# 2023
# W.T.B. Financial Corporation
# Annual Shareholders' Meeting

Presented by:
Larry Sorensen
Chief Financial Officer

# 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.

# W.T.B. Financial Corporation Company Overview

# MISSION AND GEOGRAPHIC FOOTPRINT

## 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.

## Markets Served

# CORE IDENTITY

- **Pacific Northwest regional community bank**
  - 120 years of heritage
  - 4th generation Chairman and CEO
- **Private ownership and family heritage**
  - Conservative risk profile
  - Balance sheet strength
  - Capital management discipline
  - Risk adjusted performance
  - Long-term franchise and shareholder value
- **Business model: Relationship banking**
  - High value customer relationships
  - Organic customer growth
- **Broad product line and customer base**
  - Commercial banking customer focus
  - Retail and private banking clients
  - Wealth Management/Trust expertise
  - Home lending division
  - Small Business Banking and SBA

# FINANCIAL MANAGEMENT PRINCIPLES

**Balance Sheet Strength:**

- Credit discipline…strong allowance position
- Disciplined capital management
- Ample liquidity resources
- Moderate interest rate risk position
- Strive for strength > risk exposures

**Shareholder Value / Capital Discipline:**

- Maintain capital adequacy
- Internal capital generation for growth
- Competitive return on capital
- Minimize shareholder dilution
  - Ownership, BV/share, and earnings

**Consistent Risk Adjusted Performance:**

- Operate within established risk appetite
- Build recurring earning power
  - Earning assets = 98% of TA
- Strive for earnings durability across the business cycle

# 2022 BIG WTBFC THEMES AND ISSUES

**Financial Themes:**

- Record earnings of $114 million (up 14.0% YoY)
  - Net interest revenue up $24 million, or 8.0%
    - Asset yields benefitted from rising rates
    - Funding costs lagged
    - Margin widened
  - Release of loss reserves added $14 million
- Loans Up and Deposits Down
  - Loan growth remained strong
  - Rising rates drove deposit balances lower
    - Excess deposit balances chased yield
  - Excess liquidity covered outflows
- Credit performance excellent
- Capital and capital ratios grew

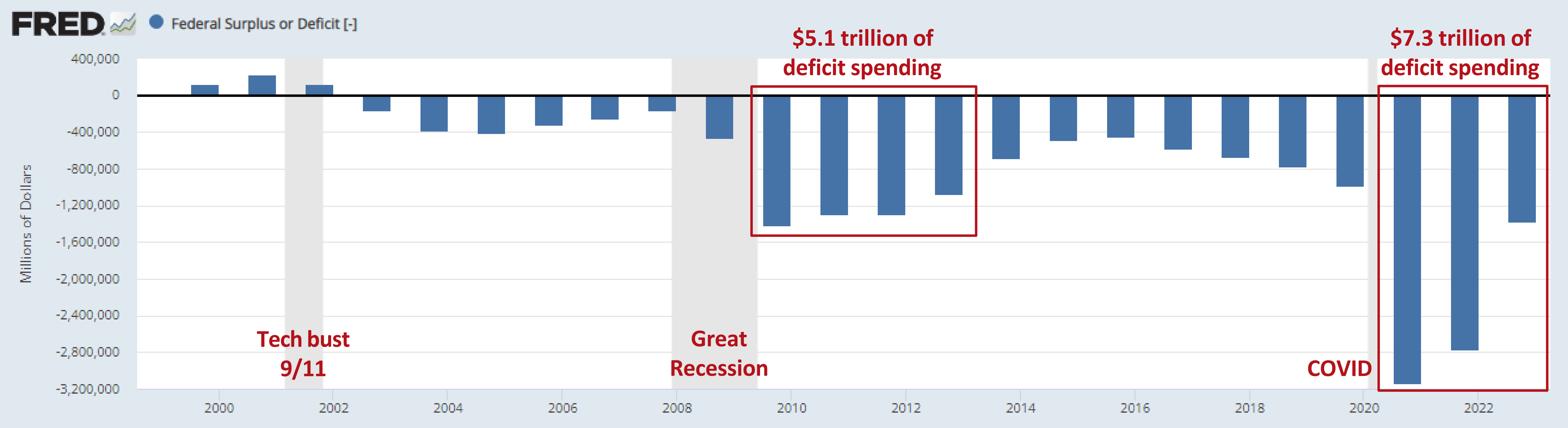
**Operational Themes:**

- Strategic focus
  - Customer experience, technology, delivery and scale
- Technology focus
  - Data, digital banking and payments
  - Reduce cadence…improve execution and speed
  - Big system installs coming to a close
- Organization, governance, process and controls
  - Exec Team Development and Cohesion
    - Commercial, WMAS, IT, Audit, Legal, Compliance
  - Vendor dependencies…critical issue
  - Continuous improvement and efficiency

# Operating Environment Policy Influence

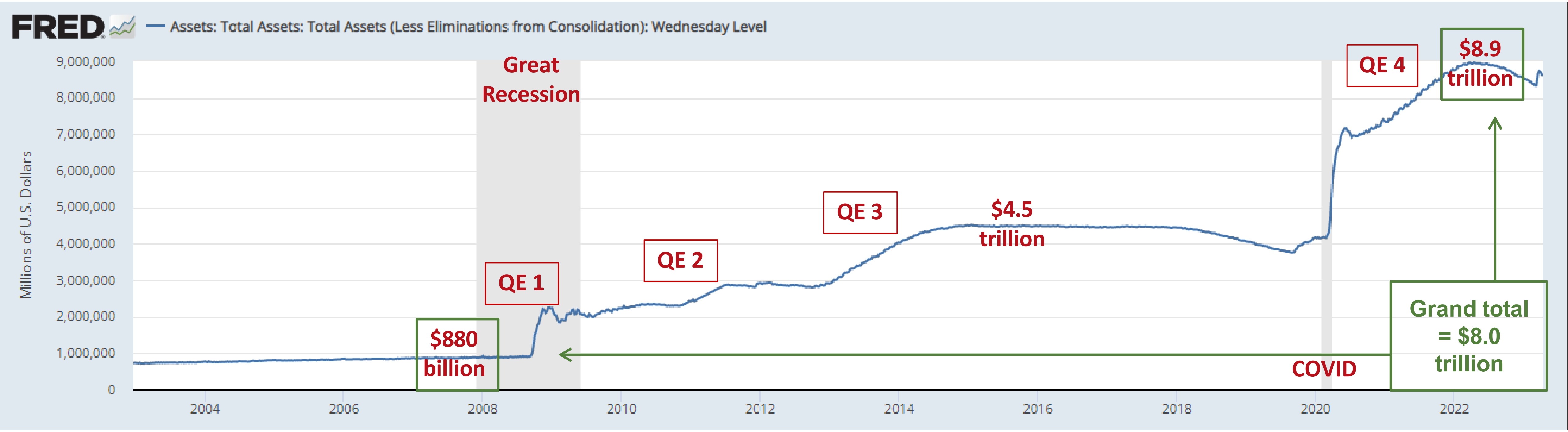
# FISCAL STIMULUS FROM DEFICIT SPENDING

## Federal Budget Surplus / (Deficit)

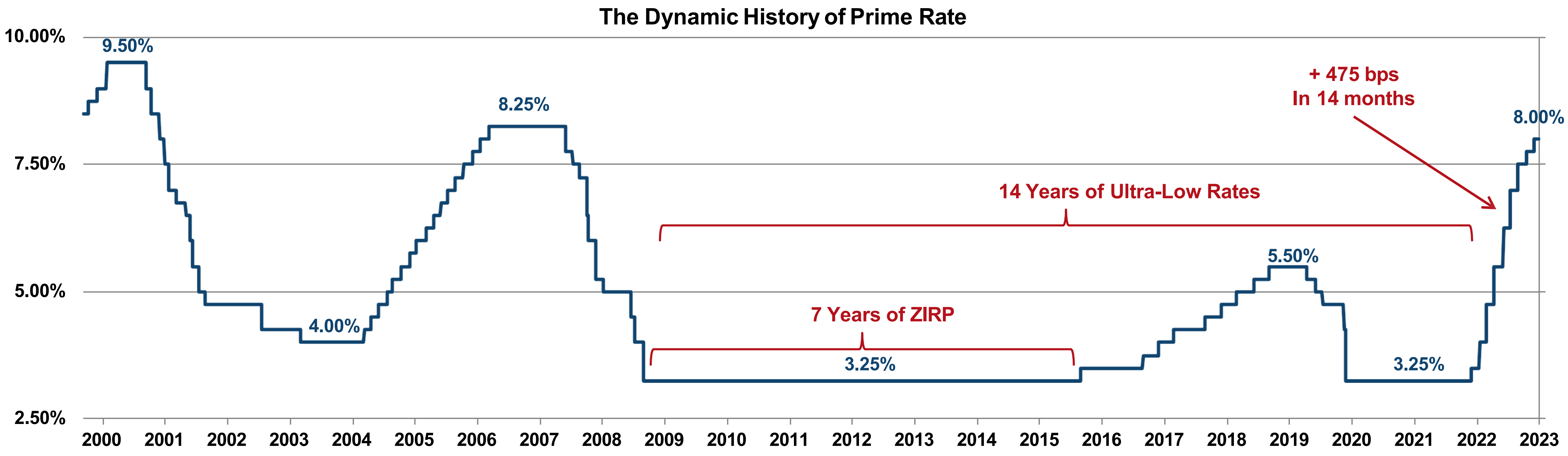


# MONETARY STIMULUS FROM QUANTITATIVE EASING

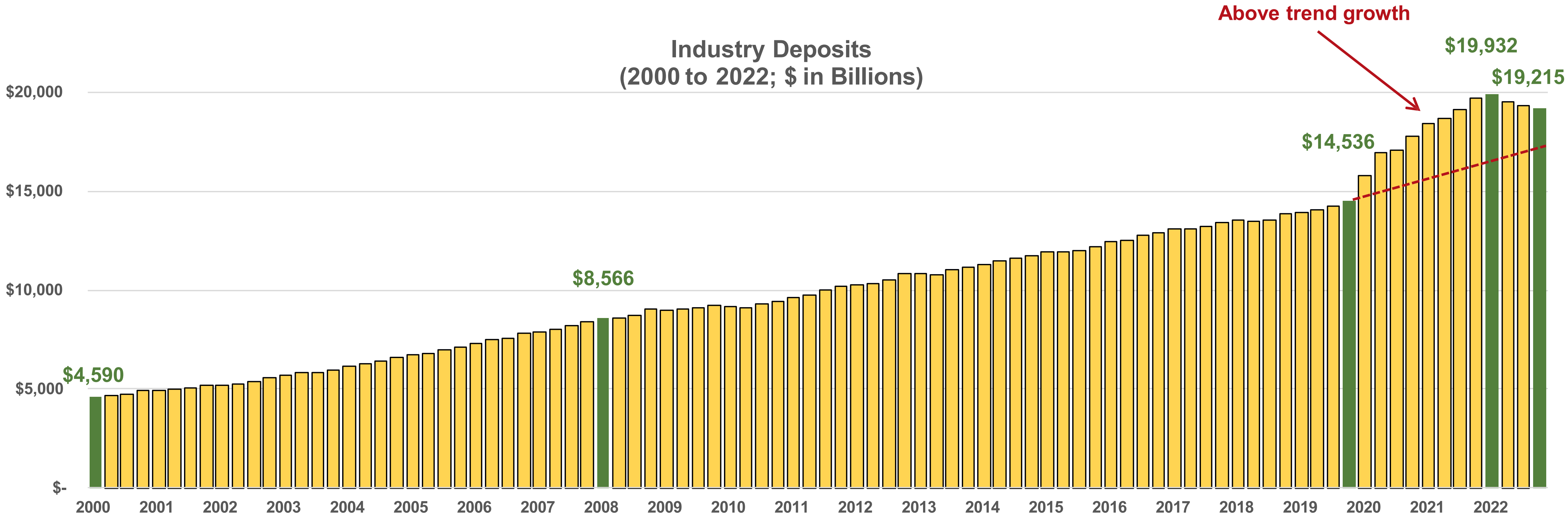
## Size of Fed Balance Sheet (Total Assets)



