W.T.B. Financial Corp

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

July 21, 2022

Dear Shareholders:

W.T.B. Financial Corporation's second quarter performance was strong and was bolstered by a release of loan loss reserves. Our core business through the second quarter of 2022 was solid, steady and generally on plan. We carried an elevated allowance for loan losses position into the quarter as a lingering result of the pandemic and its related economic downturn. Despite a rise in nonperforming assets through that era, the Bank had minimal loan charge-offs and actually benefitted from cumulative net loan recoveries since year end 2019. We can mark that off as another first in my career, as I have never experienced a sharp economic downturn without a wave of loan charge-offs to manage through. More recently, our problem asset numbers have improved and credit quality has returned to more normalized levels, helped by the favorable resolution of a large, troubled credit. Noncurrent loans now total just $3.6 million, or 0.06 percent of loans. As a result, we reduced our aggregate loss reserve position in the second quarter by $18 million pre-tax (approximately $14.0 million after-tax), which had a beneficial impact on earnings. We will discuss this in more detail below, but this adjustment to our loss reserve position contributed to strong earnings for the quarter of $37.4 million.

In the external environment, inflation, the Fed and interest rates are now taking center stage. Persistent and rising inflation data has finally forced the Fed to take aggressive interest rate actions in order to get price level changes under control. So far this year, the Fed has moved rates up 150 basis points ("bps"), with its latest move a 75-bps increase in June, and another big increase is expected next week when the Fed meets again. Latest data indicate that inflation is proving to be much more enduring than our policy makers had hoped, with the Consumer Price Index rising at a 9.1 percent annual rate in June. Additionally, the Fed is taking on the added challenge of trying to unwind some of its nearly nine trillion-dollar balance sheet accumulated over the past decade as a result of its unconventional policy of "quantitative easing." Exiting that experimental policy tool is now unfolding with the Fed's stated intent of significantly reducing its investment in bonds. Monitoring this effort closely will be important to see if it brings added volatility and unpredictability to the rate environment and capital markets.

Let me walk you through the numbers and shed a little light on our performance this past quarter. Earnings totaled $37.4 million, an increase of $14.3 million, or 62.1

percent over year ago levels, with the majority of that increase due to the loss reserve adjustment I mentioned above. Net income year-to-date was $58.2 million, or $14.4 million and 33.0 percent higher than the comparable period in 2021. Earnings per share followed the same pattern coming in at $14.80 per share in the most recent quarter, up $5.74 per share, or 63.3 percent from the $9.06 per share reported in the second quarter of 2021. Return on assets was elevated at 1.39 percent in the most recent quarter, while return on equity performed well also, coming in at 18.00 percent. With our release of loss reserves being a significant one-time event, we would expect performance to return to more normalized levels in the future.

We entered the quarter with an allowance for loan losses position of $140.9 million, or 2.58 percent of loans and $1.0 million in reserves for unfunded commitments. As we viewed the landscape coming up on quarter end, our analytics and our assessment of credit quality and loss exposure improved, and it was appropriate to reduce our loan loss reserve position. With the resolution of a large problem asset, noncurrent loans declined $46.1 million to just $3.6 million at the end of June, or 0.06 percent of loans. Similarly, loans classified substandard and doubtful declined $40.0 million to $79.4 million, or 1.40 percent of loans. As we viewed our loan loss allowance position compared to the industry, the Bank allowance position was more than 100 bps higher than the industry average of 1.54 percent. And finally, while the industry's loss allowance exceeded noncurrent loans by 1.8 times (the "Coverage Ratio") at the end of the first quarter, the Bank's Coverage Ratio was materially higher at 2.8 times.

