

# 2016 ANNUAL SHAREHOLDERS' MEETING

## FORWARD LOOKING STATEMENTS

“This presentation contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects” and similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements we make regarding our evaluation of macro-environment risks, Federal Reserve rate management, and trends reflecting things such a regulatory capital standards and adequacy. Forward looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements, We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact or guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statement include:

- the ability to attract new deposits and loans;
- demand for financial services in our market areas;
- competitive market pricing factors;
- deterioration in economic conditions that could result in increased loan losses;
- actions by competitors and other market participants that could have an adverse impact on our expected performance;
- risks associated with concentrations in real estate related loans;
- market interest rate volatility;
- stability of funding sources and continued availability of borrowings;
- risk associated with potential cyber threats;
- changes in legal or regulatory requirements or the results of regulatory examinations that could restrict growth;
- the ability to recruit and retain key management and staff;
- the ability to raise capital or incur debt on reasonable terms;
- effectiveness of legislation and regulatory efforts to help the U.S. and global financial markets.

There are many factors that could cause actual results to differ materially from those contemplated by forward-looking statements. Any forward-looking statement made by us in this presentation speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publically update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.”

# GEOGRAPHY AND MISSION

## W.T.B. Financial Corporation



## Our Mission

“We will be the best at understanding and meeting the financial needs of our customers. We will focus our unique strengths as a community bank on serving those customers who perceive a distinct value in building long-term relationships with us.

We will be empowered to act on behalf of Washington Trust to meet our customers' needs and will have the competencies to fulfill this mission. We will conduct ourselves in accordance with our guiding principles.

We will organize and manage to best support one another in these efforts and to ensure the long-term viability of the Bank.”

# COMPANY OVERVIEW

## W.T.B. FINANCIAL CORPORATION

### Demographics

W.T.B. Financial Corporation is the parent company  
Washington Trust Bank is the primary subsidiary  
Shares listed on the OTC Pink Marketplace: [www.otcmarkets.com](http://www.otcmarkets.com)  
WTBFA -- Class A shares  
WTBFB -- Class B shares

### History

Over 100 years of banking history in the Pacific Northwest  
1983: \$500 million in assets  
1994: \$1 billion in assets  
2015: \$5 billion in assets

### Diversified Geography

Headquarters is Spokane, Washington  
Operate across 3 states (WA, OR and ID)  
Historical markets: Spokane, North Idaho and Central Washington  
Growth markets: Puget Sound, Portland and Boise

### Relationship Banking Business Model

Community bank serving people, businesses and community organizations  
Conservative and disciplined bankers  
Relationship banking/Organic growth orientation  
Commercial, private and retail banking divisions  
Wealth management division, including trust powers

# RELATIONSHIP BANKING

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- **Relationship banking requires...**
  - A high degree of customer focus
  - High caliber professional bankers
  - Empowered employees
  - Decentralized decision-making
  - First-rate financial solutions
    - Customized to meet client needs
    - Standardized to be efficient and scalable
  - Customers that value their relationship with us
- **Relationship banking is...**
  - Career enhancing for our employees
  - Valued by our customers
  - A high value business model for our shareholders
  - Efficient path for growth
  - A model that preserves company culture

# 2015 PERFORMANCE OVERVIEW

## 2015 FINANCIAL POSITION AND PERFORMANCE

### Balance Sheet

Deposit growth of \$458 million, or 11.2% drove strong asset growth  
Assets finished the year at \$5.3 billion, a new Company record  
Loans grew \$206 million and bonds/investible cash grew \$349 million  
Total shareholders' equity grew \$23 million to \$464 million (SBLF redemption)  
Common shareholders' equity increased \$42 million, or 10.0%

### Earnings

Earnings increased \$4.5 million, or 10.7% to \$46.4 million  
Net interest income grew \$8.0 million, or 5.1% to \$163.8 million  
Diluted earnings per share increased \$1.80, or 11.1% to \$18.01  
Book value per share increased \$15.86, or 9.6% to \$180.79

### 2015 Performance

Net interest margin declined 15 bps to 3.42%  
Return on assets increased 2 bps to 0.94%  
Return on shareholders' equity increased 98 bps to 10.12%  
Common shareholder dividends increased \$0.32 per share, or 13.3% to \$2.72

### Risk Profile

Capital exceeds regulatory minimums and internal targets  
Asset quality is high with historically low non-performing assets  
Allowance for loan losses is substantial at 2.39% of loans  
Liquidity levels are high with a Liquidity Ratio of 24.8%

# MAJOR INDUSTRY THEMES

- **Credit recovery from financial crisis is complete**
  - Industry NPA's to assets < 1.00% (peak ~ 3.45% in 2010)
  - Number of problem institutions = 183 (peak = 884 in 2010)
  - Industry ALLL to loans = 1.34%
- **Low rate environment weighs on profitability**
  - Industry NIM 3.07% in 2015 (peak ~ 4.00% in 2002)
  - Industry Return on Assets = 1.04% (peaked at 1.38% in 2003)
- **Regulatory burden a challenge and opportunity**
  - Compliance burden falls equally across community banks
  - Costs are real in terms of headcount, systems and time
  - We have scale, expertise and commitment to meet responsibilities
- **Industry consolidation accelerates**
  - Down 4%, or 300 banks +/- per year (2009 – 2015)
  - Down 2,300 banks since financial crisis to 6,200
- **FinTech revolution reshaping banking**
  - Disrupters
  - Strategic partners

# 2015 INDUSTRY PERFORMANCE

## Industry Earnings:

- Industry earnings = \$164 billion, up \$11 billion, or 7.5%
  - Higher revenues and lower operating expenses
  - Offset by higher provision expense

## Industry Balance Sheet:

- Deposits = \$12.2 trillion, up \$426 billion, or 3.6%
- Assets = \$16.0 trillion, up \$414 billion, or 2.7%
- Loans = \$8.8 trillion, up \$530 billion, or 6.4%
- Equity = \$1.8 trillion, up \$61 billion, or 3.5%

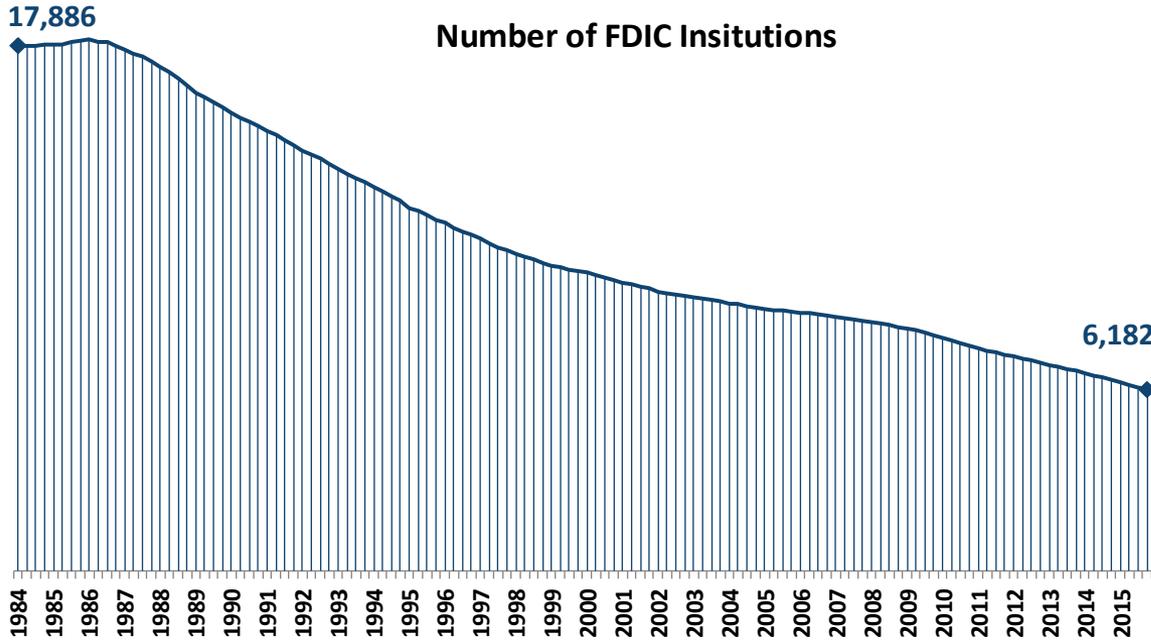
## Industry Performance and Risk Metrics:

- Noncurrent loans + OREO to assets = 0.96% (peak of 3.37% in 2009)
- Loan loss allowance = \$119 billion, or 1.34% of loans
- Net Interest Margin = 3.07%, down 7 bps
- Return on assets = 1.04%, up 3 bps
- Return on equity = 9.31%, up 30 bps

# INDUSTRY CONSOLIDATION CONTINUES...

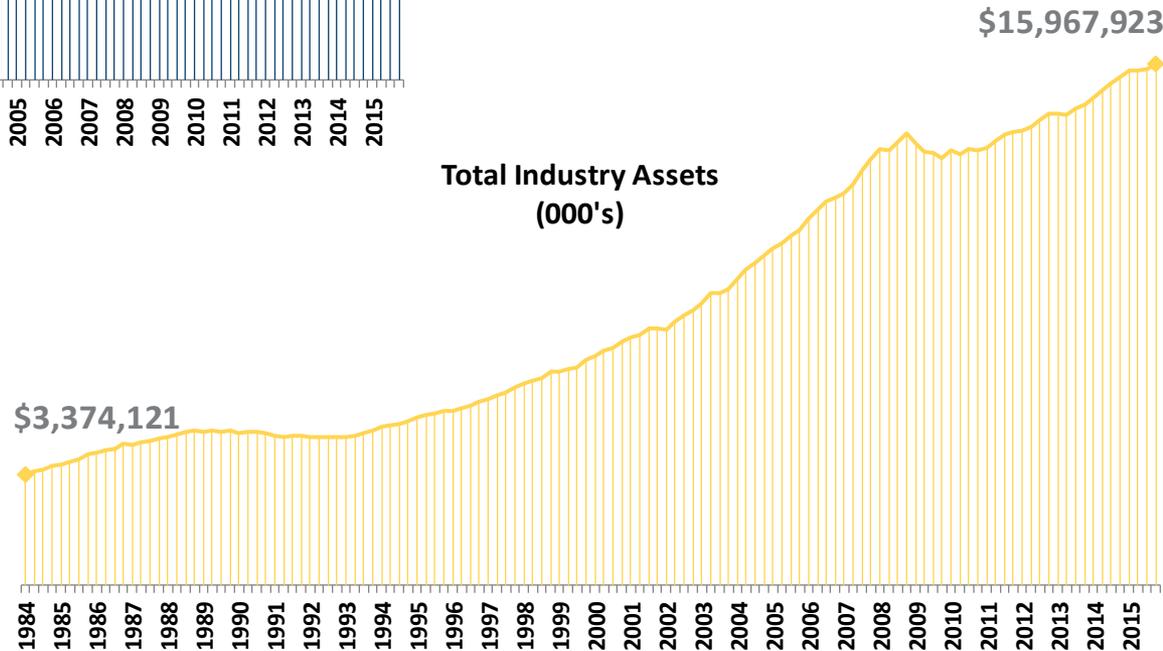
Number of FDIC Insitutions

The number of FDIC insured institutions has declined by over 11,700, or 65% to 6,182 since 1984...



...while assets have more than quadrupled to almost \$16 trillion

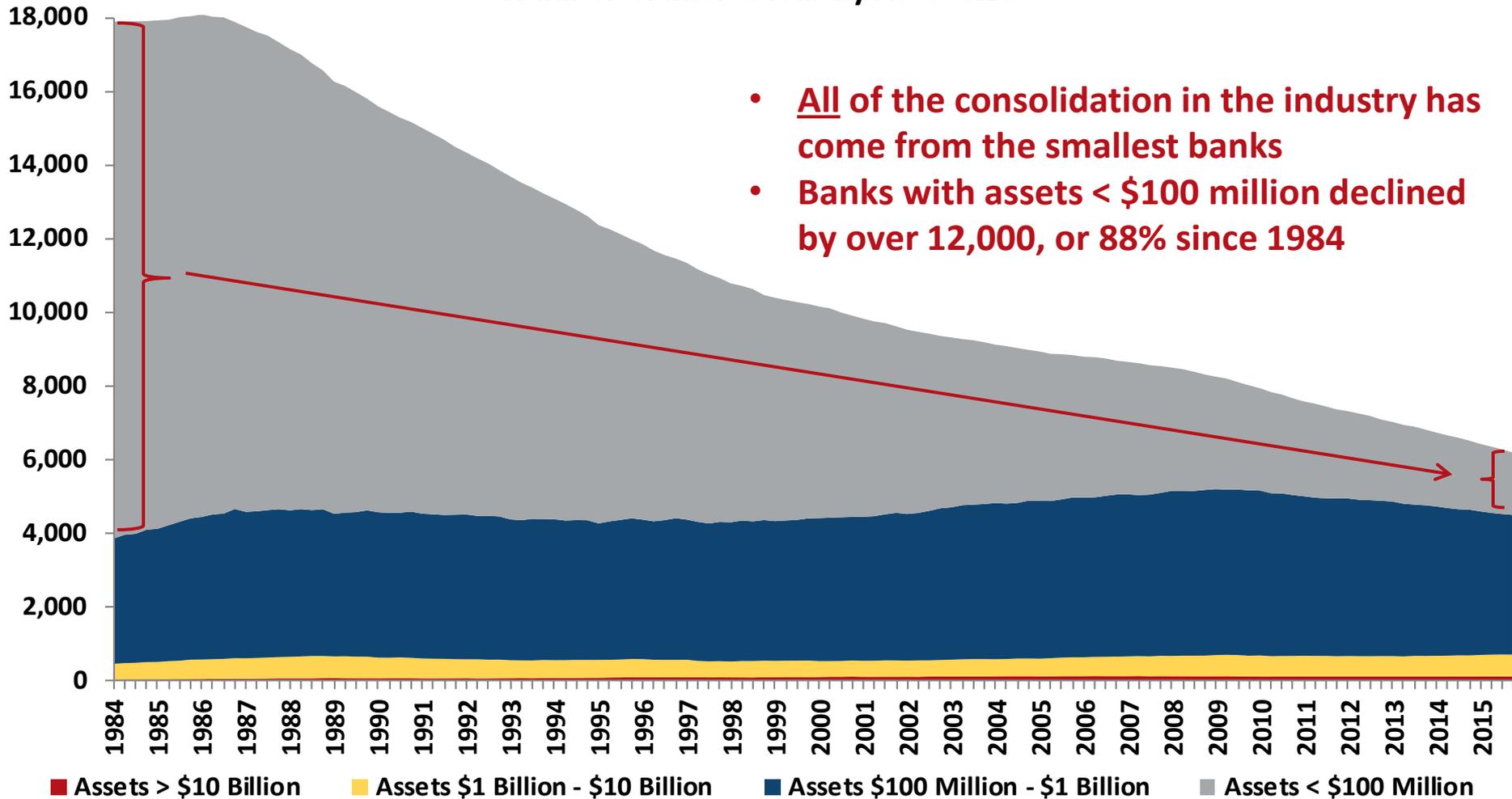
Total Industry Assets (000's)