# 14 YEARS OF ULTRA-LOW RATES



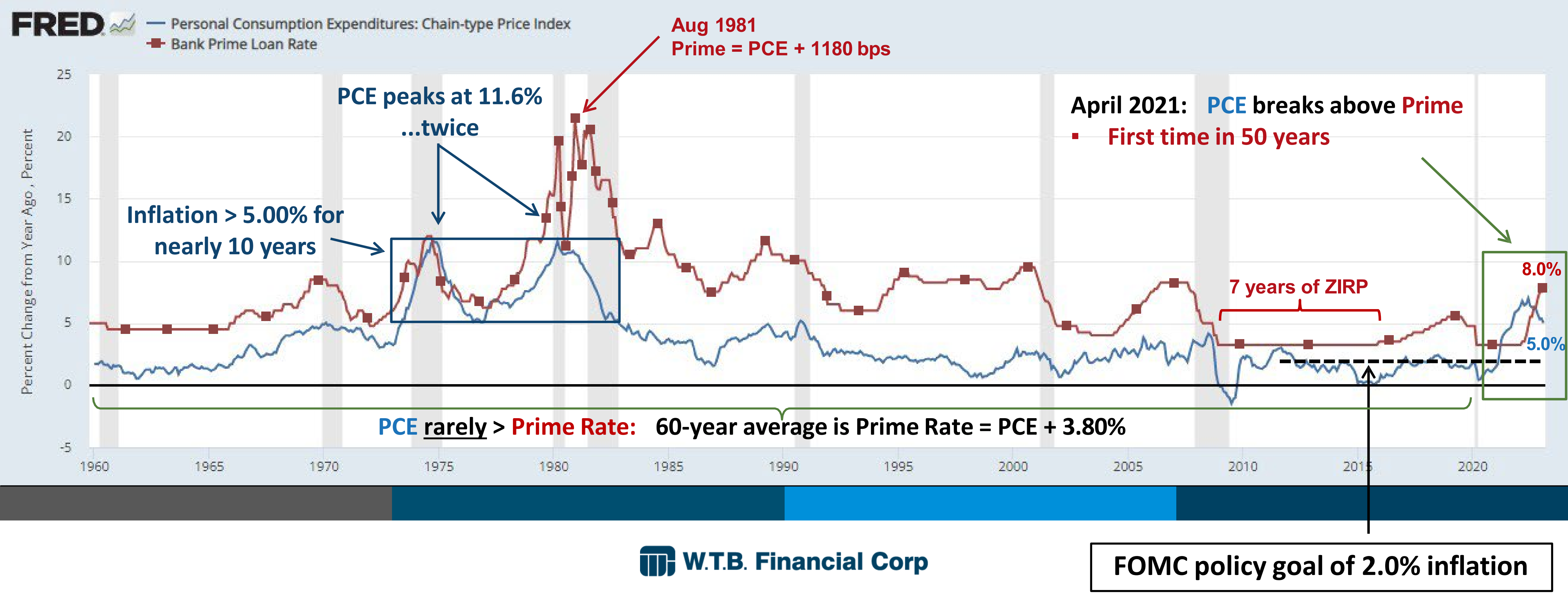
# STIMULUS DRIVES DEPOSITS ABOVE TREND



# PRIME RATE AND INFLATION (“PCE”) HISTORY

**60 years of history**

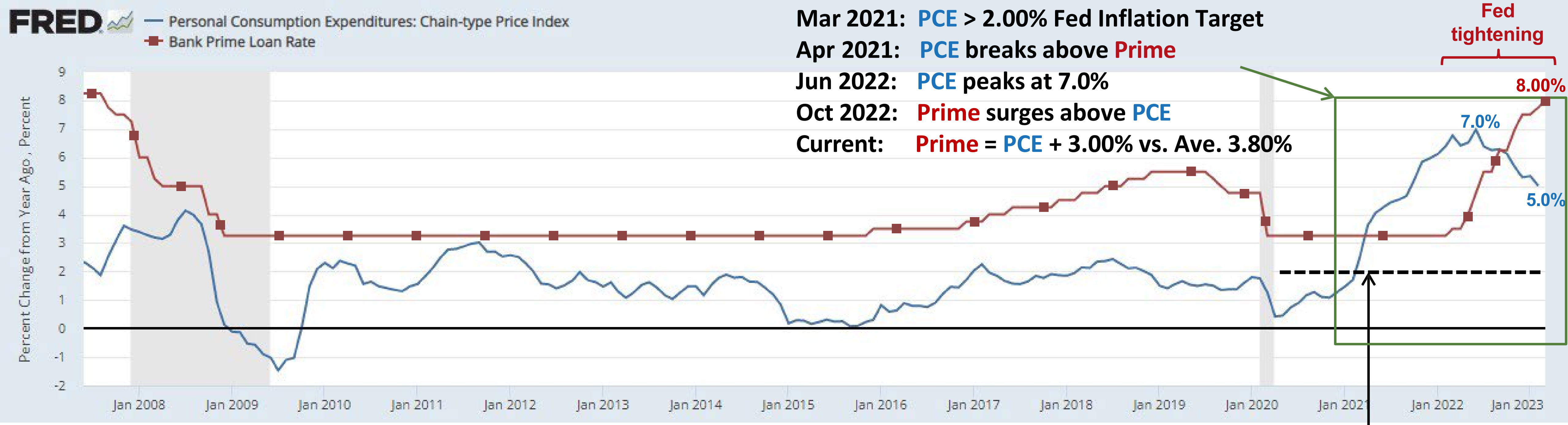
**The Personal Consumption Expenditures Index (“PCE”) is rarely higher than Prime Rate**



# INFLATION DOMINATES FED ACTION

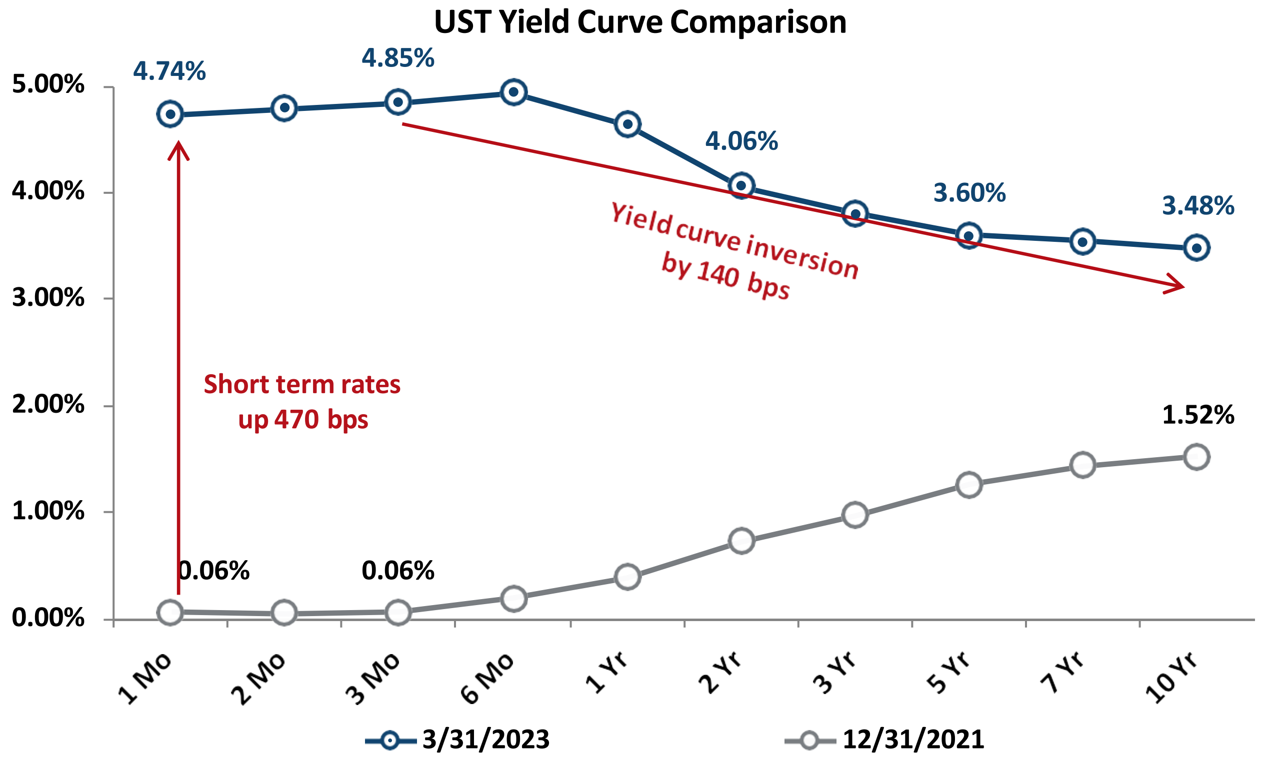
**60 years of history**

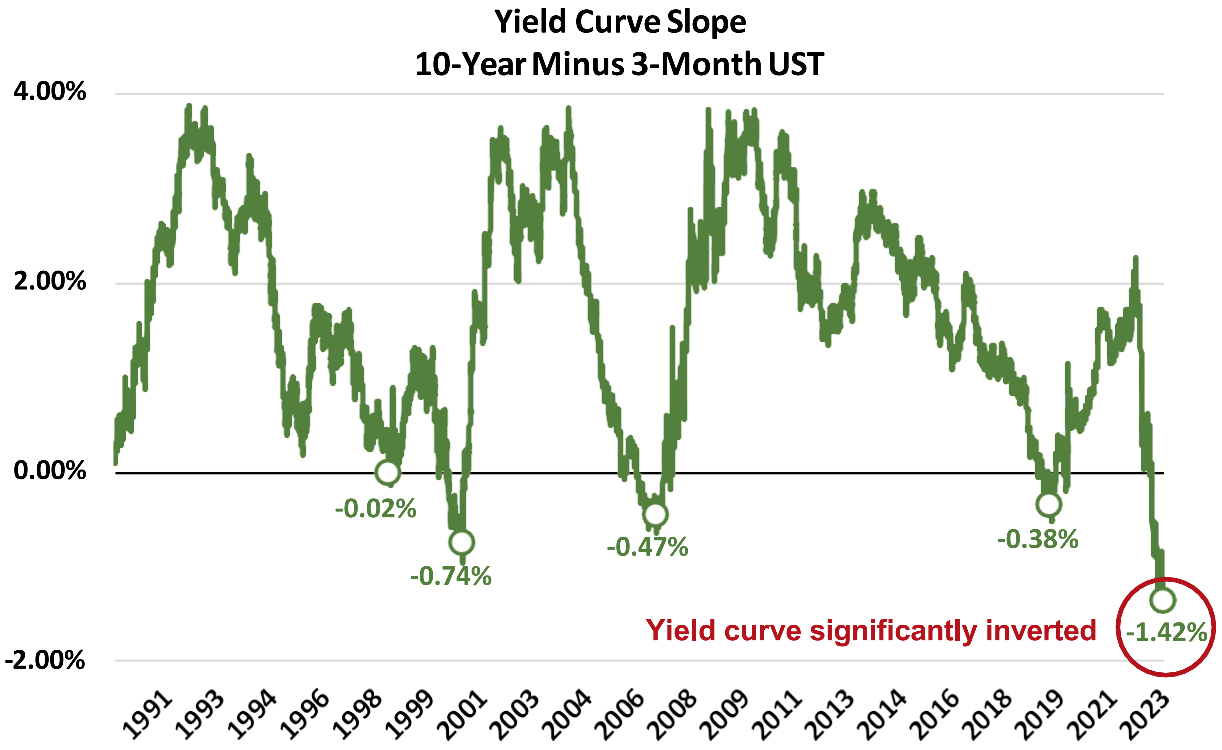
**The Personal Consumption Expenditures Index ("PCE") is rarely higher than Prime Rate**