Given the Bank's substantial loan loss position and improving borrower credit performance, the Bank reduced its allowance position in the second quarter by $24 million through negative provision expense and at the same time, bolstered its reserve for unfunded loan commitments by $6 million. The increase in reserve for unfunded commitments is reflected as additional noninterest expense on our financial statements, which unfavorably impacts our quarterly noninterest expense numbers and the Company's efficiency ratio. These entries leave the Bank with a lower allowance for loan loss position of $117.3 million, or 2.06 percent of loans and a higher reserve for unfunded loan commitments of $7.0 million.

Net interest revenue for the quarter was $76.0 million, up $2.7 million, or 3.7 percent from one year ago. Year-over-year, net interest margin was down 4 bps to 2.90 percent, though rising interest rate levels are beginning to show some favorable impact to earning asset yields. Bear in mind that last year's net interest revenue and net interest margin benefitted from nearly $8.2 million in additional interest revenue from our portfolio of Paycheck Protection Program ("PPP") loans, while this year's impact was much lower at $1.6 million, due to significantly lower loan balances (down $708 million June to June) and loan forgiveness levels. We now have just $53 million left of the $1.7 billion in PPP loans we originated back in 2020 and 2021, so that loan category will be much less of a factor in our financial performance going forward.

Noninterest revenue year-over-year was essentially flat at $16.5 million, with declines in mortgage banking revenue of $1.1 million year-over-year being covered by higher revenue generation across a number of other noninterest revenue categories. The decline in mortgage banking revenue was due to lower origination activity and a greater proportion of originations retained in the Bank's loan portfolio. Debit card revenue of $5.6 million through the first half of the year, which was up $683,000, or 13.8 percent over 2021 levels, should be expected to decline significantly as we are now subject to lower debit card interchange fees as a result of Washington Trust Bank's assets exceeding $10 billion.

Noninterest expense increased this quarter to $68.6 million, up $11.4 million, or 19.8 percent year-over-year. The most significant factor driving that increase was the $6 million addition to our reserves for unfunded loan commitments, which is reflected in our financial statements as noninterest expense. The other contributors to this increase were compensation expense (up $2.1 million), pension and benefits expense (up $773,000), and software expense (up $744,000). Higher expense levels, including the addition to loss reserves, drove our efficiency ratio to the abnormally high level of 74.2 percent. Excluding the $6 million addition to loss reserves, the Company's efficiency ratio would have been 67.7 percent, still higher than we'd like it, but a reflection of significant spending on our systems, personnel and governance infrastructure.

On the balance sheet side of the business, deposit outflows of $463 million, or 4.7 percent reduced deposits to $9.4 billion quarter-over-quarter. The decline in deposits was largely seasonal in nature, but also a reflection of tremendous growth over the past several years and the impact of the sharp rise in rates we have seen over the past several months. Reduced deposit levels caused total assets to decline by $460 million, or 4.1 percent since March to $10.6 billion. Loans for the quarter grew $234 million, or 4.3 percent over March levels to $5.7 billion, despite a decline of $53 million in PPP loans. If PPP loans are backed out of those totals, then loans increased by $287 million, or 5.3 percent for the quarter. As a result of the growth in loans and decline in deposits, the Company's overall cash position declined by $763 million to a still very substantial $869 million.

Shareholder's equity ended the quarter at $849 million, up $20.5 million or 2.5 percent quarter-over-quarter, and up $42.9 million, or 5.3 percent year-over-year. At the end of June, the Company's equity to asset ratio equaled 7.99 percent, up 52 bps during the quarter. The increase in the Company's capital position helped drive book value per share higher by $8.88, or 2.7 percent for the quarter to $334.64. On a year-over-year basis, book value per share increased $19.35, or 6.1 percent.

