yet to have a significant impact on these two key barometers of economic strength.

The broader economy is the environment in which we operate, but internally, we remain focused on taking care of our clients, growing the business and executing on our long-range plan. Importantly, restoring profitability to more historically normal levels is a top priority. Significant progress has been made adapting to higher interest rate levels and we expect more progress this year. Deposit balances seem to have stabilized with deposit growth in the second half of 2023 and moderate drawdowns in the first quarter of 2024, as is seasonally typical. Deposit pricing faces upward pressure, but that seems to be easing somewhat as our rate offerings have been adjusting to higher market levels. We paid-off a significant amount of our wholesale borrowings in March and expect to make more pay-downs on maturities in the second quarter. For over a year, our new loan origination activity has been at rates well above average portfolio yields and that is an important part of recycling loan yields to higher market levels and growing balance sheet earning power. Recalibrating the balance sheet to current interest rate levels will take time, but the process is well underway.

Earnings in the first quarter totaled $11.4 million, up $653,000, or 6.1 percent higher than fourth quarter results. The improvement was largely due to higher noninterest revenue from bank cards and our wealth management business. On a per share basis, earnings were $4.53, up $0.25 per share, or 5.9 percent from fourth quarter levels. Return on assets was 0.39 percent and return on equity was 5.08 percent, and with both metrics well below typical performance levels, we are working hard to make improvements to our results. Book value per share finished the quarter at $357.34, up $1.81, or 0.5 percent for the quarter and up $11.57, or 3.3 percent year-over-year.

The path forward will be largely about balance sheet dynamics and normalization of asset yields, funding costs and margin. The balance sheet dynamics we are experiencing include deposit base stability and growth, the pay-down of wholesale borrowings and continued loan growth. Total assets for the quarter declined $506 million, or 4.4 percent to $10.9 billion. The decline in assets was primarily due to a $350 million reduction to $1.1 billion in Bank Term Funding Program (“BTFP”) borrowings from the Federal Reserve and a $151 million, or 1.9 percent decrease in deposits to $8.0 billion. The decline in deposits was well within historical, seasonal patterns, which reflects a variety of factors, including the collective need across our client base to draw down deposits to pay taxes. That roughly $500 million decline in funding was met through on balance sheet cash, which declined $448 million to $558 million and cash flow back from the bond portfolio. Bond balances declined $106 million during the quarter to $3.5 billion. Loan growth during the quarter was $74 million, or 1.1 percent, while loan growth year-over-year was significant at $485 million, or 7.9 percent to $6.6 billion.

Balance sheet normalization over time is only half the story of improving performance; yields, costs and margin are also crucial elements to restoring earning power. Margin for the quarter narrowed 7 basis points (“bps”) to 2.35 percent. That narrowing was due to funding costs increasing more than earning asset yields. Overall funding costs for the quarter increased 21 bps to 2.31 percent, while earning asset yields increased 13 bps to 4.49 percent. The rate of increase in funding costs seems to be slowing, while earning asset yields continue to grow as yields on new loan originations are well above average portfolio yields. This process, along with the reduction in more expensive wholesale borrowings is a path towards restored earning power. The stabilization in earnings generation is showing itself in roughly steady net interest revenue of $67 million over the past four quarters, despite narrowing margin. Net interest revenue in the first quarter declined quarter-over-quarter by $700,000, or 1.0 percent to $67.1 million.

While focusing on improving our performance, we also remained focused on balance sheet strength and our key risk parameters. Shareholder’s equity for the quarter increased $3.7 million, or 0.4 percent to $901 million, which combined with the decline in assets, resulted in a 40 bps improvement in our equity to assets ratio to 8.24 percent. Our on-balance sheet liquidity position finished the quarter with significant resources as cash totaled $558 million and secured borrowing capacity at the Federal Reserve and Federal Home Loan Bank was well in excess of $4.0 billion. The credit performance of our loan portfolio remained very good with noncurrent loans totaling $31 million, or 0.47 percent of loans, while our capacity to withstand credit losses was significant with an allowance for credit losses of $148 million, or 2.25 percent of loans.

As you know, on February 27, 2024, the Board of Directors reauthorized a share repurchase plan for up to $10.0 million of Class B common stock, which will be in effect over a twelve-month period. Common share repurchases under this plan, if any, may be made from time to time on the open market through broker dealers or in privately negotiated transactions, at the discretion of Company management. The extent to which the Company purchases shares and the timing of any such purchases will depend upon a variety of factors, including market conditions and relevant corporate considerations. The share repurchase program will be conducted in a manner intended to comply with the safe harbor provisions of Rule 10b-18 under the Securities and Exchange Act of 1934. Under the current authorization, we purchased 9,600 shares of Class B common stock during the first quarter for a total consideration of $2.6 million.