FOMC policy goal of 2.0% inflation

# FED RAISES RATES…YIELD CURVE INVERTS



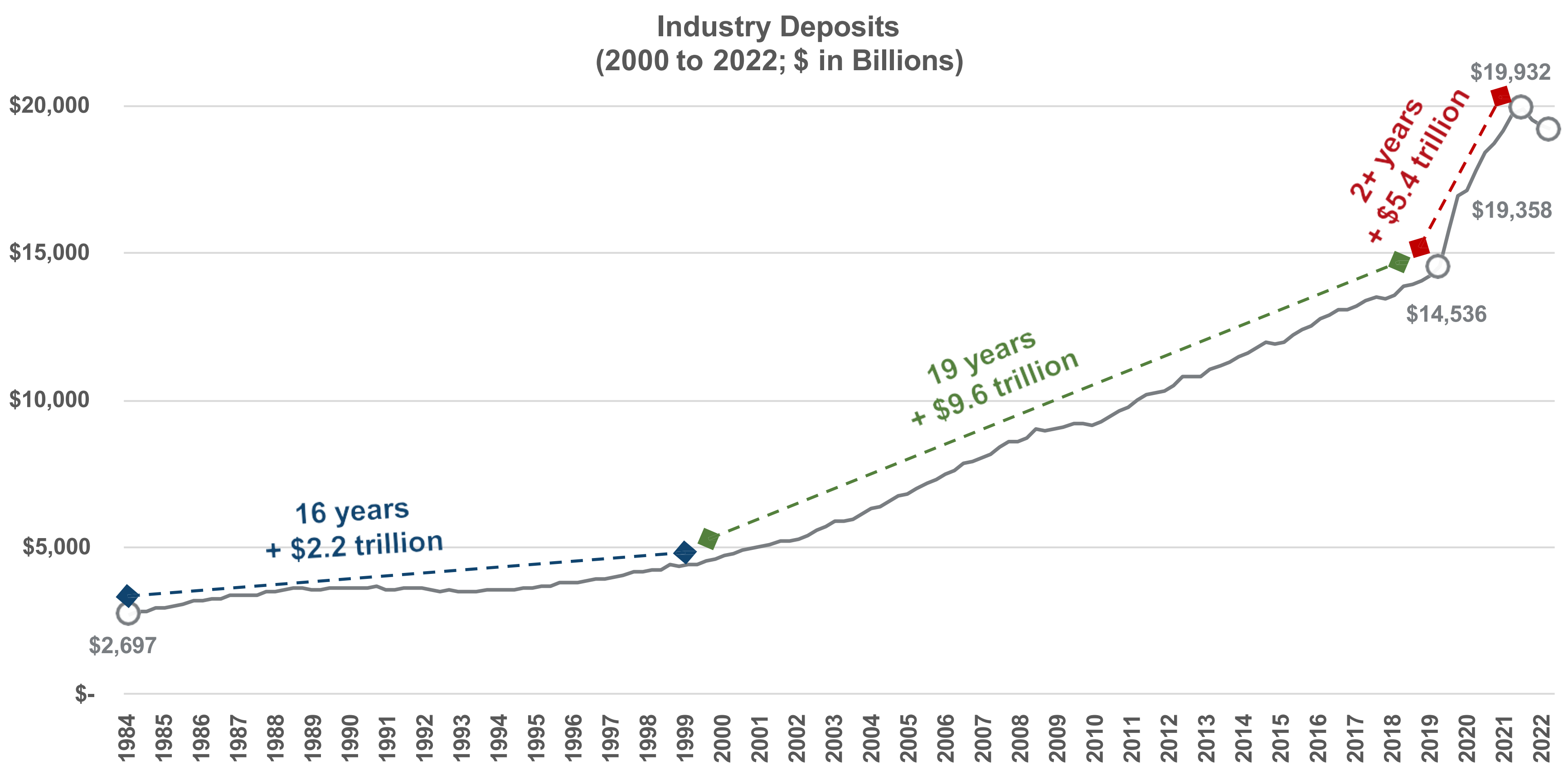
# Industry Themes
# Historic Performance
# Rate Rise Drives Normalization

# INDUSTRY HISTORICAL EARNINGS


**Full Year 2022 Results:**

- Earnings at historic levels
  - $263 billion
- Net interest revenue hits record
  - $633 billion
- Net interest margin
  - 3.37%
  - Up from 2.50% (Q2 2021)
- Asset quality superb
  - Problem assets = 0.39%
- Capital strong
  - Equity to assets = 9.34%
  - TRBC = 14.94% (10% required)

# DEPOSITS SURGE WITH GOVERNMENT STIMULUS

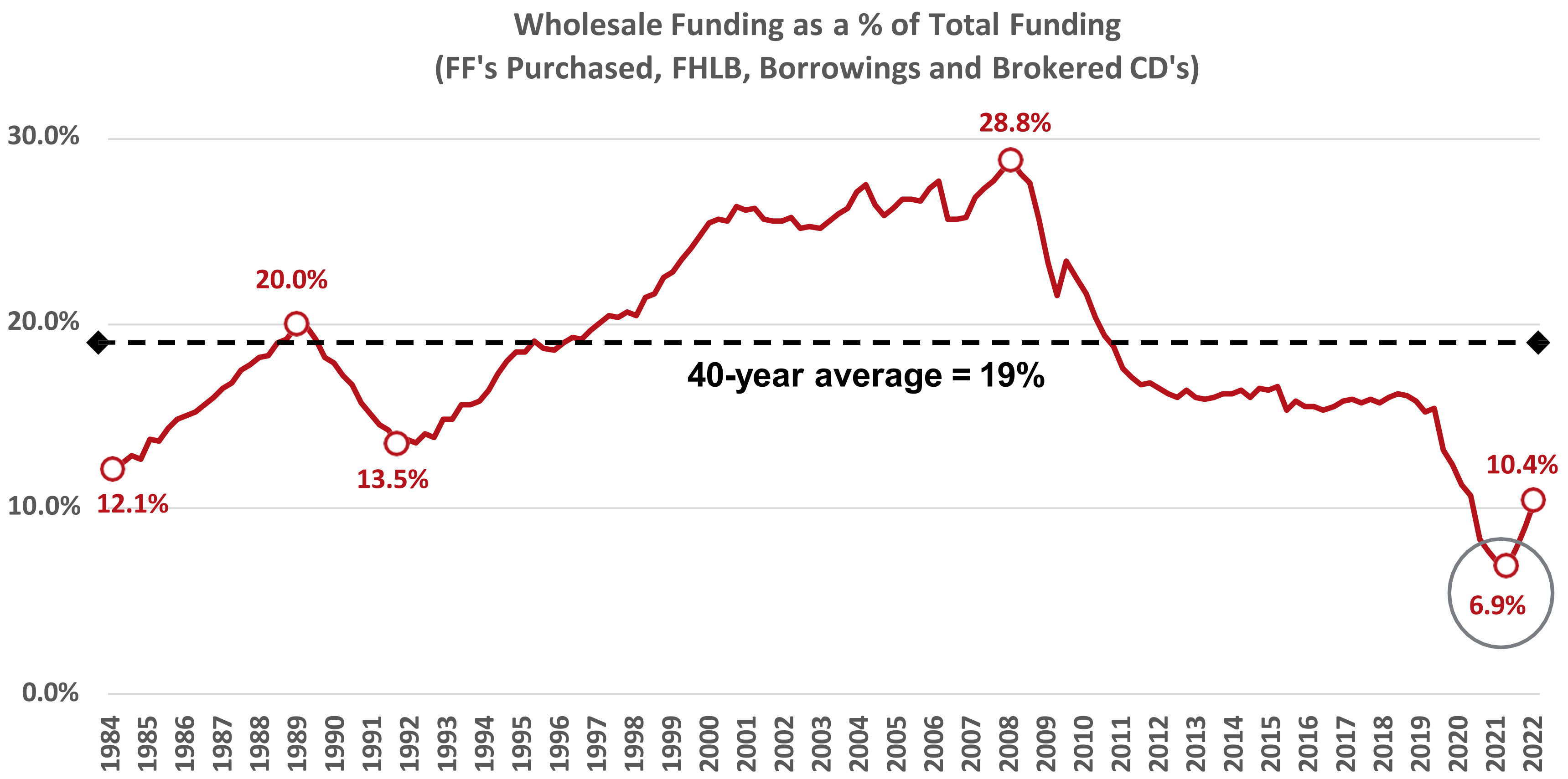



| Time Period | | Industry Deposits |
|---|---|---|
| 2000 | $ | 4,914,760 |
| 1984 | | 2,697,459 |
| Total Difference | $ | 2,217,301 |
| Annual Difference | $ | 138,581 |

| Time Period | | Industry Deposits |
|---|---|---|
| 2019 | | 14,535,915 |
| 2000 | $ | 4,914,760 |
| Total Difference | $ | 9,621,155 |
| Annual Difference | $ | 506,377 |

| Time Period | | Industry Deposits |
|---|---|---|
| Q1 2022 | | 19,932,371 |
| 2019 | | 14,535,915 |
| Total Difference | $ | 5,396,455 |
| Annual Difference | $ | 2,398,425 |

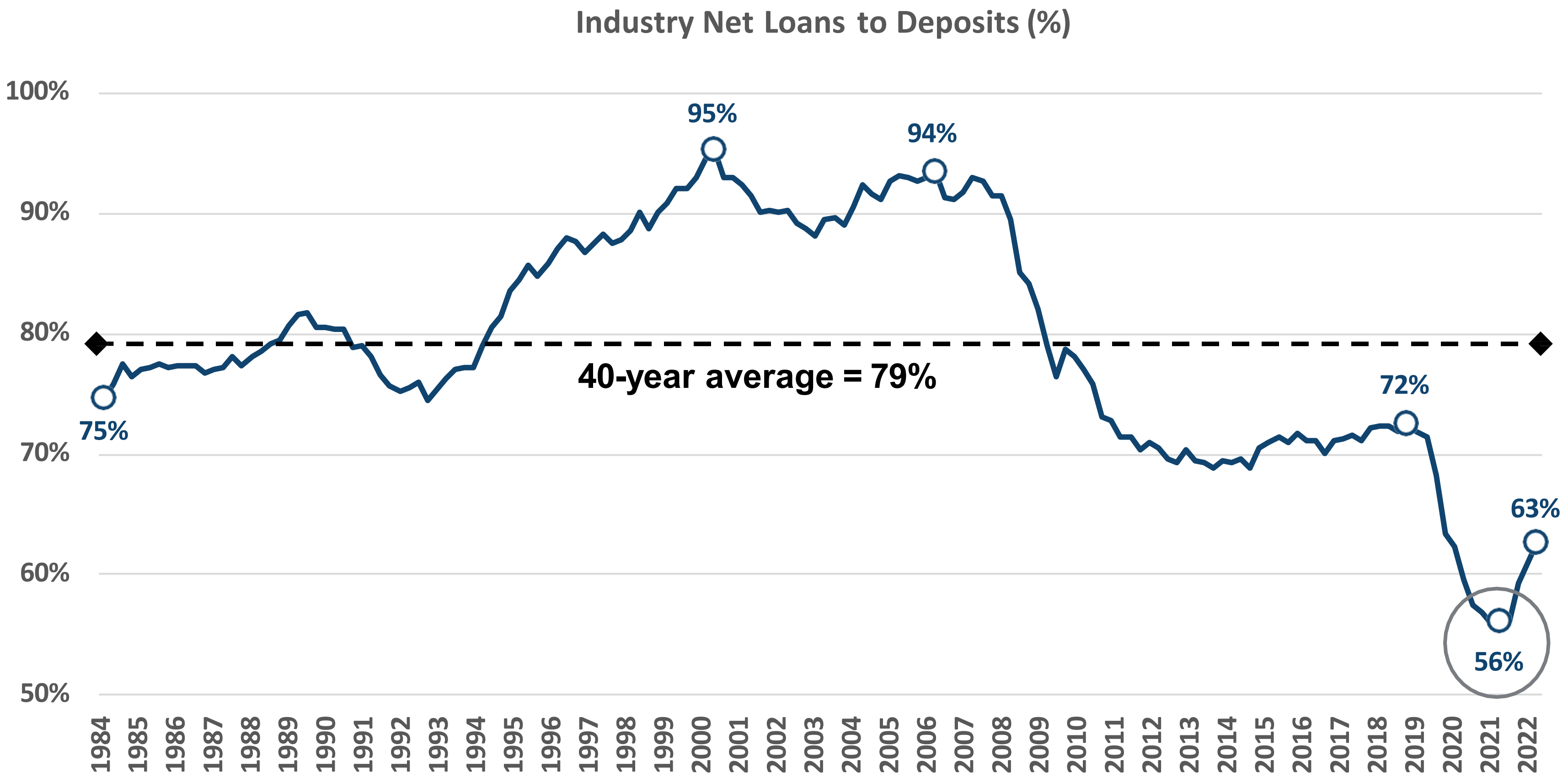
# WHOLESALE FUNDING DOWN TO HISTORIC LOWS