With regard to our share repurchase program, you may recall that on March 1, 2022, the Board of Directors reauthorized a share repurchase plan for up to $10.0 million of Class B common stock, which will be in effect over a twelve-month period. Common share repurchases under this plan, if any, may be made from time to time on the open market through broker dealers or in privately negotiated transactions, at the discretion of Company management. The extent to which the Company purchases shares and the timing of any such purchases will depend upon a variety of factors, including market conditions and relevant corporate considerations. The share repurchase program will be conducted in a manner intended to comply with the safe harbor provisions of Rule 10b-18 under the Securities and Exchange Act of 1934. Under the current authorization, we have purchased 6,200 shares for a total of $2.3 million, leaving $7.7 million of repurchase authorization unused. Any purchases later in the year will be dependent upon market conditions and the external environment in which we operate. Under the previous share repurchase authorization, the Company repurchased 21,294 shares in total for $8.3 million.

This was a terrific quarter from a financial performance standpoint, though we recognize that the beneficial impact of the release of loss reserves was a one-time event. Our core business performance was steady and our challenge going forward will be to navigate through the emerging inflationary environment, the Fed’s sharp policy shift, rising rates and the impact all that may have on the economy and our clients’ financial needs. In addition to those external challenges, we remain very busy internally on rationalizing and modernizing our technology infrastructure, upgrading our client delivery capabilities, growing our customer base, improving our governance and risk management, and solidifying the tremendous growth we have enjoyed over the past several years. Much is being asked of our team and they are doing a great job executing on our plan. We are in an era of significant investment in our business, our people, our governance capabilities and our clients. I like the direction we are going and the things we are accomplishing, and none of that would be possible without you, our shareholders. We greatly appreciate the confidence you have in us, and we will continue to work hard to deliver results for you, our clients, our employees and the many communities we serve.

For additional pertinent information, please also visit our Investor Relations webpage at watrust.com/about/investor-relations.

Warm Regards,

Peter F. Stanton

Pete Stanton
Chairman of the Board and CEO

Enclosure

W.T.B. Financial Corp

Summary Financial Statements, Selected Financial Highlights and Selected Credit Performance Highlights Q2 2022

(unaudited)

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

	June 30, 2022	March 31, 2022	June 30, 2021
ASSETS			
Cash and due from banks	**$ 126,783,957**	$ 109,115,109	$ 111,332,899
Interest-bearing deposits with banks	**869,483,231**	1,632,922,295	1,330,547,291
Securities available for sale, at fair value	**570,430,197**	594,095,225	403,692,368
Securities held to maturity, at amortized cost	**3,169,261,523**	3,121,276,543	2,661,838,499
Federal Home Loan Bank and Pacific Coast Bankers' Bancshares stock, at cost	**10,060,000**	10,060,000	10,060,000
Loans receivable	**5,685,124,146**	5,451,587,886	5,675,804,551
Allowance for loan losses	**(117,252,879)**	(140,903,957)	(139,112,930)
Loans, net of allowance for loan losses	**5,567,871,267**	5,310,683,929	5,536,691,621
Premises and equipment, net	**88,078,229**	88,293,788	88,987,871
Accrued interest receivable	**25,541,479**	24,397,597	27,589,783
Other assets	**196,916,949**	193,365,671	110,123,472
Total assets	**$ 10,624,426,832**	$ 11,084,210,157	$ 10,280,863,804
LIABILITIES			
Deposits:			
Noninterest-bearing	**$ 4,346,550,937**	$ 4,604,567,856	$ 4,316,714,723
Interest-bearing	**5,095,109,531**	5,299,960,728	4,803,369,864
Total deposits	**9,441,660,468**	9,904,528,584	9,120,084,587
Securites sold under agreements to repurchase	**227,483,165**	235,649,386	235,736,087
Other borrowings	**-**	20,063,287	20,063,287
Accrued interest payable	**219,623**	806,798	427,357
Other liabilities	**106,379,114**	94,982,263	98,724,089
Total liabilities	**9,775,742,370**	10,256,030,318	9,475,035,407
SHAREHOLDERS' EQUITY			
Common stock	**16,858,673**	18,649,519	25,057,245
Surplus	**32,665,000**	32,665,000	32,665,000
Undivided profits	**832,431,892**	799,737,498	741,698,974
	881,955,565	851,052,017	799,421,219
Accumulated other comprehensive loss, net of tax	**(33,271,103)**	(22,872,178)	6,407,178
Total shareholders' equity	**848,684,462**	828,179,839	805,828,397
Total liabilities and shareholders' equity	**$ 10,624,426,832**	$ 11,084,210,157	$ 10,280,863,804