While the external operating environment is posing challenges, the team is very focused on executing on our strategic plan. We remain committed to enhancing our systems and the capabilities they deliver, leveraging our data and digital platforms, and delivering an ever-improving customer experience for our clients. We are dedicated to providing our team with the resources they need to execute on our strategies. While we have already accomplished a lot, our list of key initiatives remains impressive and I am told that with technology constantly evolving, "we will never be done." Candidly, the notion of never being done is a little disconcerting, but it reflects our dedication to continuous improvement and the importance of evolving with industry capabilities and client needs. A culture of striving to get better each day is necessary in today's hyper-evolving and competitive world. When I look at our team, I am impressed with all they have accomplished and am confident in their ability to lead us into the future.

Our opportunity to run the bank, serve our clients, meet the needs of the communities we serve and deliver for our shareholders would not be possible without your continued trust and support. We are grateful for your confidence and are working hard to deliver on your behalf. We look forward to seeing many of you at our upcoming annual shareholders' meeting on April 22nd at 1:30 p.m. at our headquarters building at 717 West Sprague Avenue, Spokane, Washington. For additional pertinent information, please also visit our Investor Relations webpage at watrust.com/about/investor-relations.

Warm Regards,

Peter F. Stanton

Pete Stanton
Chairman of the Board and CEO
Enclosure

W.T.B. Financial Corp

Summary Financial Statements, Selected Financial Highlights and Selected Credit Performance Highlights Q1 2024

(unaudited)

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

	(dollars in thousands) Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
ASSETS			
Cash and due from banks	**$ 88,210**	$ 138,518	$ 135,345
Interest-bearing deposits with banks	**558,337**	1,006,525	341,116
Securities available for sale, at fair value	**413,403**	485,691	532,967
Securities held to maturity, at amortized cost	**3,045,905**	3,079,857	3,197,382
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**28,808**	28,808	18,780
Loans receivable	**6,584,271**	6,510,128	6,099,479
Allowance for credit losses on loans	**(147,848)**	(146,156)	(138,976)
Loans, net of allowance for credit losses on loans	**6,436,423**	6,363,972	5,960,503
Premises and equipment, net	**88,510**	85,708	86,812
Accrued interest receivable	**38,497**	35,879	30,177
Other assets	**241,348**	220,633	212,268
Total assets	**$ 10,939,441**	$ 11,445,591	$ 10,515,350
LIABILITIES			
Deposits:			
Noninterest-bearing	**$ 3,087,090**	$ 3,316,555	$ 3,907,576
Interest-bearing	**4,880,321**	4,801,747	4,420,554
Total deposits	**7,967,411**	8,118,301	8,328,130
Securites sold under agreements to repurchase	**320,857**	336,961	129,519
Other borrowings	**1,565,000**	1,915,000	1,068,000
Accrued interest payable	**36,823**	53,919	2,412
Other liabilities	**148,215**	123,967	115,301
Total liabilities	**10,038,306**	10,548,148	9,643,363
SHAREHOLDERS' EQUITY			
Common stock	**11,076**	13,222	11,143
Surplus	**32,665**	32,665	32,665
Undivided profits	**898,630**	891,901	872,207
	942,371	937,788	916,015
Accumulated other comprehensive loss, net of tax	**(41,236)**	(40,345)	(44,028)
Total shareholders' equity	**901,135**	897,443	871,987
Total liabilities and shareholders' equity	**$ 10,939,441**	$ 11,445,591	$ 10,515,350

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

	(dollars in thousands, except per share data) Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
INTEREST REVENUE			
Loans, including fees	**$ 92,171**	$ 91,044	$ 78,263
Deposits with banks	**18,933**	14,127	2,422
Securities	**16,448**	16,879	17,847
Other interest and dividend income	**553**	261	81
Total interest revenue	**128,105**	122,311	98,613
INTEREST EXPENSE			
Deposits	**31,461**	29,556	10,651
Funds purchased and other borrowings	**29,582**	24,993	6,163
Total interest expense	**61,043**	54,549	16,814
Net interest revenue	**67,062**	67,762	81,799
Provision for credit losses	**2,020**	2,490	2,400
Net interest revenue after provision for credit losses	**65,042**	65,272	79,399
NONINTEREST REVENUE			
Fiduciary and investment services income	**7,964**	7,321	6,748
Bank and credit card fees, net	**2,888**	1,947	4,094
Service charges on deposits	**1,668**	1,341	1,453
Mortgage banking revenue, net	**442**	257	242
Other income	**3,029**	3,719	2,470
Total noninterest revenue	**15,991**	14,585	15,007
NONINTEREST EXPENSE			
Salaries and benefits	**40,651**	37,204	41,136
Occupancy, furniture and equipment expense	**6,746**	6,631	6,833
Software and data processing expense	**6,809**	6,509	5,913
Professional fees	**1,755**	2,401	1,989
Other expense	**10,715**	13,570	10,110
Total noninterest expense	**66,676**	66,315	65,981
Income before provision for income taxes	**14,357**	13,542	28,425
Provision for income taxes	**2,979**	2,817	6,173
NET INCOME	**$ 11,378**	$ 10,725	$ 22,252
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,508,910**	2,505,726	2,502,465
Diluted	**2,510,181**	2,506,544	2,505,194
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 4.54**	$ 4.28	$ 8.89
Diluted	**$ 4.53**	$ 4.28	$ 8.88