**Reliance on Wholesale Funding:**

- Borrowings drop to historic low
  - 6.9% in Q1 2022
- Rising rates drive deposit outflows
  - Borrowings increase to 10.4%
- 40-year average is 19% of funding
  - Borrowings remain underutilized
  - Borrowings also expensive
    - 4.50% to 5.00%

# DEPOSITS DRIVE L/D RATIO TO HISTORIC LOWS




**Policy moves bring flood of liquidity:**

- Deposit growth > loan growth
- Drives L/D ratio to historic lows
- Funds large liquidity Position
  - Cash and bonds =
    - 39% of assets
    - 47% of deposits

**Rising rates reverse deposit growth trends**

- L/D rises to 63%
- Still well below historical average

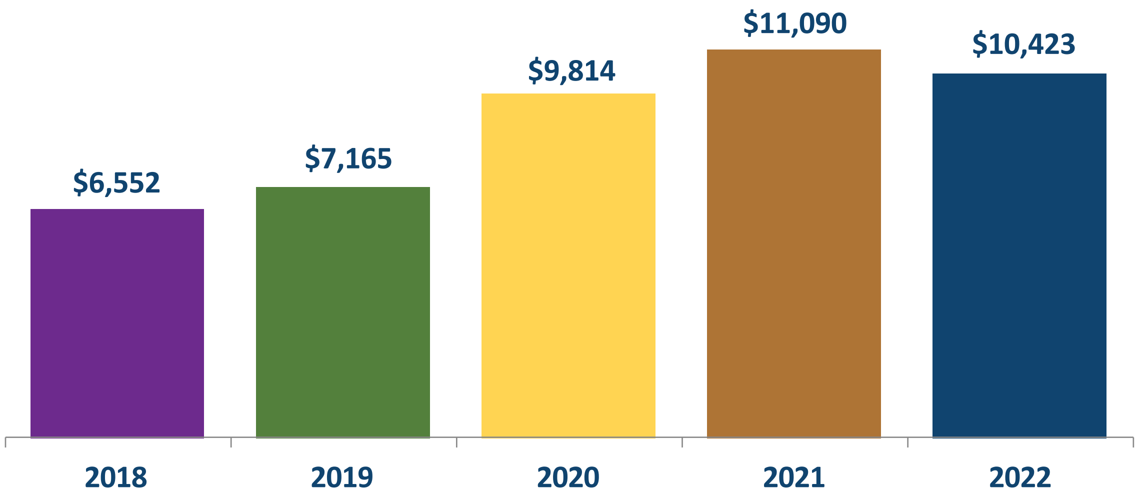
# 2022 MAJOR INDUSTRY THEMES

- **Financial performance:**
  - Earnings of $263 billion near record set in 2021
    - Net interest revenue hits record level of $633 billion, up $105 billion, or 20%
  - Net interest margin widened 41 bps to 2.95%
- **Balance Sheet Items:**
  - Total assets decreased $120 billion, or 0.5% to $23.6 trillion
  - Loans increased $980 billion, or 8.7% to record $12.2 trillion
  - Deposits decreased $487 billion, or 2.5%...first YoY decrease in 30 years
    - Down $717 billion, or 3.6% from peak in Q1 2022
  - Bank equity totaled $2.2 trillion, or 9.34%
    - Leverage capital ratio up 11 bps to 8.98% (regulatory minimum = 5.00%)
    - Total risk-based capital ratio increased 11 bps to 14.94% (regulatory minimum = 10.00%)
- **Credit performance:**
  - Noncurrent loans = 0.73% in Q4…peak was 5.46% in 2010
  - Net charge-offs in 2022 near historic lows (0.27% of loans…Peak was 3.00% in 2009)
  - Allowance for loan losses at 1.60%...peak was in Great Recession at 3.51% in 2010

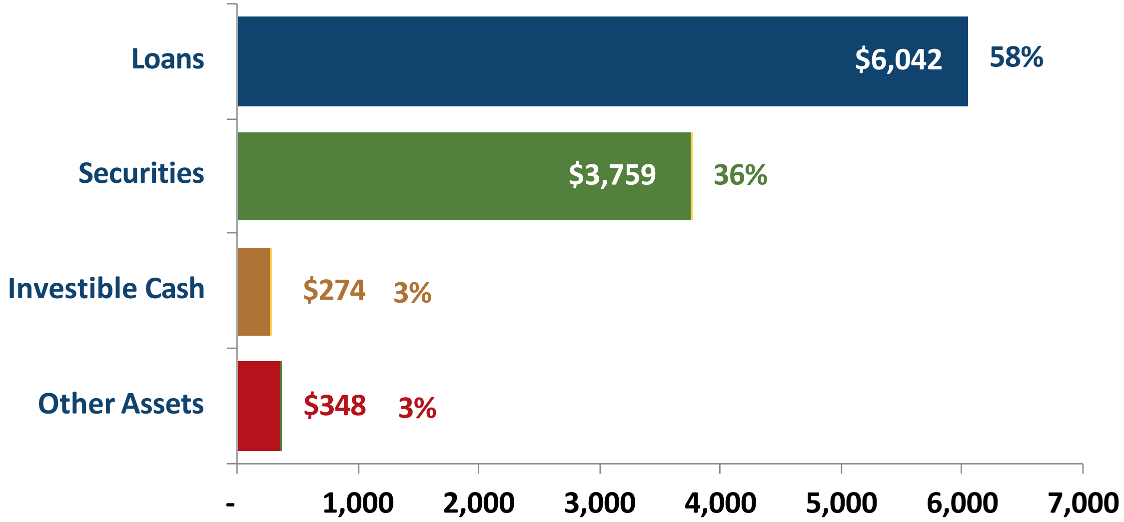
# WTBFC 2022 Performance in Perspective

# TOTAL ASSETS AND MIX

Total Assets ($ in millions)



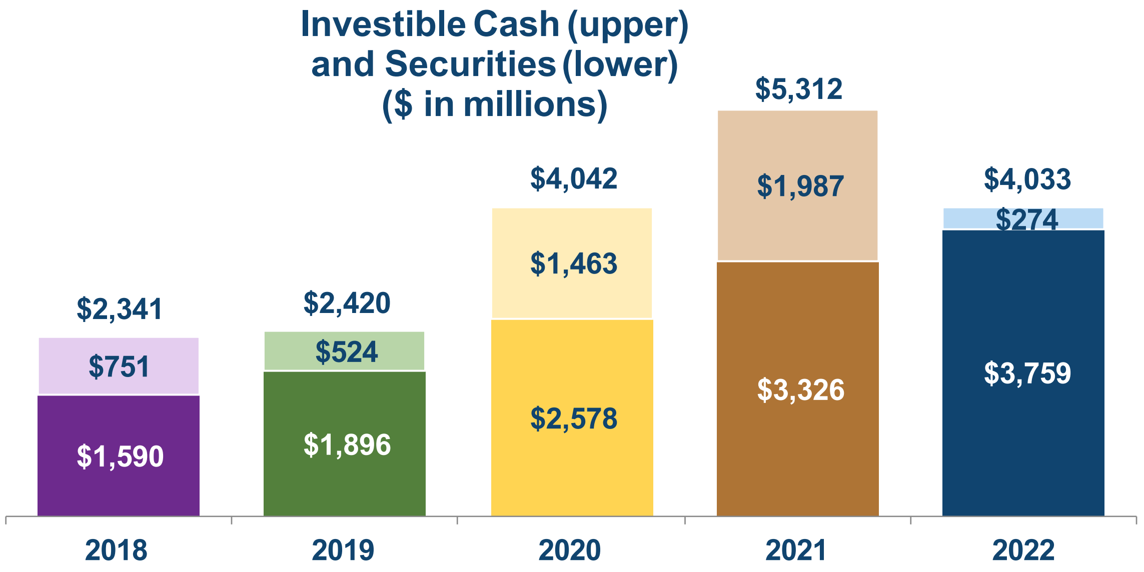

YE 2022 Asset Mix ($ in millions)



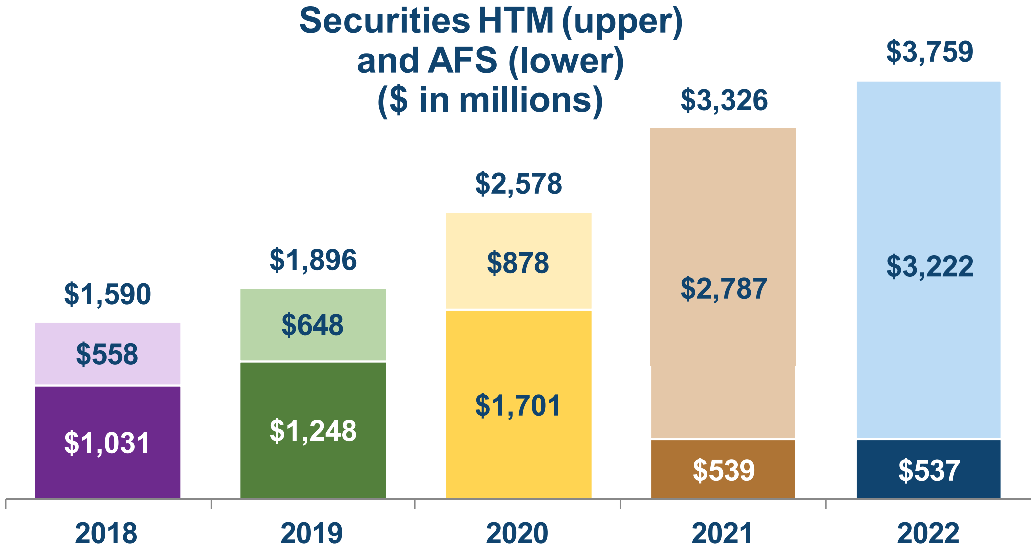

- Asset levels declined with rising rates / deposit outflows
  - Assets down $667 million, or 6.0% YoY
  - Rising rates resulted in deposit outflows
  - Balance sheet normalization underway

- Loans grew and securities were stable
- Liquidity position (Cash and bonds) = 39% of assets
  - Historically high
- Cash declined to cover loan growth and deposit outflows

# INVESTIBLE CASH AND SECURITIES TRENDS




- Cash levels declined to $274 million
  - Investible cash covered 2022 funding needs:
    - Bond growth of $433 million
    - Loan growth of $506 million
    - Deposit outflows of $673 million




- Liquidity resources remain significant
  - $4.0 billion on $10 billion in assets
  - Borrowing capacity at FHLB/FRB = $4.9 billion
  - $1.4 billion in cash flow over 3 years
  - $2.0 billion in cash flow over 5 years
- HTM U/R losses totaled $363 million (pre-tax) at Q1 2023