Source: FDIC website as of 03/05/2016

# IMPACTING THE SMALLEST BANKS

Number of Institutions by Asset Size



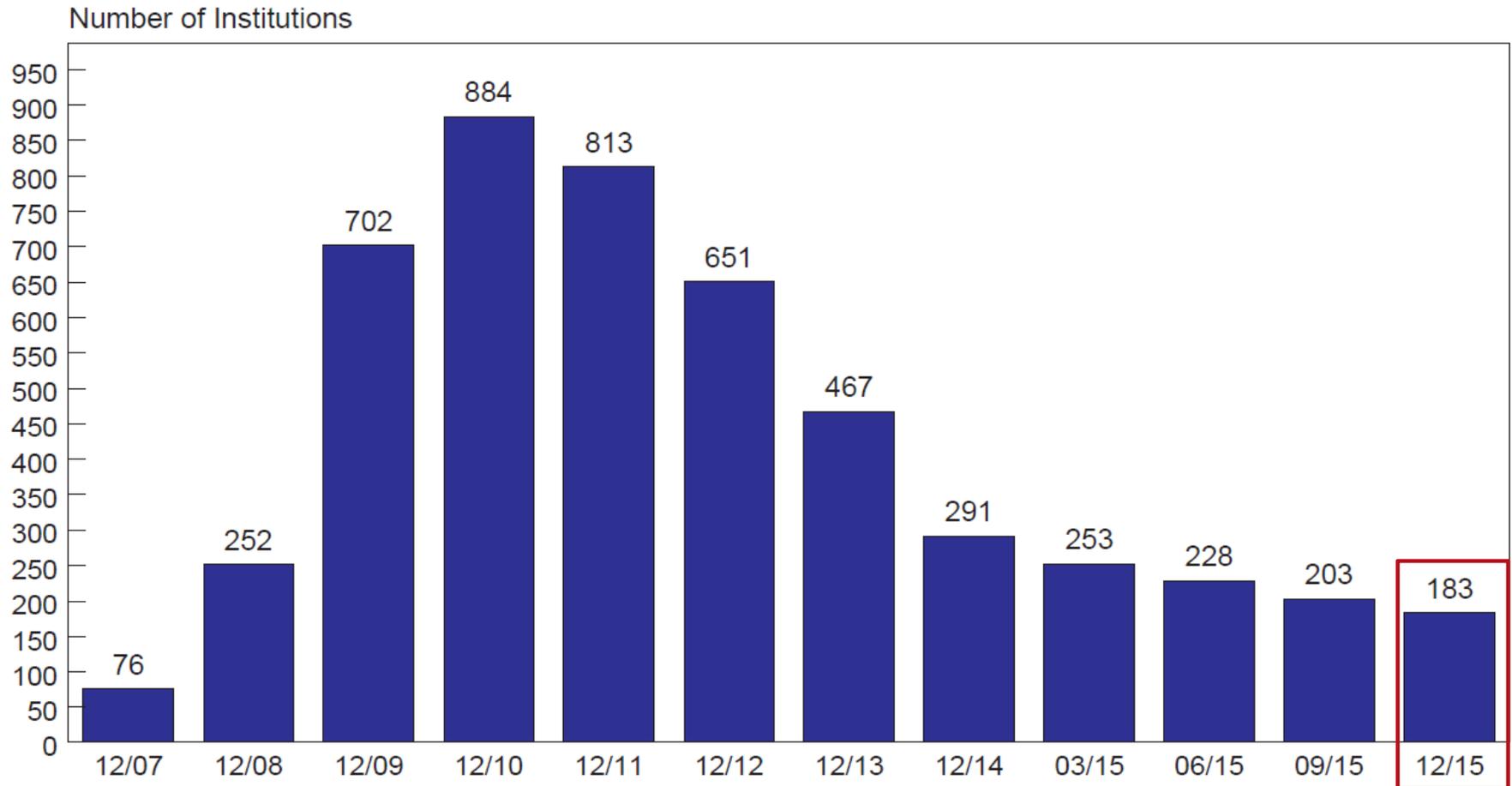
- **All** of the consolidation in the industry has come from the smallest banks
- Banks with assets < \$100 million declined by over 12,000, or 88% since 1984

