



ANNUAL REPORT



2015



Washington Trust Bank
Member FDIC

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.

2015

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CHAIRMAN'S LETTER

Dear Customers and Friends:

2015 was a very good year for the Bank in many important ways. The investments we made in our systems are paying off with an ability to deliver banking services from our branch system to our online banking platform to customer controlled mobile devices. Those capabilities, combined with our relationship based business strategy have helped us to continue to grow our institution. In 2015, we saw assets grow over 11 percent, exceeding five billion for the first time in Bank history. That growth was fueled by strong core deposit growth, reflecting an ability to compete successfully for new customers in this highly dynamic environment. Our success is spread across our three-state footprint, with our Puget Sound market exceeding one billion in assets for the first time in the Bank's history. This past fall, our parent, W.T.B. Financial Corporation redeemed all of its outstanding Small Business Lending Fund ("SBLF") Capital. Finally, our financial performance in 2015 was strong in many ways, including earnings, which were up over 10 percent to \$46.9 million.

Our accomplishments in 2015 were made against an economic landscape that presented more than its share of drama. This past fall, the Fed finally achieved its much anticipated policy "lift-off" by raising rates 25 basis points after seven years of a near zero short-term rate policy. It's anyone's guess just how far the Fed will be able to go towards interest rate normalization and how the economy may respond to its shift in policy. I continue to believe the Fed does not have much running room to raise rates significantly, though I must add that my record in predicting interest rate moves is less than perfect. We have been expecting volatility in the capital markets, and we are getting it across the spectrum from equity prices to commodities to currencies. This volatility has not yet shown a noticeable impact on our business, but we are watching these events carefully.

For the year 2015, assets grew \$533 million, or 11.2 percent to \$5.3 billion. That asset growth was largely a result of strong deposit growth, with deposits up \$452 million, or 11.0 percent for the year to \$4.5 billion. Loan growth was solid at \$206 million, or 6.1 percent to \$3.6 billion. With deposit inflows exceeding loan growth, cash and investments surged over \$342 million to \$1.7 billion, reflecting significant liquidity resources for opportunities in the future.

Earnings and financial performance measures for the year were pretty strong across the board. Net income increased \$4.6 million, or 11.0 percent to \$46.9 million. Strong earning asset growth presents the challenge of investing those funds prudently and profitably. Our growing portfolio of investment securities has tended to put pressure on net interest margin, which declined 14

basis points to 3.43 percent, but growing earning assets also tends to drive growth in net interest revenue. For the year, net interest revenue increased almost \$8.0 million, or 5.1 percent to \$163.8 million, the highest level in Bank history. Return on assets increased 2 basis points to 0.95 percent, while return on equity improved 101 basis points to 10.49 percent.

Asset quality continued to improve with noncurrent loans and other real estate falling by a third to \$19 million, or just 0.36 percent of assets. Our asset quality is supported by a substantial loan loss allowance position totaling nearly \$85 million, or 2.39 percent of loans. Liquidity levels are ample and our capital position is substantial, despite fully redeeming SBLF Capital in September. At year end, the Bank's tangible equity to assets level was 8.63 percent.

Our success is the result of many, many people who have devoted their professional lives to helping make the Bank a highly successful and highly regarded institution, employer and member of the many communities we serve. Late in 2015, Tom Perko passed away and it feels appropriate to honor him here, given all he contributed to the Bank. He was not only a colleague, but a close personal friend over the 50 years that he was affiliated with the Bank as an officer, President and director. I will miss his valuable counsel and the personal friendship we shared.

We are quite pleased with the year we had and are grateful for our employees, customers, business partners and colleagues in the communities we serve. Our continued success depends on all these important business relationships. They are the essence of community banking. If we can help you in anyway, please reach out to us.

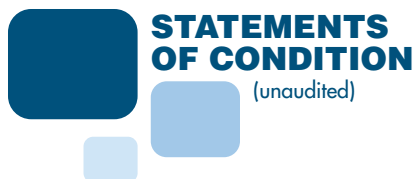
For additional pertinent information, please visit our Investor Relations webpage at watrust.com/about/investor-relations.