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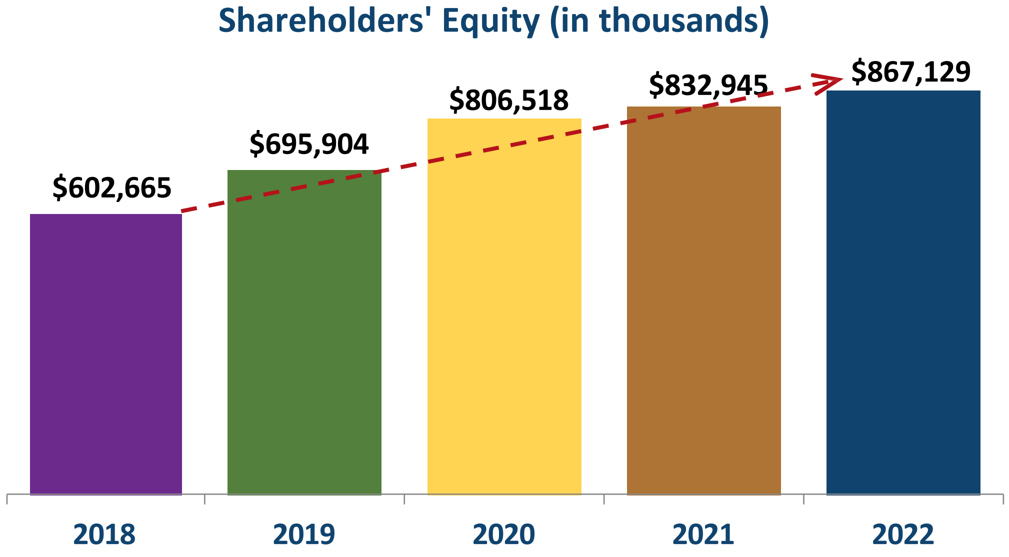
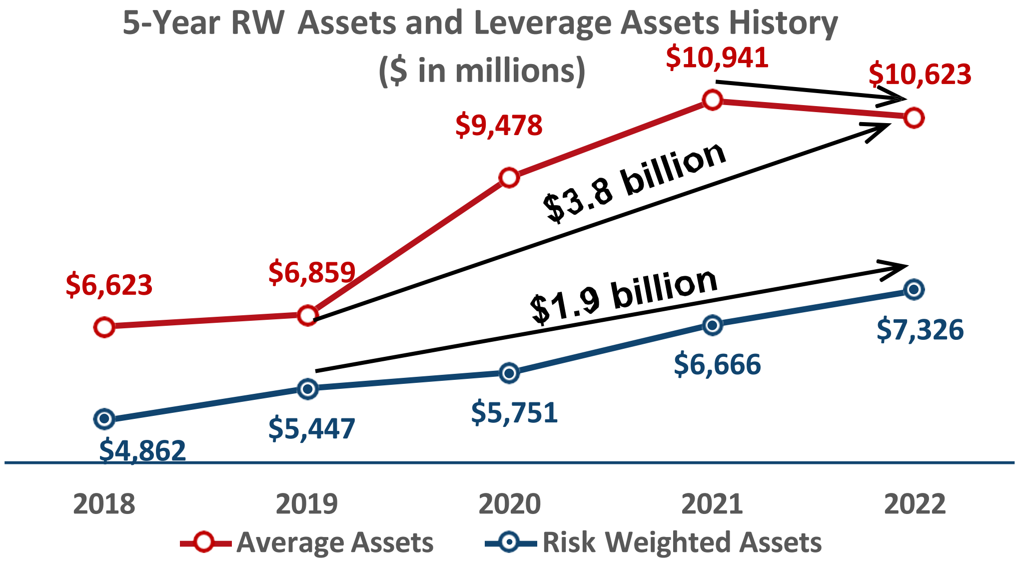
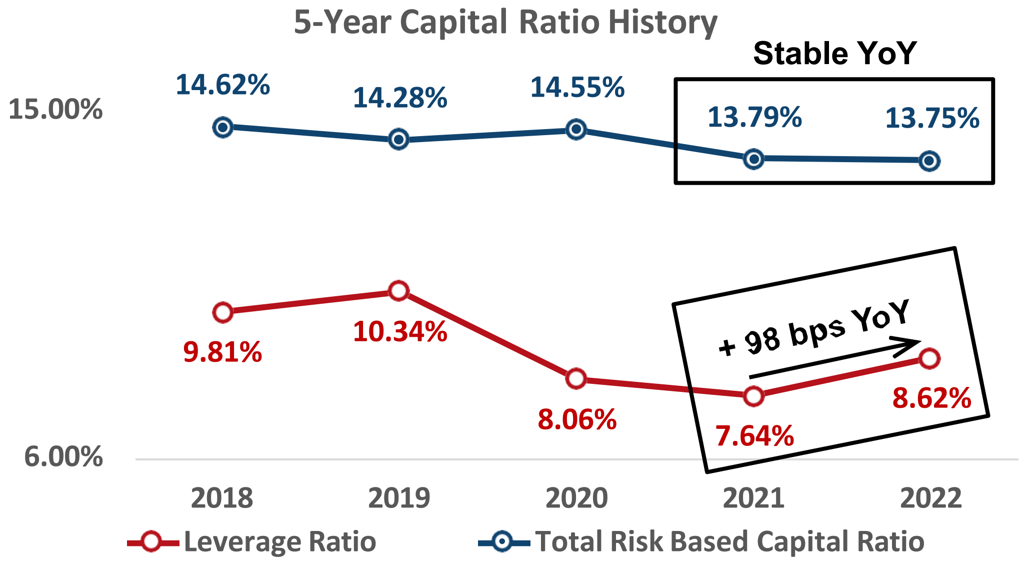
# FOCUS ON CAPITAL




- Shareholders' equity:
  - Up $34 million, or 4.1% in 2022
  - Up $264 million, or 44% since YE 2018
- Growth in capital and the decline in assets drive Leverage Ratio 98 bps higher YoY
- Loan growth drove risk weighted assets higher as TRBC ratio declines slightly
- Capital levels remain significantly above regulatory minimums

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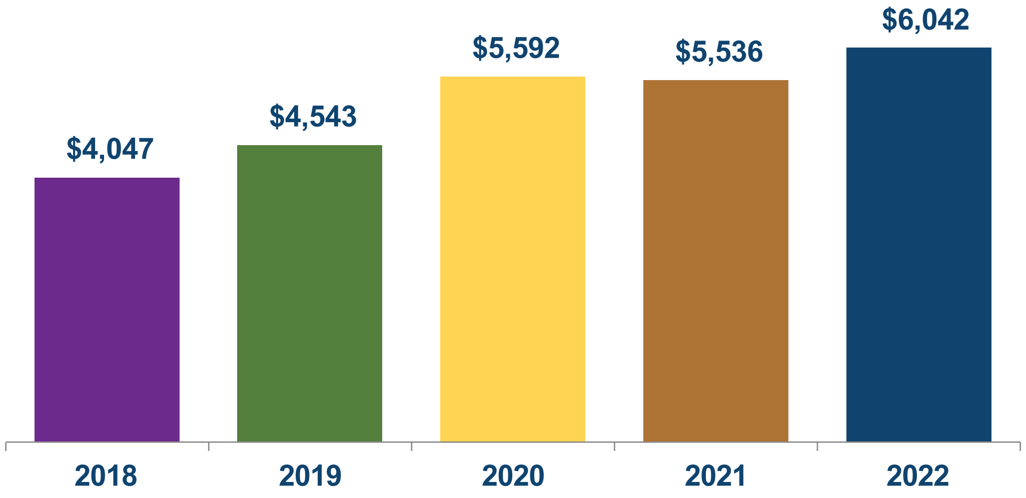
# CAPITAL PERSPECTIVE AND FRAMEWORK

- **Capital levels are significantly above regulatory minimums**
  - "Tightest" $ cushion is $275 million above Total Risk Based Capital minimums
  - "Tightest" % cushion is 262 basis points above Leverage Ratio minimums
- **Capital quality is high**
  - No intangible assets
  - All common equity and retained earnings…No debt in capital structure
- **Strong core earnings builds capital**
  - Since YE 2019, shareholders' equity has grown $264 million, or 44%
- **Substantial allowance position supports capital strength**
  - $121 million, or 2.00% of loans
  - CECL adoption on 1/1/2023 adds $18 million to loss reserves
    - ACL = $139 million, or 2.28% of loans at end of Q1 2023 (post CECL)

# LOAN PORTFOLIO TRENDS

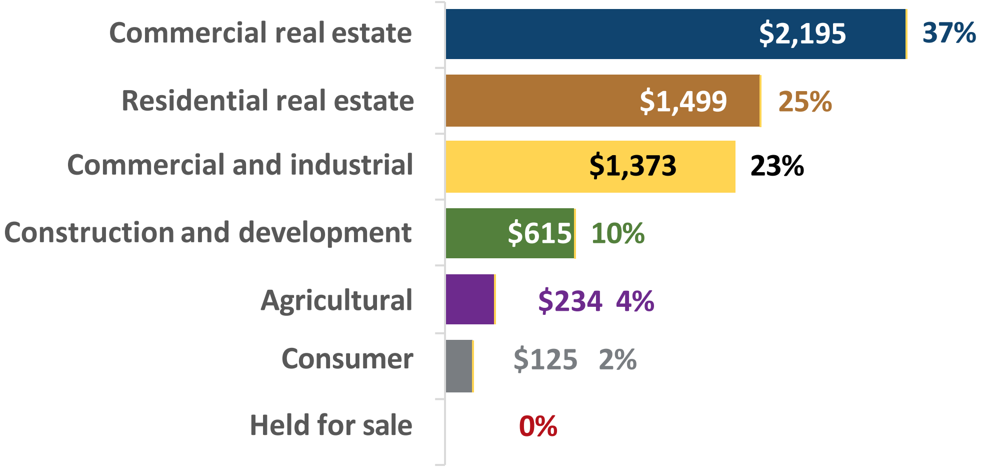
Total Loans ($ in millions)




- Loan growth strong over past year
  - Up $506 million, or 9.1%
- Rising rates slowed loan growth throughout 2022
  - Q1 2023 growth slowed further (up $57 million)
- Loans predominantly relationship based, not transactional

Loan Portfolio Mix

(YE 2022; $ in millions and % of total)




- Mix remains diversified across CRE, SFR and C&I
- C&I balances remain under pressure
  - PPP helped borrowers pay down C&I balances

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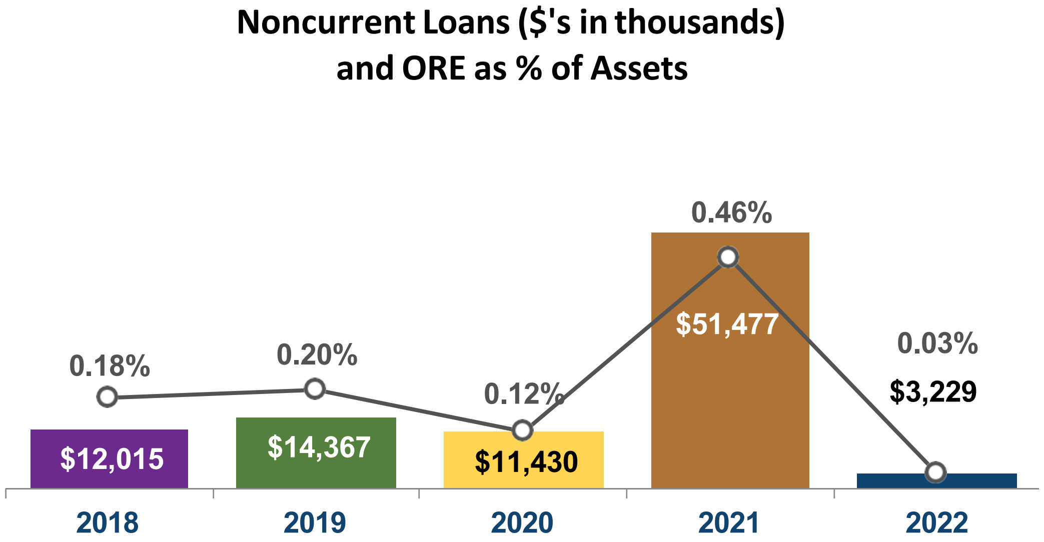
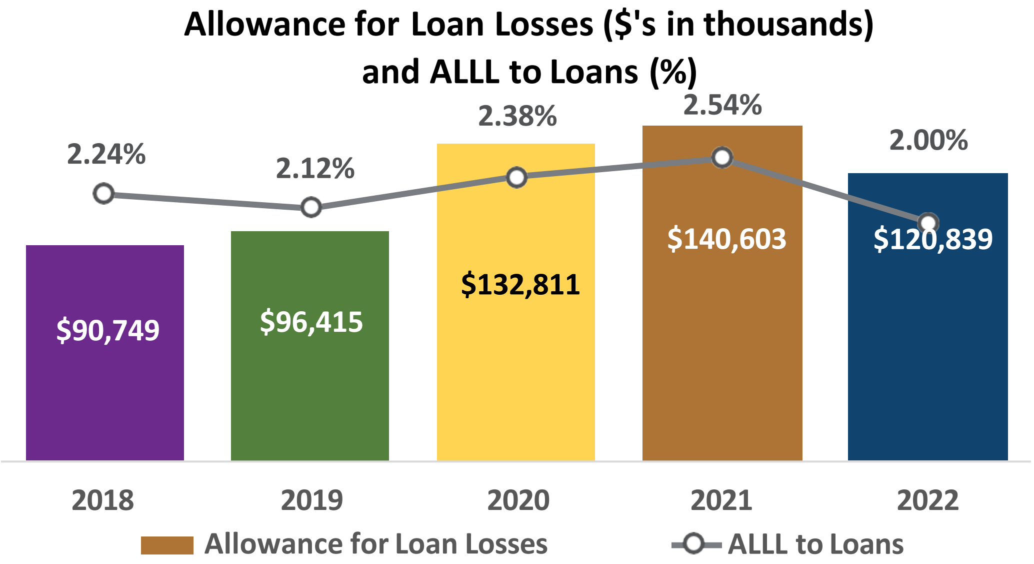
# CREDIT PERFORMANCE