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

	Three Months Ended		
	June 30, 2022	March 31, 2022	June 30, 2021
INTEREST REVENUE			
Loans, including fees	**$ 58,242,163**	$ 56,339,968	$ 61,255,688
Deposits with banks	**2,222,483**	830,782	312,414
Securities	**16,915,945**	14,531,324	14,137,707
Other interest and dividend income	**80,328**	77,169	80,682
Total interest revenue	**77,460,919**	71,779,243	75,786,491
INTEREST EXPENSE			
Deposits	**1,548,678**	1,625,436	2,289,786
Funds purchased and other borrowings	**(108,235)**	250,794	217,663
Total interest expense	**1,440,443**	1,876,230	2,507,449
Net interest revenue	**76,020,476**	69,903,013	73,279,042
(Recapture) provision for loan losses	**(24,000,000)**	-	3,000,000
Net interest revenue after provision for loan losses	**100,020,476**	69,903,013	70,279,042
NONINTEREST REVENUE			
Fiduciary income	**5,578,239**	5,436,861	5,643,578
Investment services fees	**985,632**	1,052,740	966,166
Bank and credit card fees, net	**4,686,880**	4,970,592	4,324,851
Mortgage banking revenue, net	**728,181**	521,889	1,804,678
Other fees on loans	**303,342**	237,795	465,859
Service charges on deposits	**1,743,473**	1,755,739	1,433,817
Other income	**2,458,951**	2,314,682	1,893,619
Total noninterest revenue	**16,484,698**	16,290,298	16,532,568
NONINTEREST EXPENSE			
Salaries and benefits	**38,419,698**	38,073,725	35,527,713
Occupancy, furniture and equipment expense	**6,564,166**	6,211,609	6,143,861
Other expense	**23,661,423**	15,411,518	15,605,585
Total noninterest expense	**68,645,287**	59,696,852	57,277,159
Income before provision for income taxes	**47,859,887**	26,496,459	29,534,451
Provision for income taxes	**10,497,883**	5,701,024	6,481,574
NET INCOME	**$ 37,362,004**	$ 20,795,435	$ 23,052,877
PER SHARE DATA			
Weighted average number of common stock shares outstanding			
Basic	**2,523,817**	2,524,702	2,541,723
Diluted	**2,524,932**	2,528,713	2,544,176
Earnings per common share (based on weighted average shares outstanding)			
Basic	**$ 14.80**	$ 8.24	$ 9.07
Diluted	**$ 14.80**	$ 8.22	$ 9.06

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

	Six Months Ended	
	June 30, 2022	June 30, 2021
INTEREST REVENUE		
Loans, including fees	**$ 114,582,131**	$ 119,896,986
Deposits with banks	**3,053,265**	614,809
Securities	**31,447,268**	27,962,302
Other interest and dividend income	**157,498**	158,028
Total interest revenue	**149,240,162**	148,632,125
INTEREST EXPENSE		
Deposits	**3,174,117**	4,905,145
Funds purchased and other borrowings	**142,557**	532,776
Total interest expense	**3,316,674**	5,437,921
Net interest revenue	**145,923,488**	143,194,204
(Recapture) provision for loan losses	**(24,000,000)**	9,000,004
Net interest revenue after provision for loan losses	**169,923,488**	134,194,200
NONINTEREST REVENUE		
Fiduciary income	**11,015,100**	10,755,372
Investment services fees	**2,038,372**	1,883,856
Bank and credit card fees	**9,657,471**	7,923,924
Mortgage banking revenue, net	**1,250,071**	5,750,964
Other fees on loans	**541,137**	724,807
Service charges on deposits	**3,499,212**	2,879,749
Other income	**4,773,634**	3,894,419
Total noninterest revenue	**32,774,997**	33,813,091
NONINTEREST EXPENSE		
Salaries and benefits	**76,493,423**	70,207,407
Occupancy, furniture and equipment expense	**12,775,775**	12,158,595
Other expense	**39,072,941**	29,620,040
Total noninterest expense	**128,342,139**	111,986,042
Income before provision for income taxes	**74,356,346**	56,021,249
Provision for income taxes	**16,198,907**	12,306,676
NET INCOME	**$ 58,157,439**	$ 43,714,573
PER SHARE DATA		
Weighted average number of common stock shares outstanding		
Basic	**2,524,257**	2,539,945
Diluted	**2,526,812**	2,542,786
Earnings per common share (based on weighted average shares outstanding)		
Basic	**$ 23.04**	$ 17.21
Diluted	**$ 23.02**	$ 17.19