Source: FDIC website as of 03/05/2016

# PROBLEM BANK LEVELS NORMALIZED

## Number of FDIC-Insured "Problem" Institutions

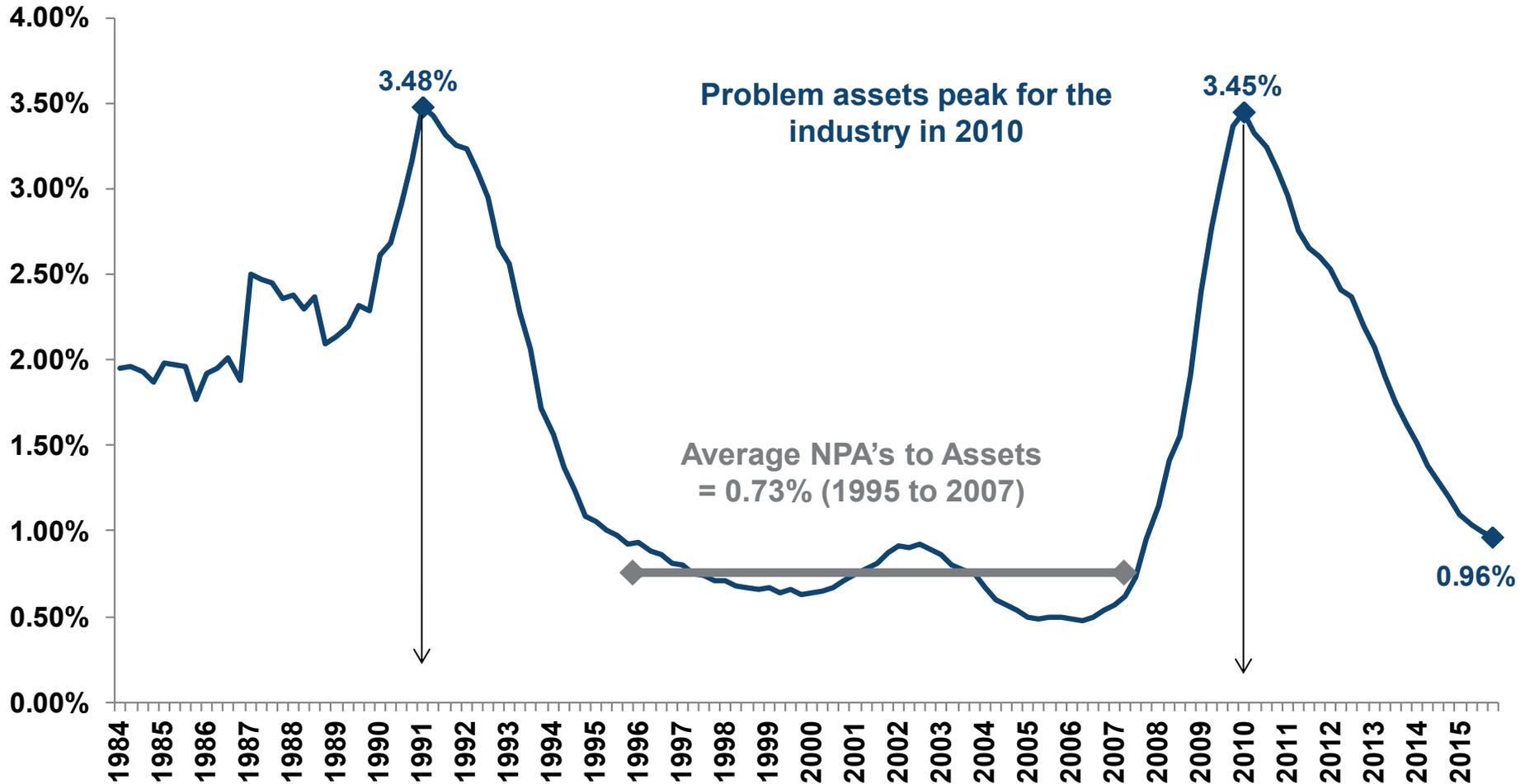
2007-2015



Source: FDIC website as of 03/05/2016

# INDUSTRY ASSET QUALITY NORMALIZED

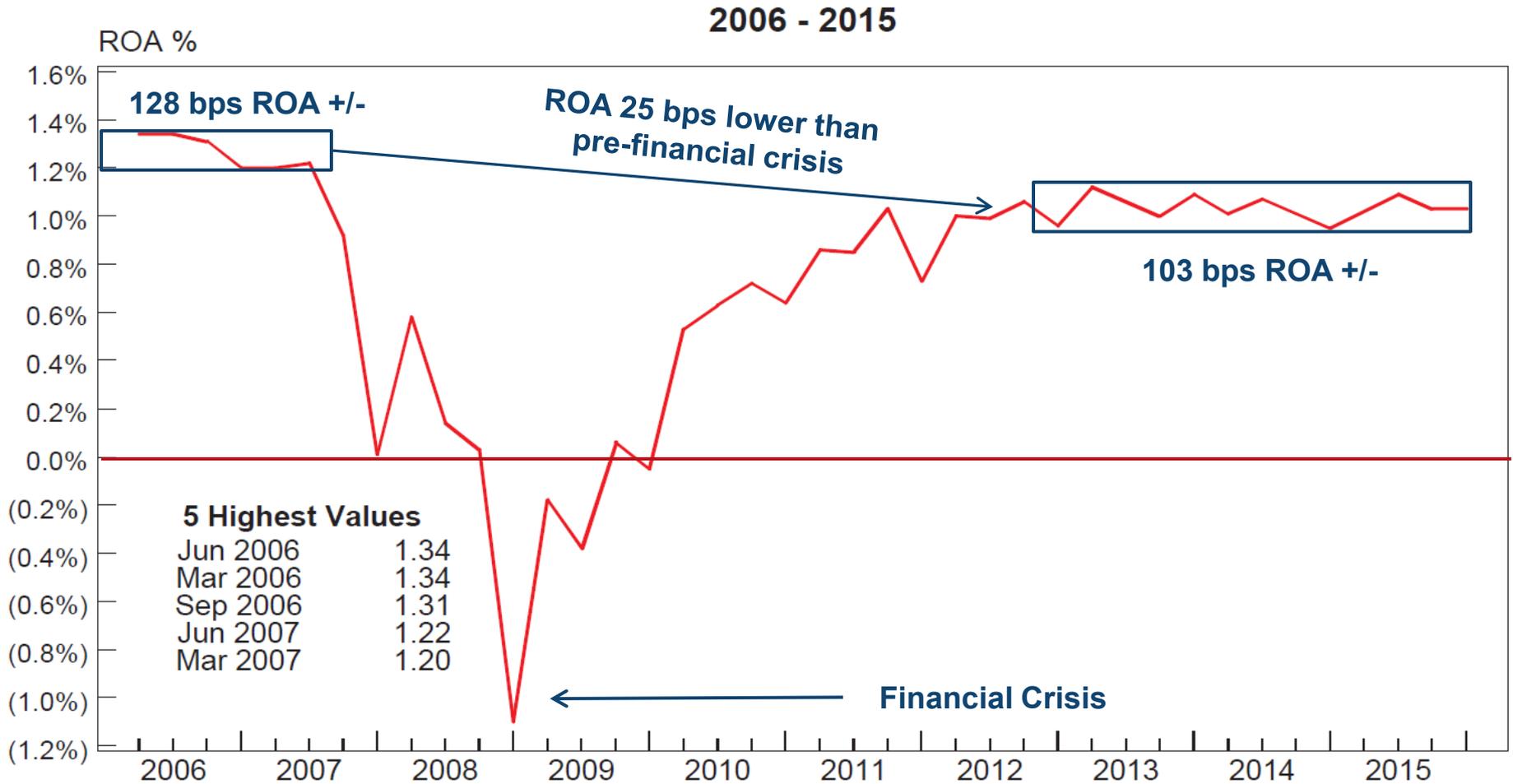
## Industry Noncurrent Assets and OREO to Assets



Source: FDIC website as of 03/05/2016

# BUT PROFITABILITY HASN'T...YET

## Quarterly Return on Assets (ROA), Annualized



Source: FDIC Quarterly Bank Performance Data as of Fourth Quarter 2015

W.T.B. Financial Corporation

# 2015 STATE PERFORMANCE COMPARISON

| KEY PERFORMANCE MEASURE                 | WASHINGTON TRUST BANK | INDUSTRY FDIC DATA | 2015 STATE-WIDE COMPARISON |               |               |
|---|-----------------------|--------------------|----------------------------|---------------|---------------|
|   |                       |                    | WASHINGTON                 | OREGON        | IDAHO         |
| # of Institutions                       | 1                     | 6,182              | 52                         | 25            | 12            |
| Total Assets (\$ in millions)           | \$ 5,301              | \$ 15,967,000      | \$ 66,950                  | \$ 32,838     | \$ 5,210      |
| Assets per Institution (\$ in millions) | \$ 5,301              | \$ 2,583           | \$ 1,288                   | \$ 1,314      | \$ 434        |
| <b>PERFORMANCE RATIOS (YTD)</b>         | <b>Actual</b>         | <b>Average</b>     | <b>Median</b>              | <b>Median</b> | <b>Median</b> |
| Net Interest Margin (%)                 | 3.43%                 | 3.07%              | 3.80%                      | 4.07%         | 3.71%         |
| Overhead to Average Assets (%)          | 2.82%                 | 2.66%              | 3.19%                      | 3.24%         | 3.70%         |
| Return on Assets (%)                    | 0.95%                 | 1.04%              | 0.87%                      | 0.87%         | 1.00%         |
| Return on Equity (average %)            | 10.49%                | 9.31%              | 7.86%                      | 6.21%         | 8.10%         |
| <b>ASSET QUALITY METRICS</b>            | <b>Actual</b>         | <b>Average</b>     | <b>Median</b>              | <b>Median</b> | <b>Median</b> |
| Noncurrent Loans to Total Loans (%)     | 0.53%                 | 1.56%              | 0.51%                      | 0.30%         | 0.48%         |
| Allowance to Total Loans (%)            | 2.39%                 | 1.34%              | 1.31%                      | 1.45%         | 1.52%         |
| <b>CAPITAL</b>                          | <b>Actual</b>         | <b>Average</b>     | <b>Median</b>              | <b>Median</b> | <b>Median</b> |
| Tier 1 Leverage Ratio (%)               | 9.29%                 | 9.59%              | 10.54%                     | 10.72%        | 10.78%        |

Source:

FDIC Website; State Profiles for WA, OR and ID

Download Date: 4/20/2016

# **FOCUS ON WTBFC**

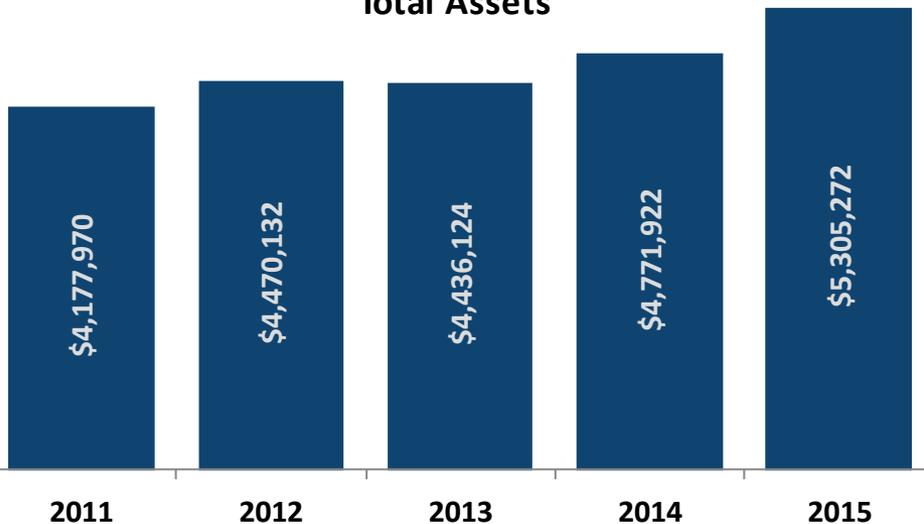
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## **COMPANY 2015 PERFORMANCE**