- **Credit performance has been solid, especially given challenging operating environment**
  - Noncurrent loans remain at minimal levels ($3.2 million at YE 2022)
  - Classified loans remain at moderate levels and trending down
    - $87 million at YE 2022, or 1.4%
    - $126 million at YE 2021, or 2.3%
  - Net charge-off levels minimal ($735,000 in 2022)
- **Allowance position well above industry levels**
  - ALLL totals $120 million, or 2.00% of loans at YE 2022
    - ACL to loans increased to $139 million, or 2.28% in Q1 due to CECL adoption
  - Industry ALLL to loans = 1.60% at YE 2022

# CREDIT PERFORMANCE METRICS




- Noncurrent loans remain exceptionally low
  - Nonaccrual loans < 0.03% of assets
- Allowance for loan losses released in 2022
  - Negative provision expense was $20.5 million
  - Earnings benefit (after-tax) was $14 million
- Expected credit challenges through COVID era never materialized




| Credit Performance Impact | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Gross Charge-offs | $ (5,280) | $ (5,174) | $ (2,134) | $ (7,412) | $ (2,479) |
| Recoveries | 6,544 | 7,640 | 5,530 | 6,204 | 3,214 |
| **Net Recoveries / (Charge-Offs)** | **$ 1,264** | **$ 2,466** | **$ 3,396** | **$ (1,208)** | **$ 735** |

| Memo Item: | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Provision Expense** | **$ 2,700** | **$ 3,200** | **$ 33,000** | **$ 9,000** | **$ (20,500)** |

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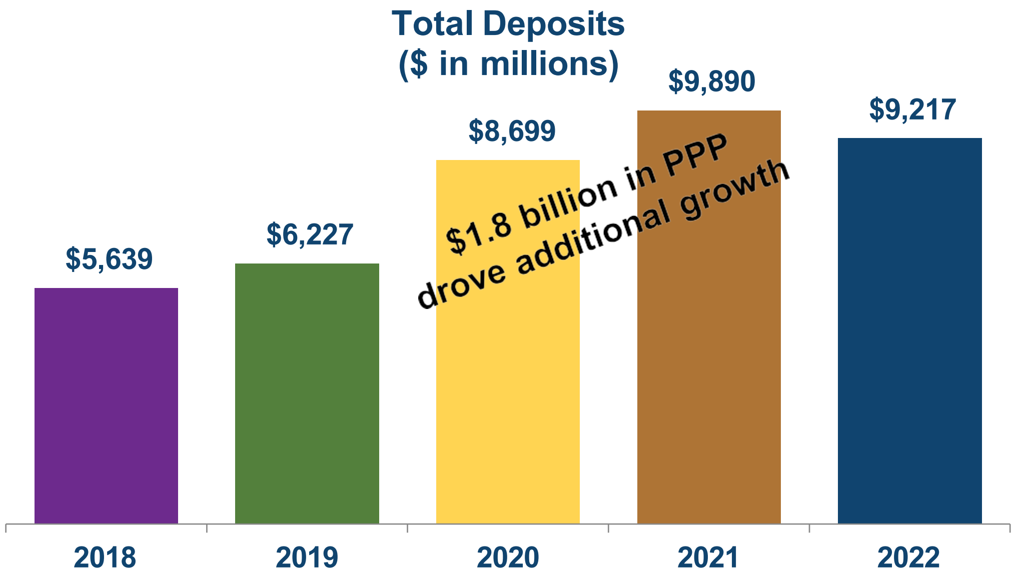
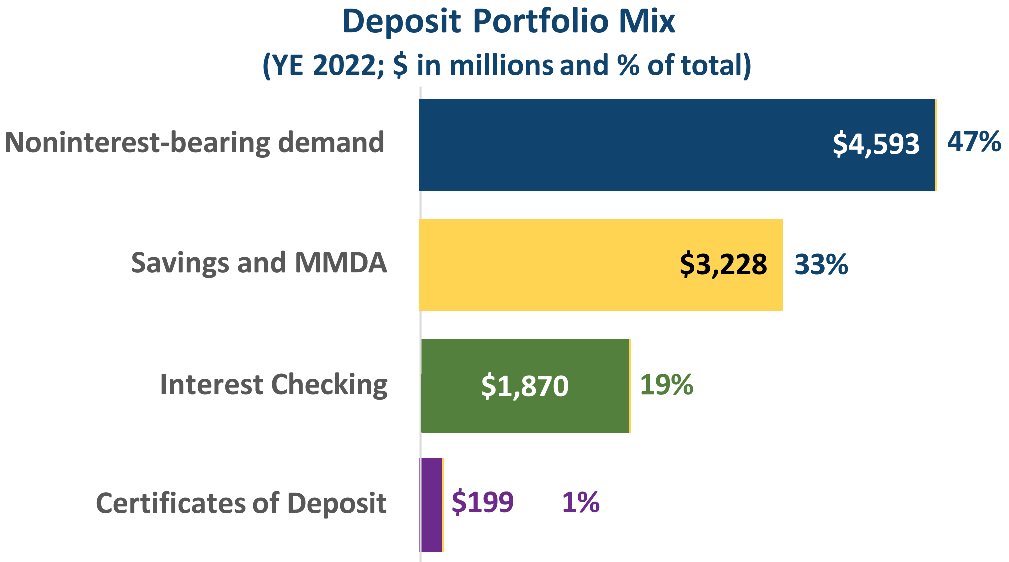
# DEPOSIT PORTFOLIO TRENDS




- $1.8 billion in PPP contributed to growth (2019 to 2021)
- Built-up excess balances began seeking yield in 2022
  - Deposits declined $673 million, or 6.8% for the year
  - Over $600 million in deposits transferred to WMAS Division
- Deposit pricing lagged in 2022
  - Interest-bearing deposit costs up 43 bps to 0.56%
    - Rose another 37 bps to 0.93% in Q1 2023
  - Overall cost of funds up 20 bps to 0.29%
    - Rose another 44 bps to 0.73% in Q1 2023
- Pricing pressure continues




- Mix reflects commercial client emphasis
- Noninterest bearing demand remains significant
- Outflows roughly 50/50 interest/noninterest balances
- Expect CD balances to grow with favorable pricing

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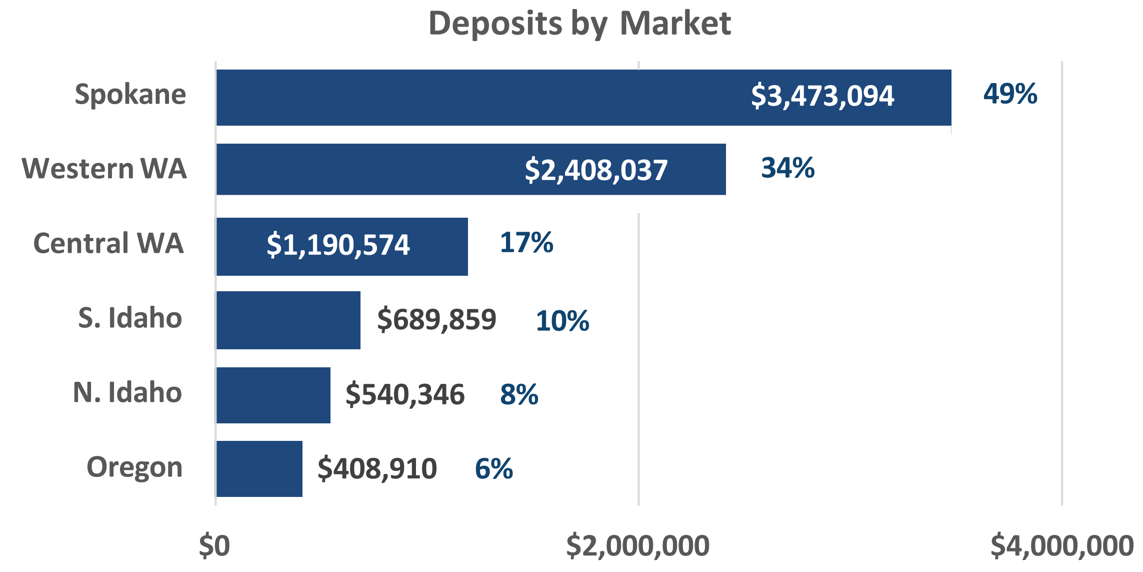
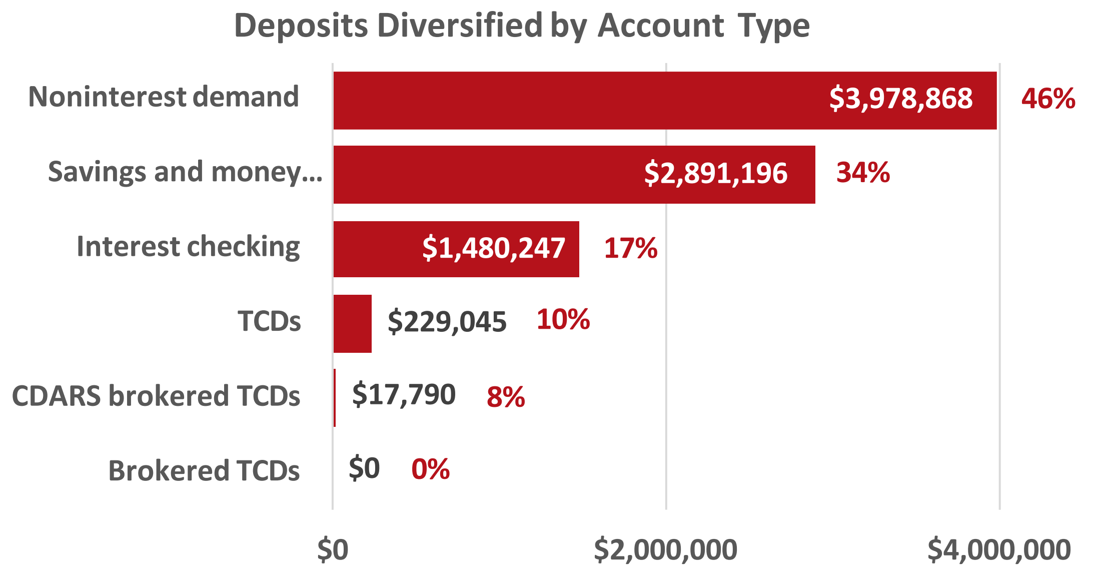
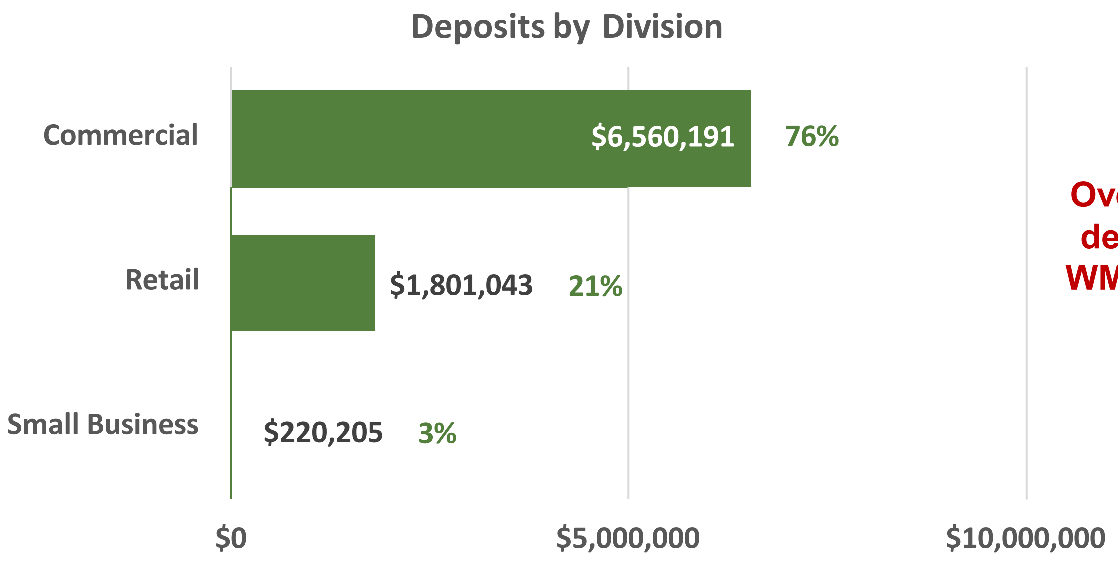
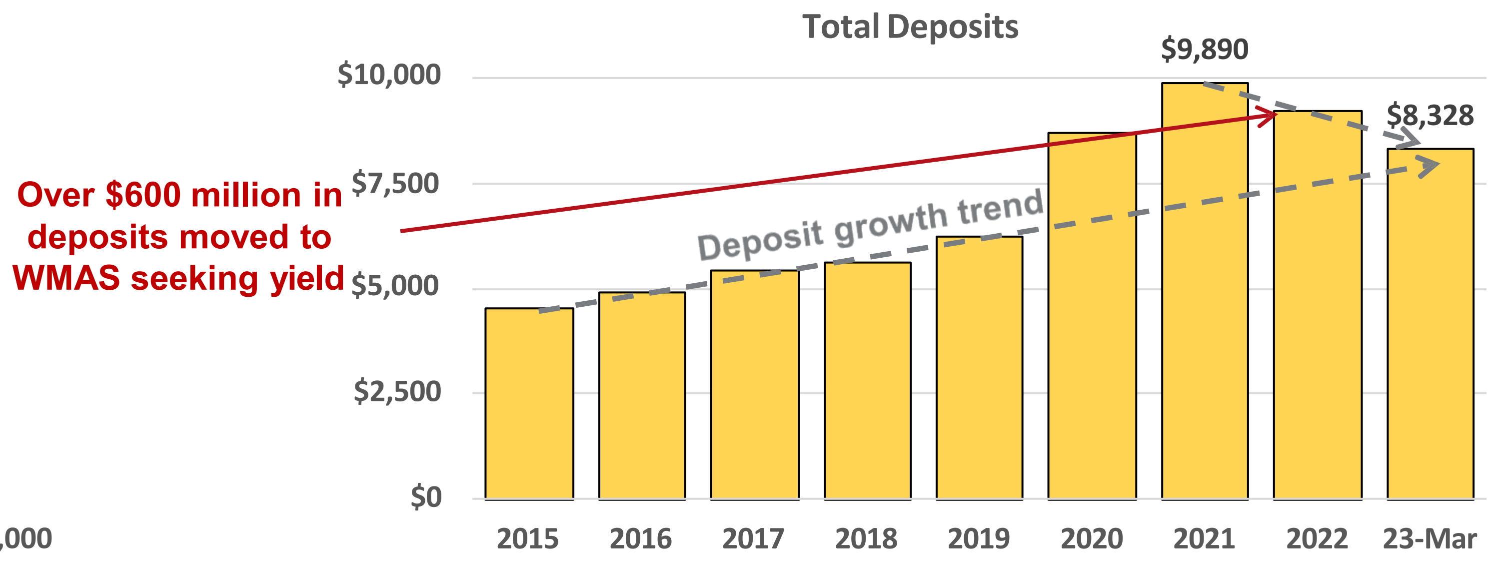
# DEPOSIT FOCUS: DIVERSIFICATION



