

# 2019 ANNUAL SHAREHOLDERS' MEETING

## 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.”



# 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.”

# UPDATE TOPICS

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- **2019 in Review**
- **Q1 2020 in Review**
- **Updates Since Q1 2020:**
  - **Interest Rate Landscape**
  - **Paycheck Protection Program**
  - **Customer Loan Accommodations**
  - **COVID-19 Operating Status:**
    - **Remote Workforce**
    - **Alignment with Governmental Authorities**
    - **Re-Entry Planning**

# 2019 IN REVIEW: BALANCE SHEET

Selected Balance Sheet Items:	Year Ended					YoY Net Change		5-Year CAGR
	2015	2016	2017	2018	2019	\$	%	
Interest-bearing deposits (Cash)	\$ 438,603	\$ 326,002	\$ 748,822	\$ 751,180	\$ 523,953	\$ (227,227)	-30.2%	4.5%
Securities	1,162,292	1,384,817	1,387,176	1,589,251	1,895,823	306,572	19.3%	13.0%
Loans	3,556,598	3,785,076	3,932,076	4,047,398	4,542,597	495,199	12.2%	6.3%
Total assets	5,305,272	5,668,953	6,246,093	6,552,350	7,164,664	612,314	9.3%	7.8%
Total deposits	4,540,548	4,923,690	5,448,866	5,638,923	6,226,866	587,943	10.4%	8.2%
Total shareholders' equity	464,407	496,286	530,791	602,665	695,904	93,239	15.5%	10.6%

## Memo Items:

Cash and securities to assets	30.2%	30.2%	34.2%	35.7%	33.8%	Significant liquidity
Shareholders' equity to assets	8.75%	8.75%	8.50%	9.20%	9.71%	Substantial and growing capital

## Key Observations:

- Solid organic, relationship based growth
  - Loan growth in 2019 totaled \$495 million, or 12.2%
  - Deposit growth in 2019 totaled \$588 million, or 10.4%
  - Shareholders' equity growth of \$93 million, or 15.5%
  - 5-year compound annual growth rates:
    - Assets: 7.8%
    - Loans: 6.3%
    - Deposits: 8.2%
    - Shareholders' Equity: 10.6%
- Consistently high levels of asset liquidity (roughly 1/3 of total assets)
- Solid and growing capital position (up 51 bps to 9.71% at year end 2019)

# 2019 IN REVIEW: INCOME STATEMENT

Selected Income Statement Items:	Year					YoY Net Change		5-Year CAGR
	2015	2016	2017	2018	2019	\$	%	
Net interest revenue	\$ 163,801	\$181,561	\$206,769	\$236,252	\$255,058	\$18,806	8.0%	11.7%
Provision for loan loss expense	2,667	2,250	-	2,700	3,200	\$500	18.5%	4.7%
Noninterest revenue	48,857	48,541	49,137	51,008	48,297	(\$2,711)	-5.3%	-0.3%
Noninterest expense	140,370	148,429	167,832	180,124	193,416	\$13,292	7.4%	8.3%
Net income	46,360	51,727	41,798	83,056	83,284	\$228	0.3%	15.8%
Diluted earnings per common share	18.01	20.29	16.36	32.42	32.56	\$0.14	0.4%	16.0%
Common stock dividends per share	2.72	3.00	3.36	4.60	7.00	\$2.40	52.2%	26.6%

## Key Observations:

- Solid growth in net interest revenue (11.7% CAGR)
  - Asset sensitive positioning
  - Rising rate environment (2015 through 2019)
- Net income growth excellent (15.8% CAGR)
  - Note the favorable impact of tax reform...beneficial in 2018 and 2019
- Earnings per share growth excellent (16.0% CAGR)
- Common shareholder dividend growth strong (26.6% CAGR)