### **IN PERSPECTIVE**

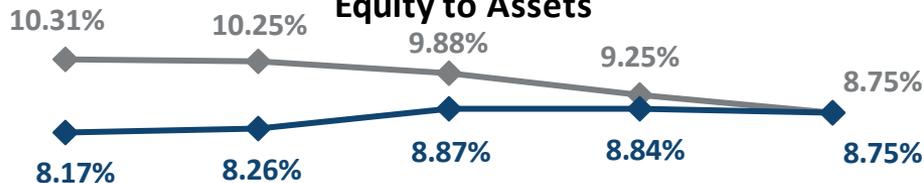
# ASSETS AND CAPITAL (000's)

Total Assets

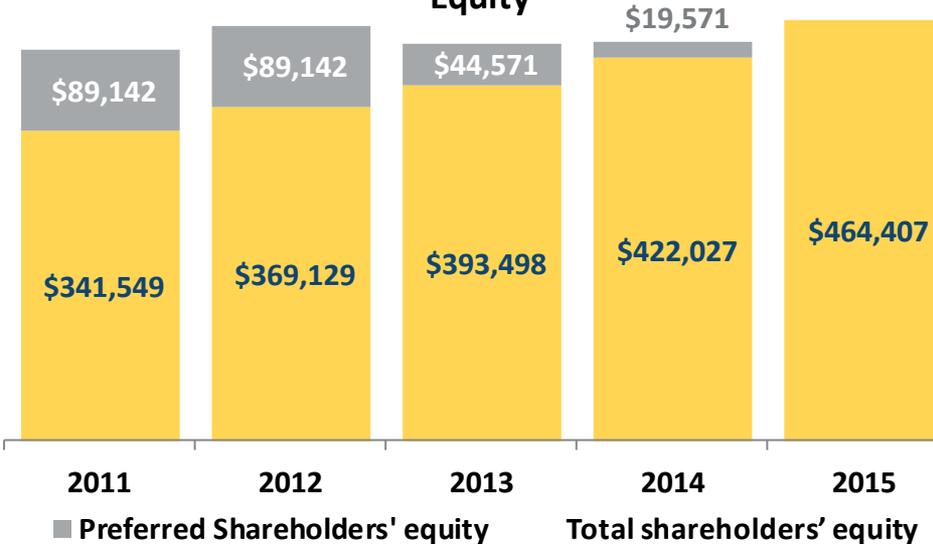


- Assets increased \$1.1 billion, or 27% over past five years
- Common shareholders' equity increased \$123 million, or 36% over past five years
- Common equity to assets grew 58 bps to 8.75% since 2011
- All SBLF Capital has been redeemed

Equity to Assets



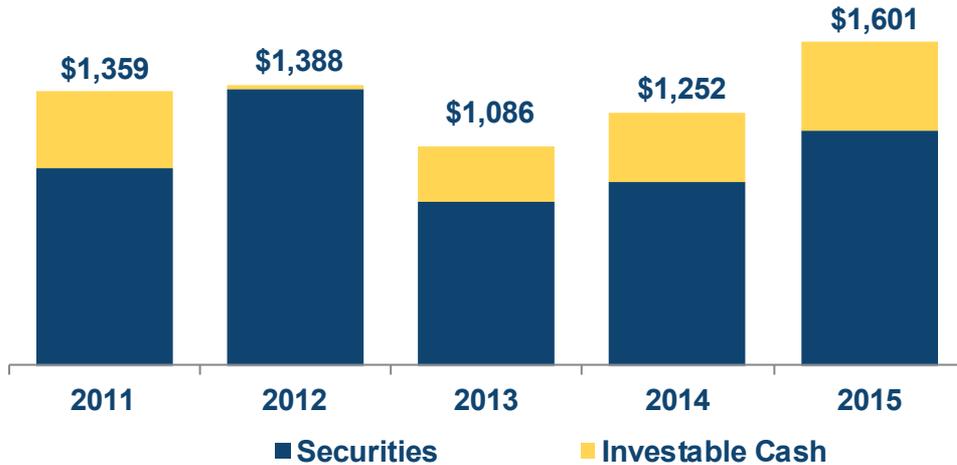
Equity



◆ Total Shareholders' Equity to Assets  
◆ Common Shareholders' Equity to Assets

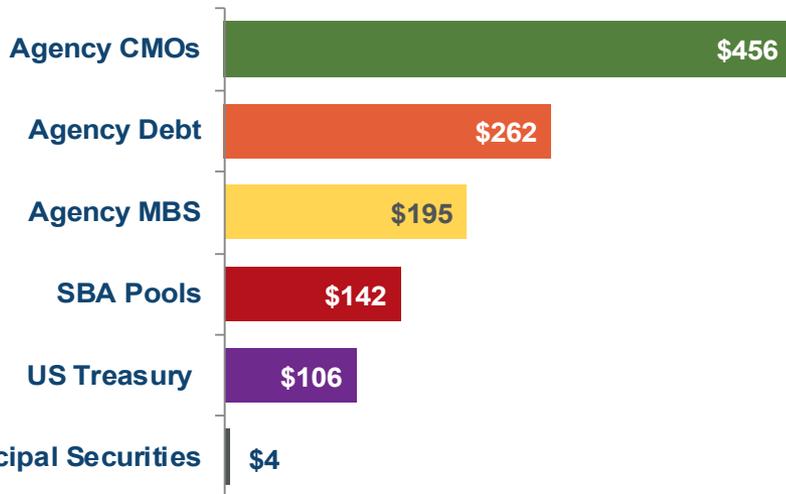
# INVESTABLE CASH AND SECURITIES TRENDS

INVESTABLE CASH AND SECURITIES  
(in Millions)



↑  
\$ **\$349 Million**  
\$ Growth over the Past Year

↑  
% **27.9%**  
% Growth over the Past Year



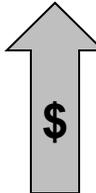
| Security Type           | \$ (Millions)   | % of Total  |
|-------------------------|-----------------|-------------|
| Agency CMOs             | \$ 456          | 39%         |
| Agency Debt             | 262             | 23%         |
| Agency MBS              | 195             | 17%         |
| SBA Pools               | 142             | 12%         |
| US Treasury             | 106             | 9%          |
| Municipal Securities    | 4               | 0%          |
| <b>Total Securities</b> | <b>\$ 1,165</b> | <b>100%</b> |

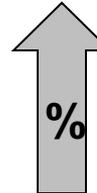
Amounts shown exclude unrealized gains and losses

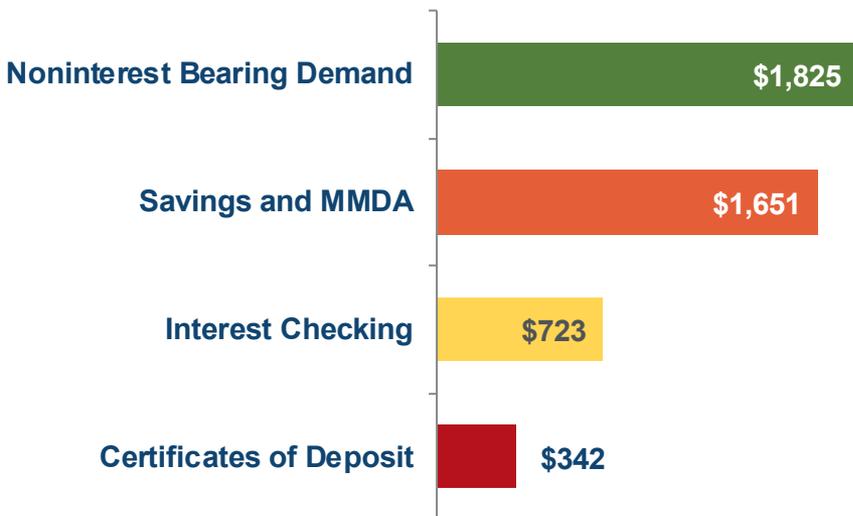
# DEPOSIT TRENDS

TOTAL DEPOSITS (in Millions)