Warm Regards,



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





**STATEMENTS
OF CONDITION**
(unaudited)

	December 31,	
	2015	2014
ASSETS		
Cash and due from banks	\$ 79,795,019	\$ 86,738,022
Interest-bearing deposits with banks	438,603,226	344,438,344
Securities available for sale, at fair value	678,882,087	475,871,034
Securities held to maturity, at amortized cost	482,414,445	430,462,030
Federal Home Loan Bank and PCBB stock, at cost	5,781,300	13,500,900
Loans receivable	3,556,598,459	3,351,051,979
Allowance for loan losses	(84,968,885)	(81,209,935)
Loans net of allowance for loan losses	3,471,629,574	3,269,842,044
Premises and equipment, net	43,400,098	44,448,280
Other real estate	355,500	1,076,462
Accrued interest receivable	13,676,953	12,982,467
Other assets	86,633,593	88,365,292
Total assets	<u>\$ 5,301,171,795</u>	<u>\$ 4,767,724,875</u>
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 1,827,269,658	\$ 1,526,298,258
Interest-bearing	2,715,477,707	2,564,461,682
Total deposits	4,542,747,365	4,090,759,940
Securities sold under agreements to repurchase	264,887,110	206,293,915
Accrued interest payable	526,585	1,112,429
Other liabilities	35,299,161	40,607,479
Total liabilities	4,843,460,221	4,338,773,763
SHAREHOLDER'S EQUITY		
Common stock	7,534,503	7,534,503
Surplus	35,664,248	48,235,248
Undivided profits	440,441,837	400,643,585
	483,640,588	456,413,336
Accumulated other comprehensive loss	(25,929,014)	(27,462,224)
Total shareholder's equity	457,711,574	428,951,112
Total liabilities and shareholder's equity	<u>\$ 5,301,171,795</u>	<u>\$ 4,767,724,875</u>

STATEMENTS OF INCOME

(unaudited)

	Years Ended December 31,	
	2015	2014
INTEREST REVENUE		
Loans, including fees	\$ 151,464,308	\$ 147,675,052
Deposits with banks	989,400	770,513
Securities	15,748,686	12,984,211
Other interest and dividend income	31,418	29,171
Total interest revenue	168,233,812	161,458,947
INTEREST EXPENSE		
Deposits	4,200,538	5,428,737
Funds purchased and other borrowings	235,985	198,896
Total interest expense	4,436,523	5,627,633
Net interest revenue	163,797,289	155,831,314
Provision for loan losses	2,666,700	6,000,000
Net interest revenue after provision for loan losses	161,130,589	149,831,314
NONINTEREST REVENUE		
Fiduciary income	13,894,892	13,031,381
Mortgage banking revenue, net	5,751,736	3,806,138
Other fees on loans	1,221,989	763,416
Service charges, commissions and fees	22,702,331	22,177,389
Securities gains, net	605,669	77,126
Net gains on other real estate	742,204	2,727,617
Other income	4,033,136	1,391,871
Total noninterest revenue	48,951,957	43,974,938
NONINTEREST EXPENSE		
Salaries and benefits	81,153,975	74,681,512
Occupancy, furniture and equipment expense	13,529,441	12,834,348
Other expense	44,987,758	41,914,575
Total noninterest expense	139,671,174	129,430,435
Income before income taxes	70,411,372	64,375,817
Income taxes	23,533,378	22,132,538
NET INCOME	\$ 46,877,994	\$ 42,243,279

DIRECTORS & OFFICERS

(As of 3-16-2016)

BOARD OF DIRECTORS

Peter F. Stanton

Chairman of the Board and Chief Executive Officer

John E. (Jack) Heath, III

President and Chief Operating Officer

Christopher Ackerley

Managing Partner, Ackerley Partners, LLC

Steven M. Helmbrecht

*President and Chief Executive Officer,
Lakeside Capital Group, LLC*

Molly J. Scammell Hurley

Retired Officer, Washington Trust Bank

John J. Luger

President, JDL Enterprises, LLC

Dennis P. Murphy

Chief Executive Officer, Hayden Homes, LLC

Thomas B. Tilford

Retired President, Western Mine Services, Inc.