# 2019 IN REVIEW: PERFORMANCE AND RISK

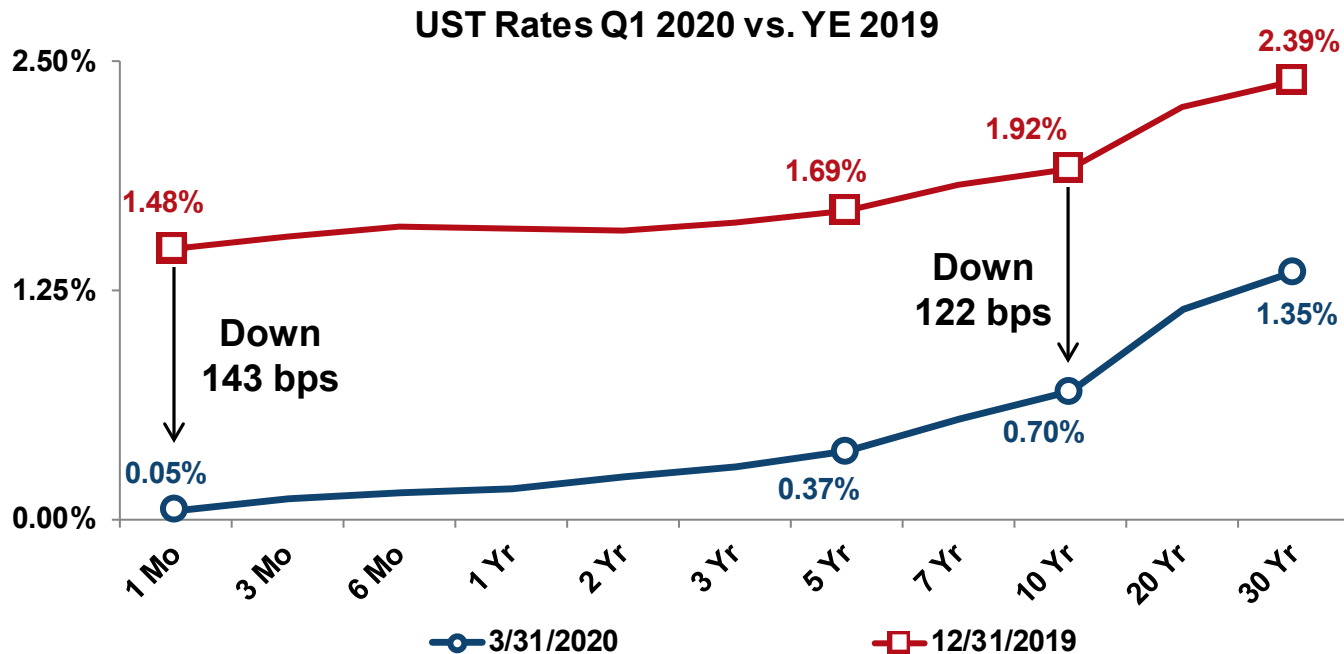
Performance Ratios	Year					YoY Net Change	
	2015	2016	2017	2018	2019	\$	%
Yield on interest earning assets (FTx)	3.52%	3.63%	3.74%	3.95%	4.27%	0.32%	
Cost of funding (includes DDA)	0.09%	0.08%	0.08%	0.19%	0.30%	0.11%	
Margin on earning assets (FTx)	3.42%	3.53%	3.66%	3.77%	3.97%	0.20%	
Efficiency ratio	65.6%	64.1%	65.3%	62.6%	63.7%	1.10%	
Return on average assets	0.94%	0.98%	0.72%	1.30%	1.26%	-0.04%	
Return on average common equity	10.41%	10.53%	7.93%	14.94%	12.70%	-2.24%	
Book value per share	\$ 180.79	\$ 193.66	\$ 206.48	\$ 234.45	\$ 272.23	\$37.78	16.1%

Key Risk Metrics:	Year Ended					YoY Net
	2015	2016	2017	2018	2019	Change
Allowance for loan losses to loans	2.39%	2.27%	2.21%	2.24%	2.12%	-0.12%
Noncurrent loans + OREO to Assets	0.36%	0.27%	0.19%	0.18%	0.20%	0.02%
Liquidity ratio	25.5%	27.4%	31.7%	34.0%	32.6%	-1.40%
Equity to total assets	8.75%	8.75%	8.50%	9.20%	9.71%	0.51%

## Key Observations:

- Growth and rising rates helped drive expanding net interest margin
- Efficiency ratio trended down ending 2019 at 63.7%
- Returns on assets and equity solid
- Growth in book value per share excellent (CAGR of 16.1%)
- Allowance for loan losses ended 2019 strong at 2.12%
- Asset quality was excellent at just 0.20% noncurrent loans to assets
- Liquidity and capital levels remained solid

# COVID DROVE FED RATE DROP



## Key Observations:

- The emerging COVID-19 pandemic drove the Fed to drop short term rates
  - Down 150 bps in March of 2020
- Long end of the curve followed, amplified by massive Fed purchases of bonds
  - Down 125+/- bps across the yield curve
- Lower rates are impacting loan pricing, prepayment speeds, reinvestment rates and ultimately margins