  
**\$458 Million**  
 \$ Growth over the Past Year

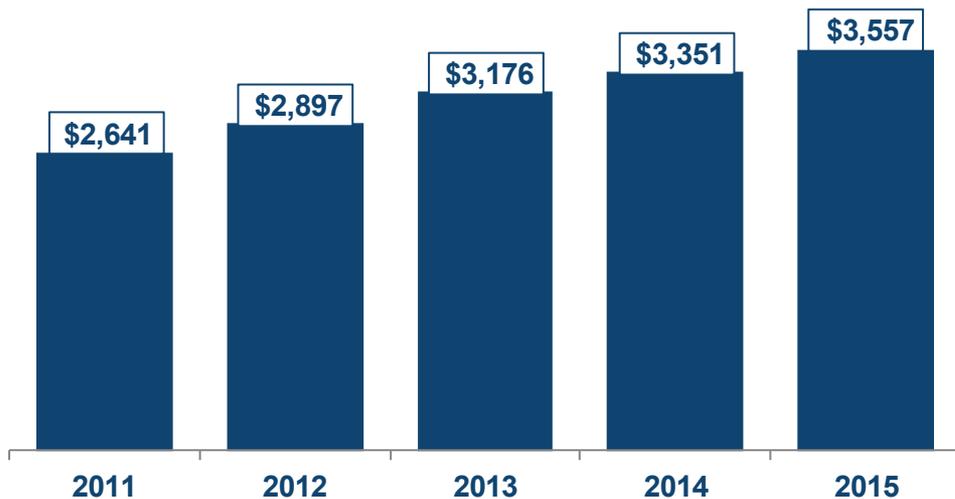
  
**11.2%**  
 % Growth over the Past Year

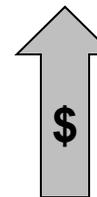


| Deposit Type               | \$ (Millions)   | % of Total  |
|----------------------------|-----------------|-------------|
| Noninterest Bearing Demand | \$ 1,825        | 40%         |
| Savings and MMDA           | 1,651           | 36%         |
| Interest Checking          | 723             | 16%         |
| Certificates of Deposit    | 342             | 8%          |
| <b>Total Deposits</b>      | <b>\$ 4,541</b> | <b>100%</b> |

# LOAN TRENDS

TOTAL LOANS (in Millions)




**\$206 Million**  
 \$ Growth over the Past Year


**6.1%**  
 % Growth over the Past Year



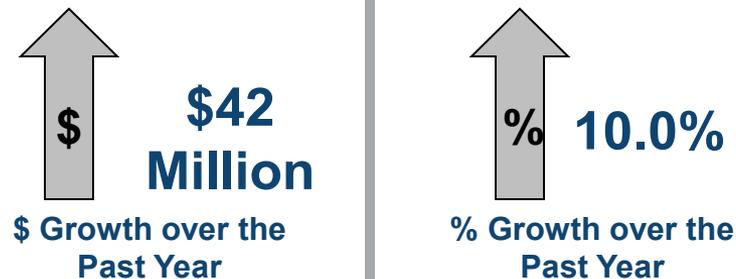
| Loan Type                    | \$ (Millions)   | % of Total  |
|------------------------------|-----------------|-------------|
| Commercial Real Estate       | \$ 1,136        | 32%         |
| Commercial & Industrial      | 1,108           | 31%         |
| Residential Real Estate      | 599             | 17%         |
| Construction and Development | 389             | 11%         |
| Agricultural                 | 206             | 6%          |
| Consumer Loans               | 95              | 2%          |
| Held for Sale                | 24              | 1%          |
| <b>Total Loans</b>           | <b>\$ 3,557</b> | <b>100%</b> |

# CAPITAL TRENDS

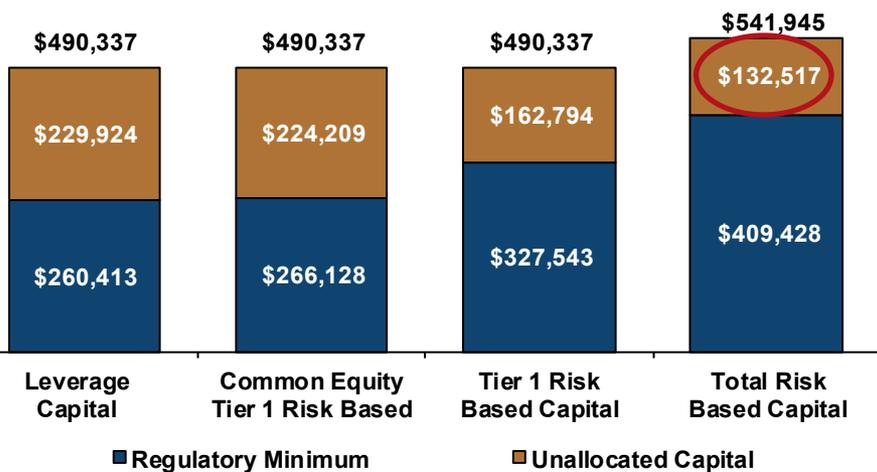
SHAREHOLDERS' EQUITY (in Millions)



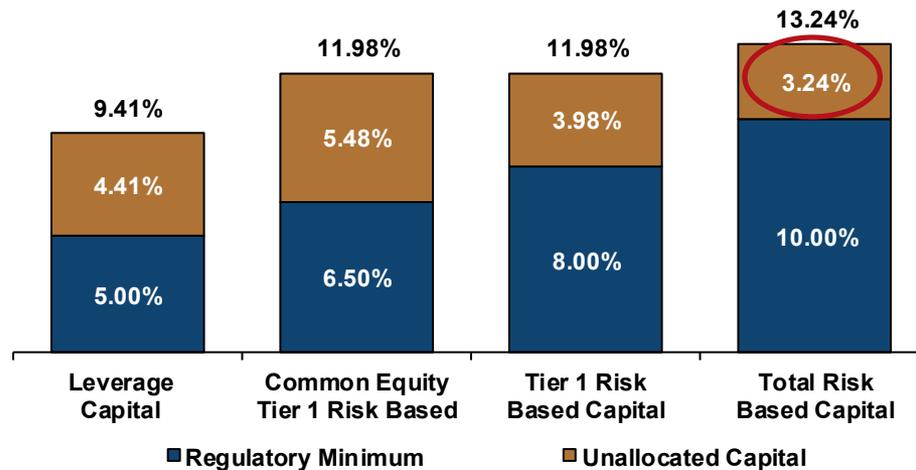
Common Shareholders' Equity



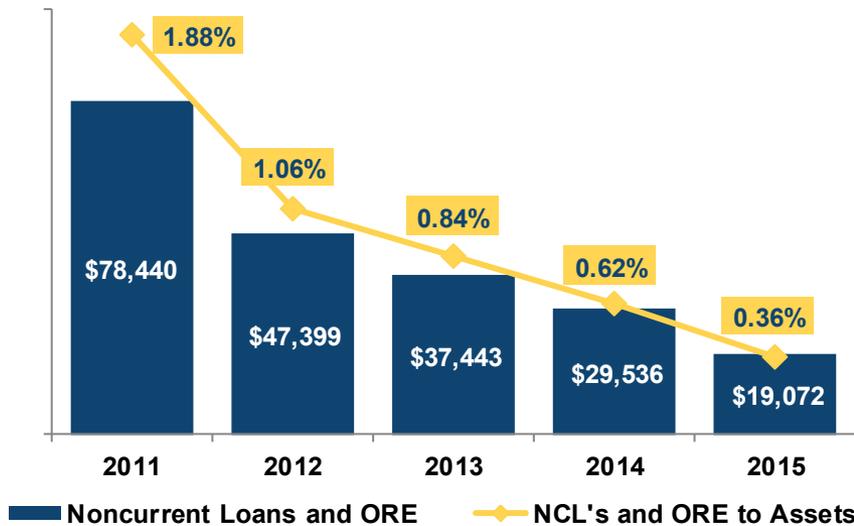
WTBFC Regulatory Capital Position (000's)