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

(dollars in thousands)

	Quarters Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
SELECTED DATA					
Interest-bearing deposits with banks	$ 869,483	$ 1,632,922	$ 1,987,135	$ 1,806,151	$ 1,330,547
Securities	3,739,692	3,715,372	3,325,754	2,993,962	3,065,531
Total loans	5,685,124	5,451,588	5,536,076	5,482,823	5,675,805
Allowance for loan losses	117,253	140,904	140,603	139,316	139,113
Earning assets [1]	10,336,044	10,830,404	10,854,717	10,282,215	10,068,641
Total assets	10,624,427	11,084,210	11,089,567	10,583,447	10,280,864
Deposits	9,441,660	9,904,529	9,890,270	9,397,003	9,120,085
Interest-bearing liabilities	5,322,593	5,555,673	5,556,691	5,392,689	5,059,169
Total shareholders' equity	848,684	828,180	832,945	819,607	805,828
Total equity to total assets	7.99%	7.47%	7.51%	7.74%	7.84%
Full-time equivalent employees	1,116	1,104	1,092	1,101	1,100
ASSET QUALITY RATIOS					
Allowance for loan losses to total loans	2.06%	2.58%	2.54%	2.54%	2.45%
Allowance for loan losses to noncurrent loans	3249%	283%	273%	267%	257%
Net charge-offs (recoveries) to total average loans	-0.01%	-0.01%	-0.02%	0.00%	0.05%
Noncurrent loans and ORE to assets	0.03%	0.45%	0.46%	0.49%	0.53%
Noncurrent loans, ORE and TDRs to assets	0.04%	0.45%	0.47%	0.50%	0.54%

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

(dollars in thousands, except per share data)

	Quarters Ended			% Change	
	June 30, 2022	March 31, 2022	June 30, 2021	Sequential Quarter	Year over Year
PERFORMANCE					
Net interest revenue, fully tax-equivalent	$ 76,064	$ 69,949	$ 73,349	8.7%	3.7%
Fully tax-equivalent adjustment	44	46	70	-4.3%	-37.1%
Net interest revenue	76,020	69,903	73,279	8.8%	3.7%
(Recapture) provision for loan losses	(24,000)	-	3,000	NM	-900.0%
Net interest revenue after provision for loan losses	100,020	69,903	70,279	43.1%	42.3%
Noninterest revenue	16,485	16,290	16,533	1.2%	-0.3%
Noninterest expense	68,645	59,697	57,278	15.0%	19.8%
Income before provision for income taxes	47,860	26,496	29,534	80.6%	62.1%
Provision for income taxes	10,498	5,701	6,481	84.1%	62.0%
Net income	$ 37,362	$ 20,795	$ 23,053	79.7%	62.1%
PER COMMON SHARE					
Earnings per common share - basic	$ 14.80	$ 8.24	$ 9.07	79.6%	63.2%
Earnings per common share - diluted	14.80	8.22	9.06	80.0%	63.4%
Common cash dividends	1.85	1.85	1.85	0.0%	0.0%
Common shareholders' equity	334.64	325.76	315.29	2.7%	6.1%