Nancy Sue Wallace

Community Volunteer

Jeffrey Wright

Chairman, Space Needle Corporation

ADMINISTRATION

Peter F. Stanton

Chairman of the Board and Chief Executive Officer

John E. (Jack) Heath, III

President and Chief Operating Officer

COMMERCIAL BANKING

Scott H. Luttinen

*Executive Vice President, Commercial Division and
President, Western Washington Region*

J. Jay Lewis

Senior Vice President

Michael L. Shellenberger

Senior Vice President

David J. Terrell

President, Southern Idaho Region

Linda A. Williams

President, Oregon Region

CREDIT ADMINISTRATION

Paul M. Koenigs

Senior Vice President and Chief Credit Officer

FINANCE

Larry V. Sorensen

Senior Vice President and Chief Financial Officer

Laura M. Gingrich

Vice President and Chief Accounting Officer

HUMAN RESOURCES

Katy J. Bruya

Senior Vice President

INFORMATION TECHNOLOGY AND OPERATIONS

James E. Brockett

Senior Vice President and Chief Information Officer

INTERNAL AUDIT

Daniel A. Clark

Senior Vice President and Director of Internal Audit

LEGAL

Burke D. Jackowich

Senior Vice President and General Counsel

RETAIL BANKING

Jim D. Branson

Senior Vice President

WEALTH MANAGEMENT & ADVISORY SERVICES

Robert A. Blume

Senior Vice President

LOCATIONS

WASHINGTON

Bellevue

Bellevue Office – 10500 Northeast 8th Street, Suite 1100

Deer Park

Deer Park – 903 South Main Street

Ephrata

Ephrata – 12 Basin Street Northwest

Liberty Lake

Liberty Lake – 1427 North Liberty Lake Road

Moses Lake

Moses Lake – 402 South Ash Street

Pullman

Pullman – 670 SE Bishop Boulevard

Quincy

Quincy – 509 Central Avenue South

Seattle

Seattle Office – 601 Union Street, Suite 4747

Spokane

Airway Heights – 10609 West State Route 2

East Sprague – 3510 East Sprague Avenue

Five Mile – 1906 West Francis Avenue

Indiana – 27 East Indiana Avenue

Lincoln Heights – 2415 East 29th Avenue

Main – 717 West Sprague Avenue

Manito – 611 East 31st Avenue

Maple & Garland – 3810 North Maple Street

Medical Center – 105 West 8th Avenue

Northgate – 7815 North Division Street

Second & Wall – 706 West 2nd Avenue

Wandermere – 438 East Hastings Road

Spokane Valley

Sullivan – 407 North Sullivan Road

Valley Financial Center – 310 North Argonne Road

Tri-Cities

Kennewick – 3250 West Clearwater Avenue

Wenatchee

East Wenatchee – 523 Valley Mall Parkway

North Wenatchee – 1851 North Wenatchee Avenue

South Wenatchee – 759 South Wenatchee Avenue

IDAHO

Boise

Downtown – 901 West Bannock Avenue

Fairview – 7930 Fairview Avenue

Overland – 7802 West Overland Road

Coeur d'Alene

Coeur d'Alene – 218 Lakeside Avenue

Garden City

State Street – 7309 West State Street

Hayden

Hayden – 8050 North Government Way

Lewiston

Lewiston – 102 Thain Road, Suite D

Meridian

Meadow Lake – 4037 East Clocktower Lane

Meridian Financial Center – 3251 East Presidential Drive

Moscow

Moscow – 948 West Pullman Road

Nampa

Idaho Center – 6010 East Franklin Road

Nampa – 2200 North Cassia Street

Post Falls

Post Falls – 1601 East Seltice Way

Rathdrum

Stein's IGA – 16102 North Highway 41

Sandpoint

Sandpoint – 509 North 5th Avenue, Suite E

OREGON

Beaverton

Beaverton Office – 8905 Southwest Nimbus Avenue, Suite 125

Portland

Portland Office – 920 Southwest 6th Avenue, Suite 1300

OUR GUIDING PRINCIPLES

- We act with integrity, honesty and a sense of ethics. We keep our commitments to our customers and to each other.
- We succeed because we out perform other financial institutions at meeting our customers' financial needs with creative solutions, proactive selling efforts and excellent service.
- We have a sense of urgency in all we do. We are accurate and timely in our work and we continue to improve the quality of everything we do to assure long-term profitability.
- We rely on the participation and initiative of each employee. We are empowered to make decisions that create value for our customers and for the Bank.
- We support each other personally and professionally. We respect and value each other's contribution along with everyone's ideas and suggestions offered in the spirit of these principles. We resolve conflict promptly and fairly.
- We promote an environment in which individual and team accomplishments are recognized and rewarded.
- We will be actively involved in the communities where we work and live.
- We recognize that change is an ongoing challenge, but we also recognize that change is an opportunity to improve our competencies as employees and as an organization.

Additional information or copies of this report may be obtained by writing to:

Washington Trust Bank
P.O. Box 2127
Spokane, WA 99210-2127

watrust.com
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