WTBFC Regulatory Capital Ratios

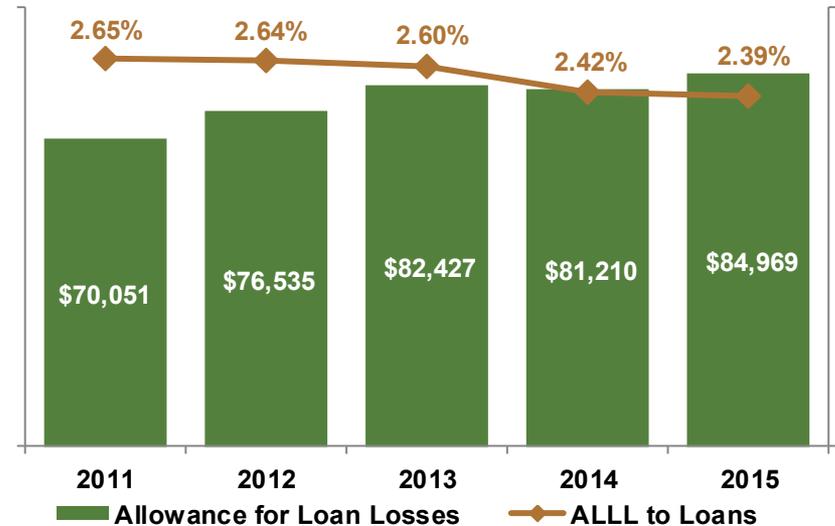


# ASSET QUALITY HAS NORMALIZED (000's)



The Bank's problem assets have declined significantly to historically low levels

The Bank's loan loss reserve position has grown, maintaining balance sheet strength



# WMAS AND TRUST: KEY BUSINESS LINE

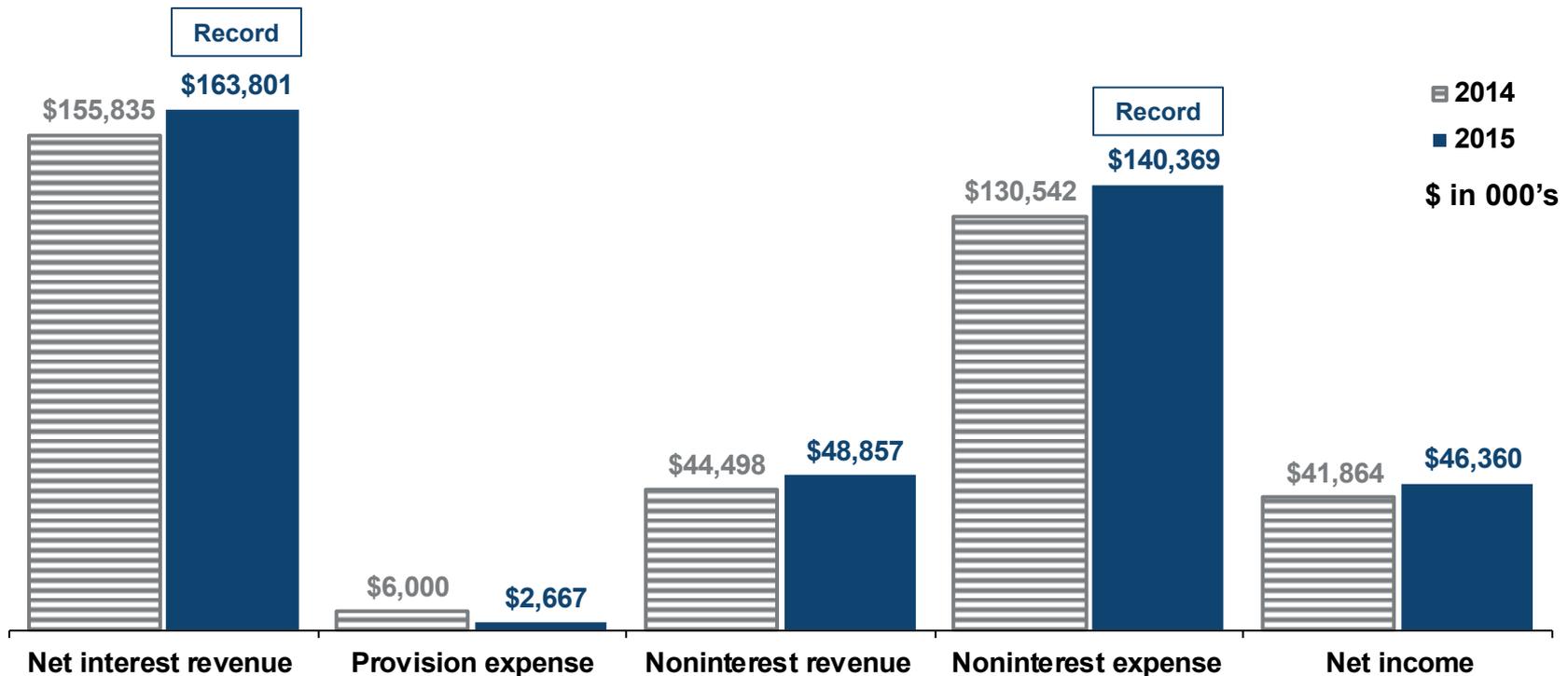
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## Wealth Management and Advisory Services, including Trust Powers

- **\$4.4 billion portfolio of assets**
  - **Growth in managed assets of \$127 million, or 5.1%**
- **Fee income based business**
- **Recurring revenue stream**
- **Diversifies revenue base**
- **Opportunity to broaden relationship with customers**
- **Off-balance sheet based business line**
  - **Capital neutral/Capital efficient**
  - **Profitability enhances ROA and ROE**
- **Competitive advantage for high value and affluent customers**

# INCOME STATEMENT TRENDS

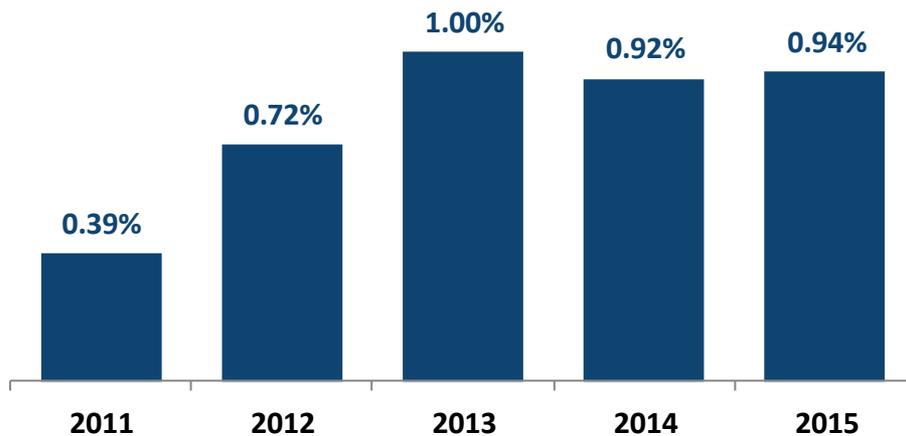
| Income Statement (000's)  | Years Ended December 31, |            | \$ Difference | % Change |
|---------------------------|--------------------------|------------|---------------|----------|
|                           | 2014                     | 2015       |               |          |
| Net interest revenue      | \$ 155,835               | \$ 163,801 | \$ 7,966      | 5.1%     |
| Provision for loan losses | 6,000                    | 2,667      | (3,333)       | -55.6%   |
| Total noninterest revenue | 44,498                   | 48,857     | 4,359         | 9.8%     |
| Total noninterest expense | 130,542                  | 140,369    | 9,827         | 7.5%     |
| Income taxes              | 21,927                   | 23,262     | 1,335         | 6.1%     |
| Net income                | \$ 41,864                | \$ 46,360  | \$ 4,496      | 10.7%    |