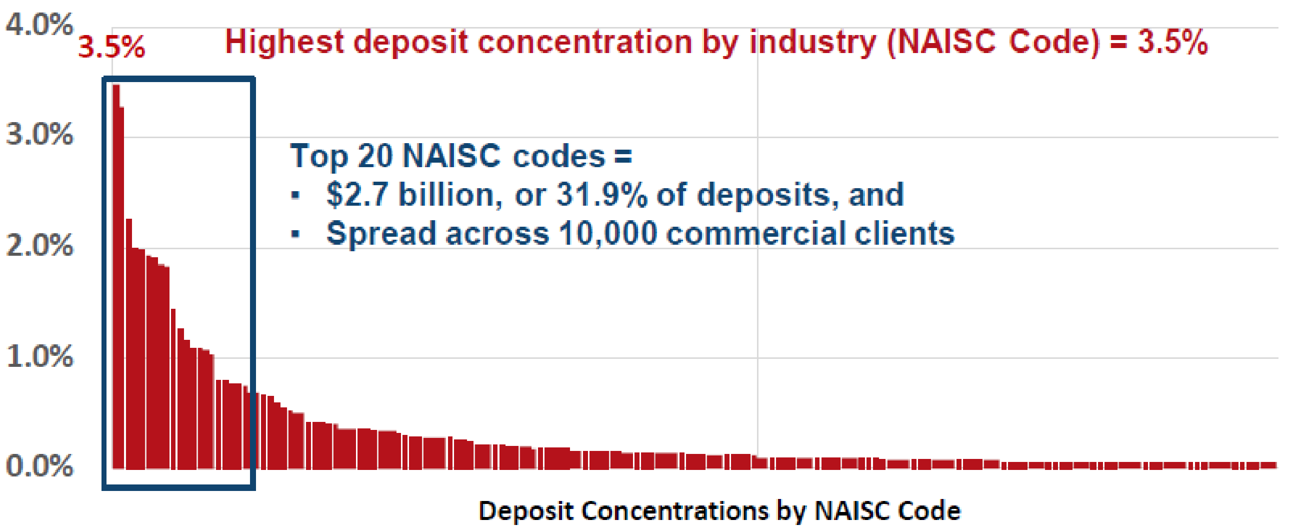
# DEPOSIT FOCUS: DIVERSIFIED BY INDUSTRY

| NAICS Code<br>Top 20 Industries by Uninsured Balance<br>As of 3/10/2023 | | Total Balances | Percent of Total Deposits |
|---|---|---|---|
| Residential Property Managers | $ | 295,477,377 | 3.5% |
| Commercial and Institutional Building Construction | | 277,913,037 | 3.3% |
| Trusts, Estates, and Agency Accounts | | 193,534,729 | 2.3% |
| Other Activities Related to Real Estate | | 171,854,030 | 2.0% |
| Offices of Lawyers | | 170,023,847 | 2.0% |
| Nonresidential Property Managers | | 163,751,617 | 1.9% |
| New Single-Family Housing Construction (except For | | 161,637,231 | 1.9% |
| Lessors of Residential Buildings and Dwellings | | 158,528,554 | 1.9% |
| Lessors of Nonresidential Buildings (except Miniwa | | 157,304,781 | 1.9% |
| Offices of Other Holding Companies | | 123,248,914 | 1.5% |
| Offices of Real Estate Agents and Brokers | | 107,755,099 | 1.3% |
| Land Subdivision | | 98,218,862 | 1.2% |
| Trust, Fiduciary, and Custody Activities | | 93,710,599 | 1.1% |
| All Other Outpatient Care Centers | | 93,548,499 | 1.1% |
| Real Estate | | 88,789,213 | 1.0% |
| Plumbing, Heating, and Air-Conditioning Contractor | | 69,354,727 | 0.8% |
| New Multifamily Housing Construction (except For-S | | 66,635,870 | 0.8% |
| New Housing For-Sale Builders | | 65,471,143 | 0.8% |
| All Other Professional, Scientific, and Technical | | 63,778,646 | 0.8% |
| Highway, Street, and Bridge Construction | | 58,502,639 | 0.7% |
| **Subtotal Top 20 NAICS Industry Concentrations** | $ | 2,679,039,415 | 31.6% |
| Remaining 893 Industries | | 2,997,858,358 | 35.4% |
| **Total with NAICS Industry Codes** | **$** | **5,676,897,773** | **67.0%** |
| **Consumer Accounts** | **$** | **2,798,625,499** | **33.0%** |

## Commercial Client Diversification:

- $5.7 billion in commercial deposits
- 3.5% is highest industry concentration
- 1.6% average concentration across top 20 industries
- 31.9% of total deposits from top 20 industries
- Total uninsured $4.9 billion, or 58% of total deposits
  - Slightly higher than industry (48%)

**% of WTB Deposits by Industry (Customers Aggregated by NACIS Code)**



# WEALTH MANAGEMENT AND TRUST DIVISION

**Key business line…complements banking client book**

- Wealth management, fiduciary, trust and investment services
- Competitive advantage for high value and affluent customers
- Long-term, relationship-based business line

**Attractive financial dynamics**

- Stable, fee income-based business
  - Recurring revenue stream (Over $25 million annually)
  - Diversifies revenue base
- Off-balance sheet business line
- Capital neutral/Capital efficient
- Profitability enhances ROA and ROE

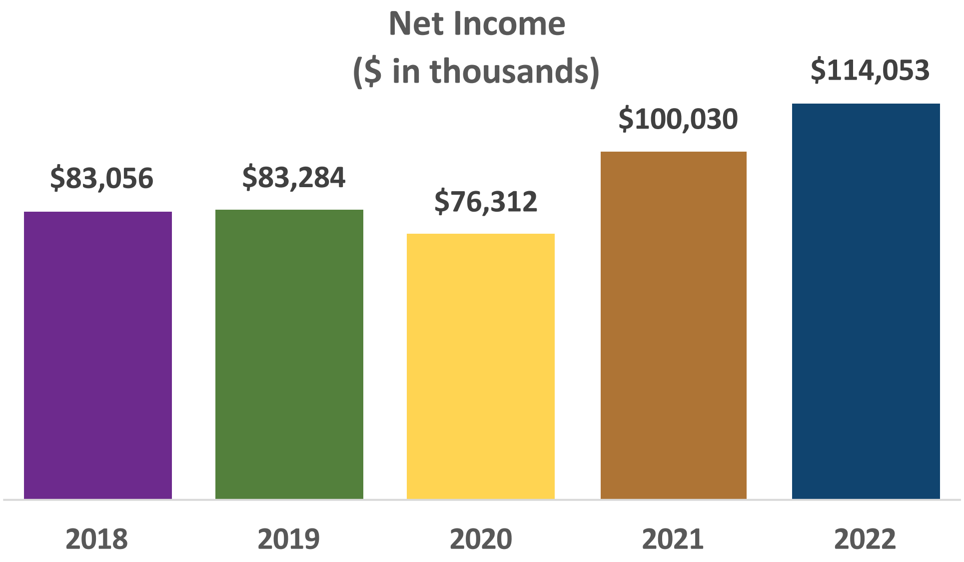
**Financial Performance:**

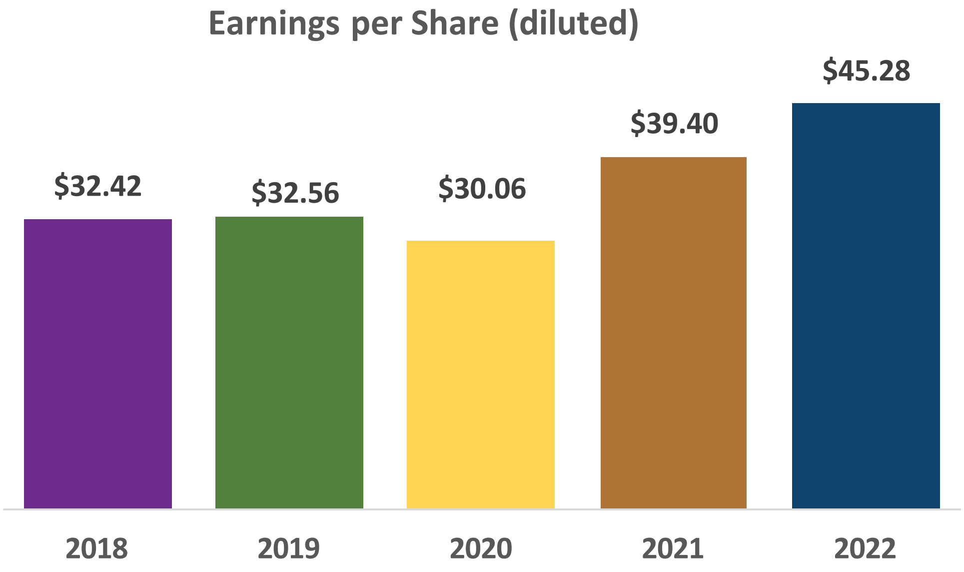
- Over $8.1 billion portfolio of assets
  - 9.7% compound annual growth rate in assets past 5 years
  - 6.5% compound annual growth rate in revenues past 5 years