	Quarters Ended			% Change	
	June 30, 2022	March 31, 2022	June 30, 2021	Sequential Quarter	Year over Year
PERFORMANCE RATIOS					
Return on average assets	1.39%	0.77%	0.90%	0.62%	0.49%
Return on average shareholders' equity	18.00%	10.11%	11.60%	7.89%	6.40%
Margin on average earning assets [2]	2.90%	2.66%	2.94%	0.24%	-0.04%
Noninterest expense to average assets	2.55%	2.21%	2.25%	0.34%	0.30%
Noninterest revenue to average assets	0.61%	0.60%	0.65%	0.01%	-0.04%
Efficiency ratio	74.2%	69.2%	63.7%	5.0%	10.5%
Common cash dividends to net income	12.49%	22.48%	20.40%	-9.99%	2.08%

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

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

(dollars in thousands, except per share data)

	Six Months Ended		% Change
	June 30, 2022	June 30, 2021	Year over Year
PERFORMANCE			
Net interest revenue, fully tax-equivalent	$ 146,014	$ 143,337	1.9%
Fully tax-equivalent adjustment	91	143	-36.4%
Net interest revenue	145,923	143,194	1.9%
(Recapture) provision for loan losses	(24,000)	9,000	-366.7%
Net interest revenue after provision for loan losses	169,923	134,194	26.6%
Noninterest revenue	32,775	33,813	-3.1%
Noninterest expense	128,342	111,986	14.6%
Income before provision for income taxes	74,356	56,021	32.7%
Provision for income taxes	16,199	12,306	31.6%
Net income	$ 58,157	$ 43,715	33.0%
PER COMMON SHARE			
Earnings per common share - basic	$ 23.04	$ 17.21	33.9%
Earnings per common share - diluted	23.02	17.19	33.9%
Common cash dividends	3.70	3.70	0.0%
Common shareholders' equity	334.64	315.29	6.1%
PERFORMANCE RATIOS			
Return on average assets	1.08%	0.88%	0.20%
Return on average shareholders' equity	14.07%	11.04%	3.03%
Margin on average earning assets [2]	2.78%	2.95%	-0.17%
Noninterest expense to average assets	2.38%	2.25%	0.13%
Noninterest revenue to average assets	0.61%	0.68%	-0.07%
Efficiency ratio	71.8%	63.2%	8.6%
Common cash dividends to net income	16.07%	21.51%	-5.44%

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

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

	Quarters Ended		
Loans by Credit Risk Rating:	**June 30, 2022**	**March 31, 2022**	**June 30, 2021**
Pass	$ 5,452,013,206	$ 5,192,624,477	$ 5,360,668,095
Special Mention	153,682,751	139,492,302	165,554,800
Substandard	79,424,603	119,466,651	149,575,870
Doubtful	3,586	4,456	5,786
Total	$ 5,685,124,146	$ 5,451,587,886	$ 5,675,804,551

	Quarters Ended		
Loans by Payment Status:	**June 30, 2022**	**March 31, 2022**	**June 30, 2021**
Current Loans	$ 5,679,565,998	$ 5,389,174,662	$ 5,619,739,509
Noncurrent Loans	3,609,369	49,717,527	54,176,640
Loans Past Due 30-89 Days, Still Accruing	1,948,779	12,695,697	1,888,402
Total	$ 5,685,124,146	$ 5,451,587,886	$ 5,675,804,551

	Quarters Ended		
Allowance for Loan Losses Position:	**June 30, 2022**	**March 31, 2022**	**June 30, 2021**
Allowance for Loan Losses	$ 117,252,879	$ 140,903,957	$ 139,112,930
Allowance to Total Loans	2.06%	2.58%	2.45%