# Q1 2020 IN REVIEW

Selected Balance Sheet Items:	Quarter over Quarter				Year over Year		
	Dec 2019	Mar 2020	\$ Change	% Change	Mar 2019	\$ Change	% Change
Securities	1,895,823	2,164,047	268,224	14.1%	1,666,895	497,152	29.8%
Loans	4,542,597	4,608,602	66,005	1.5%	4,100,672	507,930	12.4%
Total assets	7,164,664	7,353,289	188,625	2.6%	6,393,519	959,770	15.0%
Total deposits	6,226,866	6,113,693	(113,173)	(1.8%)	5,452,823	660,870	12.1%
Total shareholders' equity	695,904	754,016	58,112	8.4%	627,245	126,771	20.2%
<b>Selected Performance Items:</b>							
Net income	\$ 21,508	\$ 18,523	(2,985)	(13.9%)	\$ 20,171	\$ (1,648)	(8.2%)
Diluted earnings per common share	8.43	7.28	(1.15)	(13.7%)	7.87	(0.59)	(7.5%)
Book value per share excl preferred	272.23	295.56	23.33	8.6%	243.78	51.78	21.2%
Allowance for loan losses to total loans	2.12%	2.26%	0.14%	6.3%	2.27%	-0.01%	(0.5%)
Noncurrent loans to loans	0.32%	0.31%	-0.01%	(3.2%)	0.31%	0.01%	2.8%
Net interest margin	3.85%	3.67%	-0.18%	(4.6%)	3.94%	-0.27%	(6.6%)
Return on assets	1.24%	1.03%	-0.21%	(16.6%)	1.27%	-0.24%	(18.3%)
Return on equity	12.30%	10.31%	-1.99%	(16.1%)	13.35%	-3.04%	(22.8%)
Equity to assets	9.71%	10.25%	0.54%	5.6%	9.81%	0.44%	4.5%

## Key Observations:

- Good performance overall in Q1 2020, though operating environment challenges began to emerge
  - Lower rates impacted margin (down 18 bps QoQ)
  - Earnings of \$18.5 million down QoQ and YoY
- Balance sheet strength rose in prominence
  - Credit performance remained solid (noncurrent loans to loans of 0.31%)
  - Shareholders' equity increased (up \$58 million QoQ and \$127 million YoY)
  - Capital ratio growth (equity to assets up 54 bps to 10.25%)
  - Allowance for loan losses to loans strong (increased 14 bps to 2.26%)



# PAYCHECK PROTECTION PROGRAM

PPP Loans by Geography	Loan Balances	Loan Count	# of Employees
Spokane	423,411,300	2,002	41,168
Western Washington	404,855,248	896	33,448
Central Washington	\$ 157,430,576	970	18,390
Oregon	101,937,702	176	8,836
Southern Idaho	88,951,609	690	10,288
North Idaho	49,309,082	390	5,607
<b>Grand Total</b>	<b>\$ 1,225,900,000</b>	<b>5,124</b>	<b>117,737</b>

## Memo Items:

Average loan size	\$ 239,247
Average employee count per customer	23

Origination Month	Loan Balances	Loan Count
Apr	\$ 1,143,656,185	4,028
May	75,175,280	949
Jun	7,064,052	147
<b>Grand Total</b>	<b>\$ 1,225,895,517</b>	<b>5,124</b>

## Key Observations:

- Over \$1.2 billion in PPP loans made to over 5,000 businesses
- These business customers reported that they employed nearly 118,000 people
- Average loan size of \$240,000
- Vast majority of these loans were originated in a 10-day period in mid-April
- PPP Loans drove balance sheet growth in Q2
  - Will favorably impact earnings, but erode margin and ROA

# LOAN ACCOMODATION ACTIVITY

<b>Loan Accommodations by Geography</b>	<b>Loan Balances</b>	<b>Loan Count</b>
Central Washington	\$ 55,826,000	99
North Idaho	21,660,000	51
Oregon	66,723,000	29
Southern Idaho	51,341,000	89
Spokane	140,625,000	250
Western Washington	143,593,000	105
<b>Grand Total</b>	<b>\$ 479,768,000</b>	<b>623</b>
<b>Memo Items:</b>		
Loan accommodations to:		
Total loans		8.4%
Total loans (excluding PPP loans)		10.7%
Average loan size		\$ 770,000

## Key Observations:

- Loan accommodations have been made to over 600 customers
- Loan accommodations represent almost \$480 million in loan balances, with an average loan size of \$770,000
- 3-month payment deferrals are typical

# COVID-19 UPDATE

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- **WTB Key Priorities:**
  - **Protect the safety of employees and customers**
  - **Business continuity**
    - **More than 70% of employees are working remotely**
    - **No material business interruption**
  - **Re-entry strategy and protocols developed**
  - **Timing will align with local governmental authority's risk assessment**
- **Extraordinary times...our team accomplishing extraordinary things**
- **Unforeseeable events are why we emphasize balance sheet strength**

**YOUR TIME IS VALUABLE TO US**

**Thank You**

**WE APPRECIATE YOUR SUPPORT**

**AND ALWAYS**

**WELCOME CUSTOMER REFERRALS**