# EARNINGS OVERVIEW

| Income Statement (000's) | Years Ended December 31, 2021 | 2022 | $ Difference | % Change |
|---|---|---|---|---|
| Net interest revenue | $ 299,057 | $ 323,120 | $ 24,063 | 8.0% |
| Provision for loan losses | 9,000 | (20,500) | (29,500) | -327.8% |
| Noninterest revenue | 67,849 | 58,183 | (9,666) | -14.2% |
| Noninterest expense | 229,910 | 256,026 | 26,116 | 11.4% |
| Pre-tax income | 127,995 | 145,777 | 17,781 | 13.9% |
| Net income | $ 100,030 | $ 114,053 | $ 14,023 | 14.0% |

- Net interest revenue up on rising rates
- Provision expense negative on solid credit performance
- Noninterest revenue down:
  - Lower card revenue (Durbin and sunsetting rewards)
  - Mortgage banking revenue on lower originations
- Expense growth reflects investment in the business
  - Technology, data, electronic delivery and governance
- Earnings and EPS at record levels



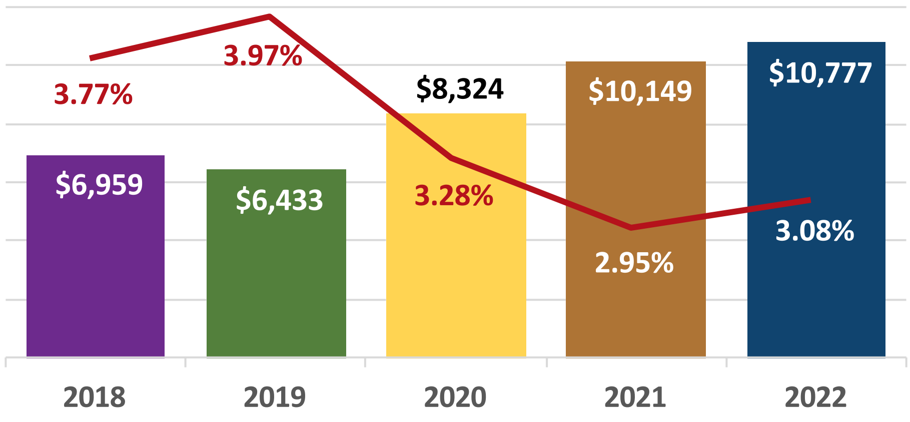

W.T.B. Financial Corp

# WTBFC FINANCIAL PERFORMANCE METRICS

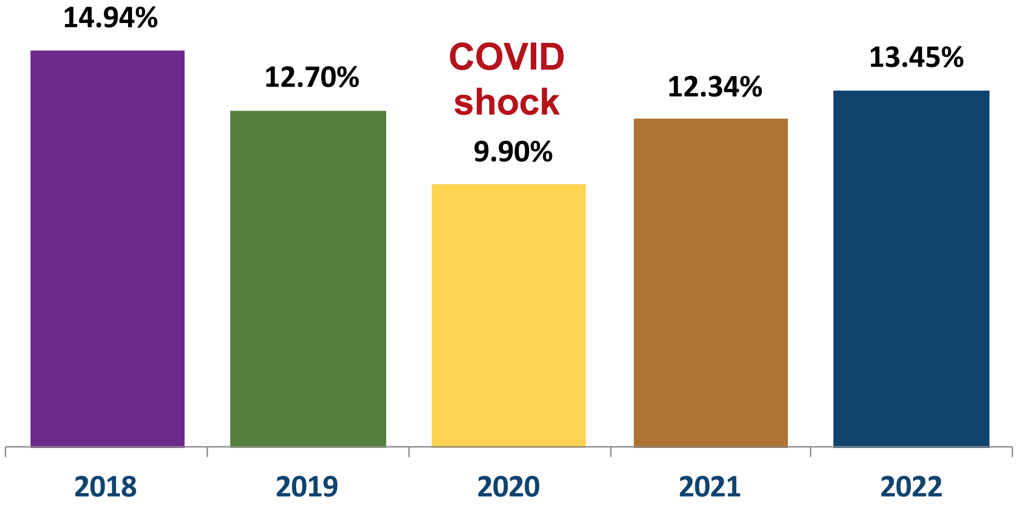
| Performance Metric | For the Year 2021 | 2022 | Difference |
|---|---|---|---|
| Return on average assets | 0.96% | 1.06% | 0.10% |
| Return on shareholders' equity | 12.34% | 13.45% | 1.11% |
| Margin on average earning assets | 2.95% | 3.08% | 0.13% |
| Noninterest expense to average assets | 2.21% | 2.38% | 0.17% |
| Efficiency ratio | 62.6% | 67.1% | 4.50% |

- Margin rebounds on higher rates
  - Up 13 bps to 3.08%
  - Industry margin in 2022 was 2.95
- Stronger earnings brought improved performance metrics
  - ROA increases 10 bps to 1.06%
  - ROE increases 111 bps to 13.45%

Average Earning Assets (000's)
and Net Interest Margin




Return on Average Equity

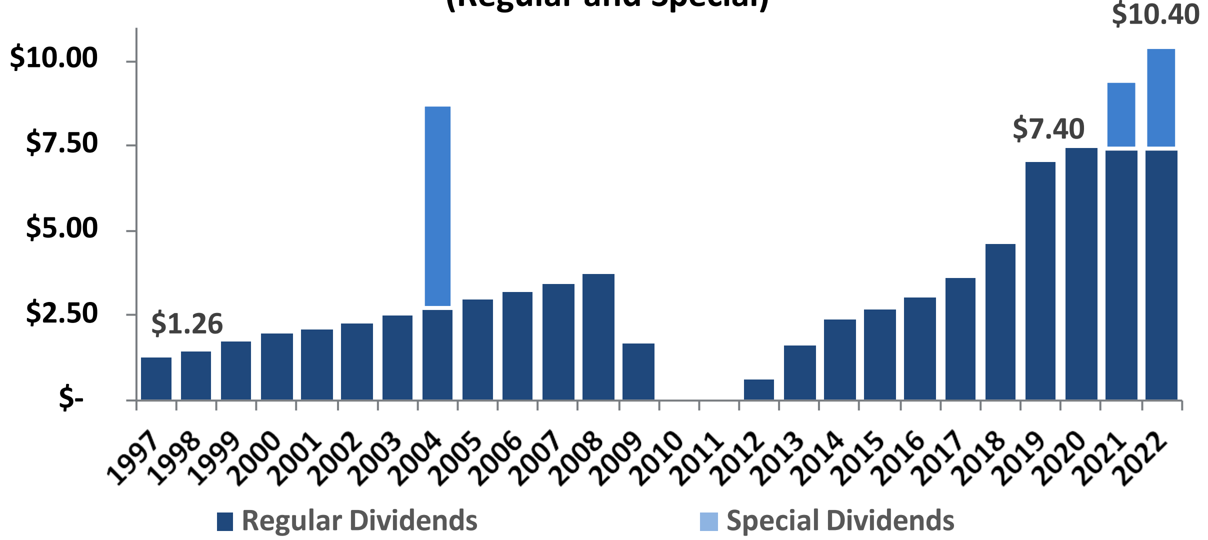


# WTBFC SHAREHOLDER VALUE METRICS

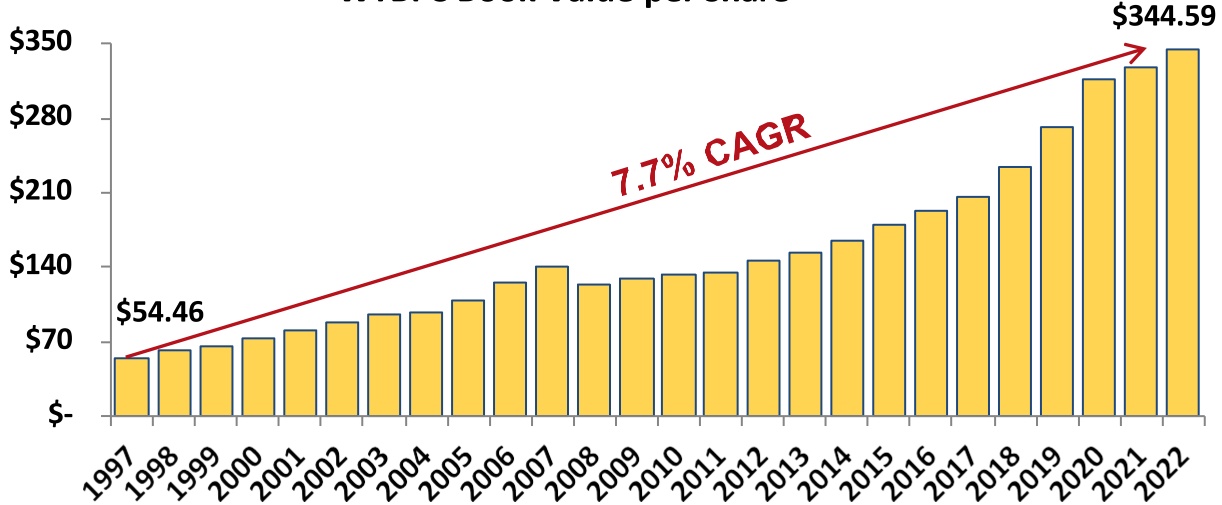
| Income (000's) and Per Share Data | Years Ended December 31, 2021 | 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net Income | $ 100,030 | $ 114,053 | $ 14,023 | 14.0% |
| Diluted Earnings per Common Share | $ 39.40 | $ 45.28 | $ 5.88 | 14.9% |
| Dividends per Common Share | $ 9.40 | $ 10.40 | $ 1.00 | 10.6% |
| Book Value per Common Share | $ 328.11 | $ 344.59 | $ 16.48 | 5.0% |

- Earnings hit record levels
  - Net income up 14% to $114 million
  - EPS up 15% to $45.28
- Dividends of $10.40 per share
  - $3.00 per share special dividend in Q4

WTBFC Common Dividends per Share (Regular and Special)




WTBFC Book Value per Share



# WTBFC Q1 2023 HIGHLIGHTS

- Assets: Steady at $10.5 billion (up $92 million QoQ)
- Loans: Loan growth slows…Up $57 million, or 0.9 percent
- Deposits: Down $889 million, or 9.6%...largely rate driven
  - $717 million, or 81% prior to SVB and SB failures
  - Seasonality of deposits make first half of year deposit growth challenging
- Borrowings increased to $1.1 billion, or 11% of liabilities
  - Borrowings helped cover loan growth and deposit outflows
  - $1.4 billion in bond cash flow comes back over next 3 years
  - Borrowing capacity at FRB and FHLB ample ($4.9 billion)
- Net income decreased $3.8 million to $22.5 million
  - Net interest margin: Narrowed 18 bps QoQ to 3.29% (up 63 bps YoY)
  - Return on assets: Narrowed 11 bps QoQ to 0.88% (up 9 bps YoY)
  - Return on equity: Narrowed 150 bps QoQ to 11.02% (up 27 bps YoY)

# CLOSING THOUGHTS

2022 was a record earnings year, with some unusual elements to it:

- Release of loss reserves (added $14 million to earnings)
- Rise in rates was sharp…positive for margin, but challenged deposit balances
  - Excess deposits sought yields not seen in over a decade
  - Some significant level of "normalization" taking place
- Funding costs lagged, but rising more recently
  - Overall COF in Q1 0.73%
- Margin widened in 2022, but narrowed in Q1 2023
  - Expect more margin pressure
  - Deposit pricing rising to stabilize balances
- Current landscape:
  - Fed fighting inflation hard…rates seem to be near peak
  - Inverted yield curve signals potential economic slowdown

# Thank you
# for your continued support!
# We appreciate it!