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

	(dollars in thousands) Quarters Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
SELECTED DATA					
Interest-bearing deposits with banks	$ 558,337	$ 1,006,525	$ 988,411	$ 372,671	$ 341,116
Securities	3,459,308	3,565,548	3,577,332	3,669,532	3,730,349
Total loans	6,584,271	6,510,128	6,443,189	6,285,985	6,099,479
Allowance for credit losses (ACL) on loans	147,848	146,156	144,378	141,009	138,976
Earning assets [1]	10,666,773	11,146,670	11,088,508	10,389,254	10,231,511
Total assets	10,939,441	11,445,591	11,358,352	10,646,978	10,515,350
Deposits	7,967,411	8,118,301	8,041,591	7,881,909	8,328,130
Interest-bearing liabilities	6,766,177	7,053,707	6,891,530	6,118,466	5,618,074
Total shareholders' equity	901,135	897,443	878,639	876,401	871,987
Total equity to total assets	8.24%	7.84%	7.74%	8.23%	8.29%
Full-time equivalent employees	1,186	1,186	1,196	1,189	1,166
ASSET QUALITY RATIOS					
ACL on loans to total loans	2.25%	2.25%	2.24%	2.24%	2.28%
ACL on loans to noncurrent loans	479%	464%	2987%	2548%	3417%
Net charge-offs to total average loans	0.01%	0.01%	0.00%	0.00%	0.01%
Noncurrent loans to total loans	0.47%	0.48%	0.08%	0.09%	0.07%

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

	(dollars in thousands, except per share data) Quarters Ended			% Change	
	March 31, 2024	December 31, 2023	March 31, 2023	Sequential Quarter	Year over Year
PERFORMANCE					
Net interest revenue, fully tax-equivalent	$ 67,142	$ 67,848	$ 81,867	-1.0%	-18.0%
Fully tax-equivalent adjustment	80	86	68	-7.0%	17.6%
Net interest revenue	67,062	67,762	81,799	-1.0%	-18.0%
Provision for credit losses	2,020	2,490	2,400	-18.9%	-15.8%
Net interest revenue after provision for credit losses	65,042	65,272	79,399	-0.4%	-18.1%
Noninterest revenue	15,991	14,585	15,007	9.6%	6.6%
Noninterest expense	66,676	66,315	65,981	0.5%	1.1%
Income before provision for income taxes	14,357	13,542	28,425	6.0%	-49.5%
Provision for income taxes	2,979	2,817	6,173	5.8%	-51.7%
Net income	$ 11,378	$ 10,725	$ 22,252	6.1%	-48.9%
PER COMMON SHARE					
Earnings per common share - basic	$ 4.54	$ 4.28	$ 8.89	6.1%	-48.9%
Earnings per common share - diluted	4.53	4.28	8.88	5.8%	-49.0%
Common cash dividends	1.85	1.85	1.85	0.0%	0.0%
Common shareholders' equity	357.34	355.53	345.77	0.5%	3.3%

	Quarters Ended			% Change	
	March 31, 2024	December 31, 2023	March 31, 2023	Sequential Quarter	Year over Year
PERFORMANCE RATIOS					
Return on average assets	0.39%	0.37%	0.87%	0.02%	-0.48%
Return on average shareholders' equity	5.08%	4.78%	10.49%	0.30%	-5.41%
Margin on average earning assets [1]	2.35%	2.42%	3.29%	-0.07%	-0.94%
Noninterest expense to average assets	2.28%	2.31%	2.59%	-0.03%	-0.31%
Noninterest revenue to average assets	0.55%	0.51%	0.59%	0.04%	-0.04%
Efficiency ratio	80.2%	80.4%	68.1%	-0.2%	12.1%
Common cash dividends to net income	40.86%	43.22%	20.83%	-2.36%	22.39%

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

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

	Quarters Ended		
Loans by Credit Risk Rating:	**March 31, 2024**	**December 31, 2023**	**March 31, 2023**
Pass	$ 6,312,018	$ 6,243,727	$ 5,887,608
Special Mention	183,439	169,621	123,042
Substandard	88,768	96,763	88,801
Doubtful/Loss	46	17	28
Total	$ 6,584,271	$ 6,510,128	$ 6,099,479

	Quarters Ended		
Loans by Payment Status:	**March 31, 2024**	**December 31, 2023**	**March 31, 2023**
Current Loans	$ 6,546,261	$ 6,469,742	$ 6,088,000
Loans Past Due 30-89 Days, Still Accruing	7,137	8,914	7,412
Noncurrent Loans	30,873	31,472	4,067
Total	$ 6,584,271	$ 6,510,128	$ 6,099,479

	Quarters Ended		
Allowance Position:	**March 31, 2024**	**December 31, 2023**	**March 31, 2023**
Allowance for Loans	$ 147,848	$ 146,156	$ 138,976
Allowance to Total Loans	2.25%	2.25%	2.28%