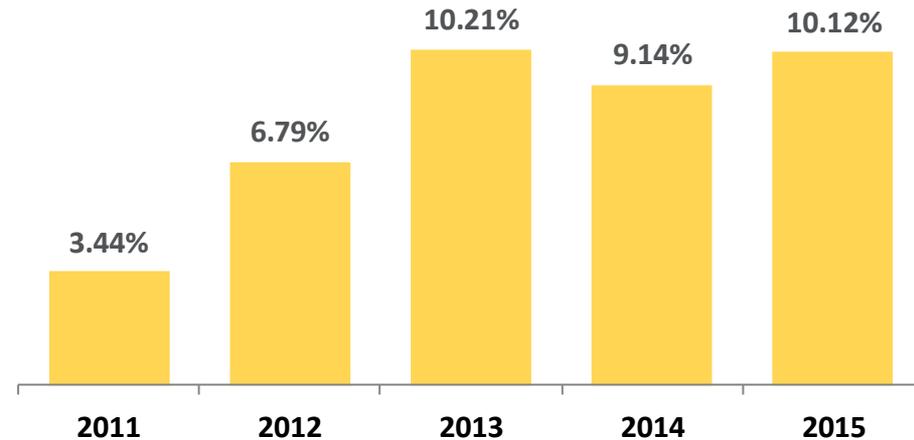
# FINANCIAL PERFORMANCE METRICS

| Performance Metric                    | For the Year |               | Difference    |
|---------------------------------------|--------------|---------------|---------------|
|                                       | 2014         | 2015          |               |
| Return on average assets              | 0.92%        | <b>0.94%</b>  | <b>0.02%</b>  |
| Return on shareholders' equity        | 9.14%        | <b>10.12%</b> | <b>0.98%</b>  |
| Margin on average earning assets      | 3.57%        | <b>3.42%</b>  | <b>-0.15%</b> |
| Noninterest expense to average assets | 2.87%        | <b>2.83%</b>  | <b>-0.04%</b> |
| Noninterest revenue to average assets | 0.98%        | <b>0.99%</b>  | <b>0.01%</b>  |
| Efficiency ratio                      | 64.7%        | <b>65.6%</b>  | <b>0.90%</b>  |

Return on Average Assets

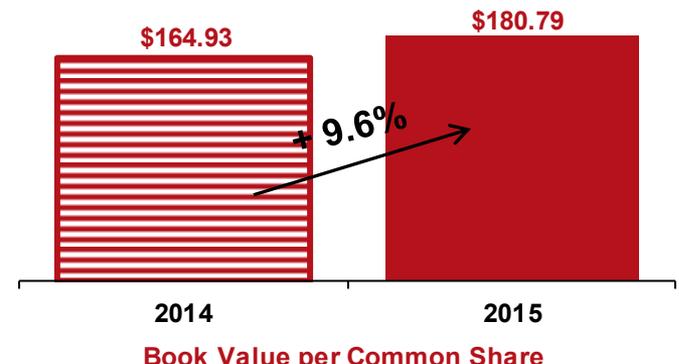
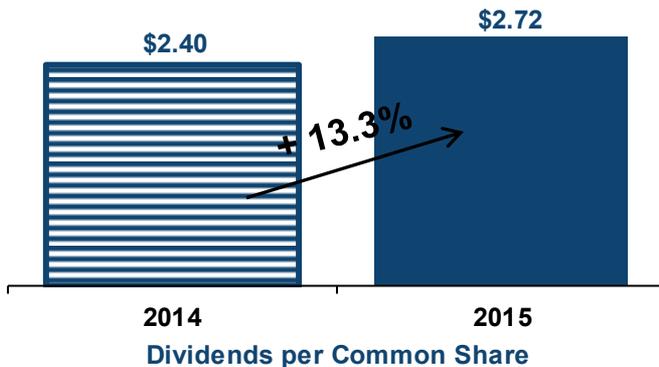
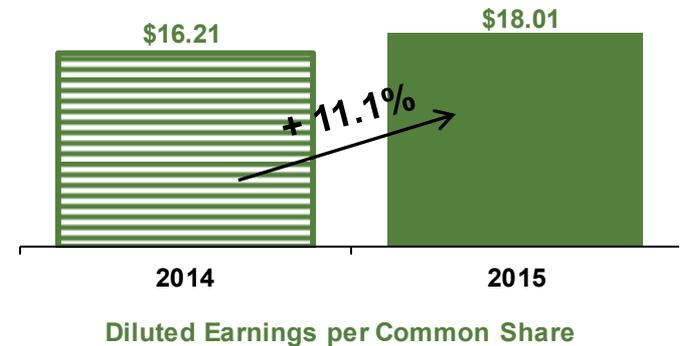
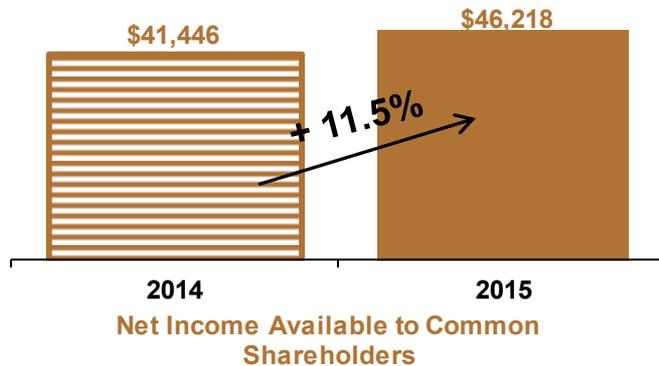


Return on Average Total Equity



# KEY SHAREHOLDER VALUE METRICS

| Income (000's) and Per Share Data           | Years Ended December 31, |           | \$ Difference | % Change |
|---|--------------------------|-----------|---------------|----------|
|   | 2014                     | 2015      |               |          |
| Net Income                                  | \$ 41,864                | \$ 46,360 | \$ 4,496      | 10.7%    |
| Preferred Stock Dividends                   | 418                      | 142       | (276)         | -66.0%   |
| Net Income Available to Common Shareholders | \$ 41,446                | \$ 46,218 | \$ 4,772      | 11.5%    |
| Diluted Earnings per Common Share           | \$ 16.21                 | \$ 18.01  | \$ 1.80       | 11.1%    |
| Dividends per Common Share                  | \$ 2.40                  | \$ 2.72   | \$ 0.32       | 13.3%    |
| Book Value per Common Share                 | \$ 164.93                | \$ 180.79 | \$ 15.86      | 9.6%     |



# OUTLOOK ~ 2016 AND BEYOND

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- Uneven economic recovery continues
  - CB policies (Fed/Global) major force on capital markets
  - Macro risks and market volatility remain a concern
- Our markets are providing opportunities
- Regulatory expectations elevated and expensive
- Uncertainty around rates elevates IRR management
- Banking industry remains highly competitive
- Competitive landscape evolves/consolidation accelerated pace
- Technology reshaping the industry
- Performance is largely loan growth/rate dependent
- WTBFC has capacity to serve/grow customers
- WTBFC positioned for future

# KEY PRIORITIES

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- **Strength**
  - Maintain balance sheet strength and conservative risk profile
  - Position for Fed policy shifts/macro events
- **Adapt and evolve**
  - Shifting “FinTech” landscape
  - Enhance the customer experience
  - Excel on electronic delivery
- **Discipline**
  - Stay true to relationship banking model
  - Compete for high quality customers ~ teams ~ bankers
  - Be opportunistic and grow our business
  - Remain vigilant on cost structure, but still invest for future
- **Performance**
  - Improve core earnings/financial performance
  - Manage capital wisely and deliver shareholder value

**YOUR TIME IS VALUABLE TO US**

*Thank You*

**WE APPRECIATE YOUR SUPPORT**

**AND ALWAYS**

**WELCOME CUSTOMER REFERRALS**