

# KBW Winter Financial Services Symposium

February 2022



WASHINGTON TRUST BANCORP, INC.





# Table of Contents

	<u>Page</u>
Executive Team .....	3
Who We Are .....	4
Strategic Priorities .....	8
Earnings Capacity .....	15
Credit Quality .....	20
Capital Management .....	27
Financial Highlights .....	33
Why Washington Trust .....	48
Supplemental Information .....	50

This presentation contains certain statements that may be considered “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results, performance or achievements of Washington Trust may differ materially from those discussed in these forward-looking statements, as a result of, among other factors, the factors described under the caption “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, as filed with the Securities and Exchange Commission and updated by our Quarterly Reports on Form 10-Q. You should carefully review all of these factors, and you should be aware that there may be other factors that could cause these differences. These forward-looking statements were based on information, plans and estimates at the date of this presentation, and Washington Trust assumes no obligation to update forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes



# Executive Team



*Pictured left to right: Mark Gim, Ned Handy, and Ron Ohsberg*

**Ned Handy**

*Chairman & Chief Executive Officer*

**Mark Gim**

*President and Chief Operating Officer*

**Ron Ohsberg**

*Senior EVP, Chief Financial Officer and Treasurer*

## Investor Information

**Elizabeth B. Eckel**

*Senior Vice President, Chief Marketing & Corporate Communications Officer*

401-348-1309, [ebeckel@washtrust.com](mailto:ebeckel@washtrust.com)



# WHO WE ARE





# Corporate Profile

- Oldest community bank in the US; Founded in 1800
- High-performing regional bank
- Largest state-chartered bank in RI
  - \$5.9 B assets
  - \$4.3 B loans
  - \$5.0 B deposits
- Diversified financial services company
- Premier regional wealth management firm
  - \$7.8 B assets under administration
- Market capitalization: \$971 M\*





# Prestigious Recognition

Named one of the nation's Best Banks to Work For by American Banker® magazine for the 3<sup>rd</sup> consecutive year.



Named by Forbes as one of the Best In-State Banks in Rhode Island for the 2nd consecutive year

Named as one of the Healthiest Employers in Rhode Island



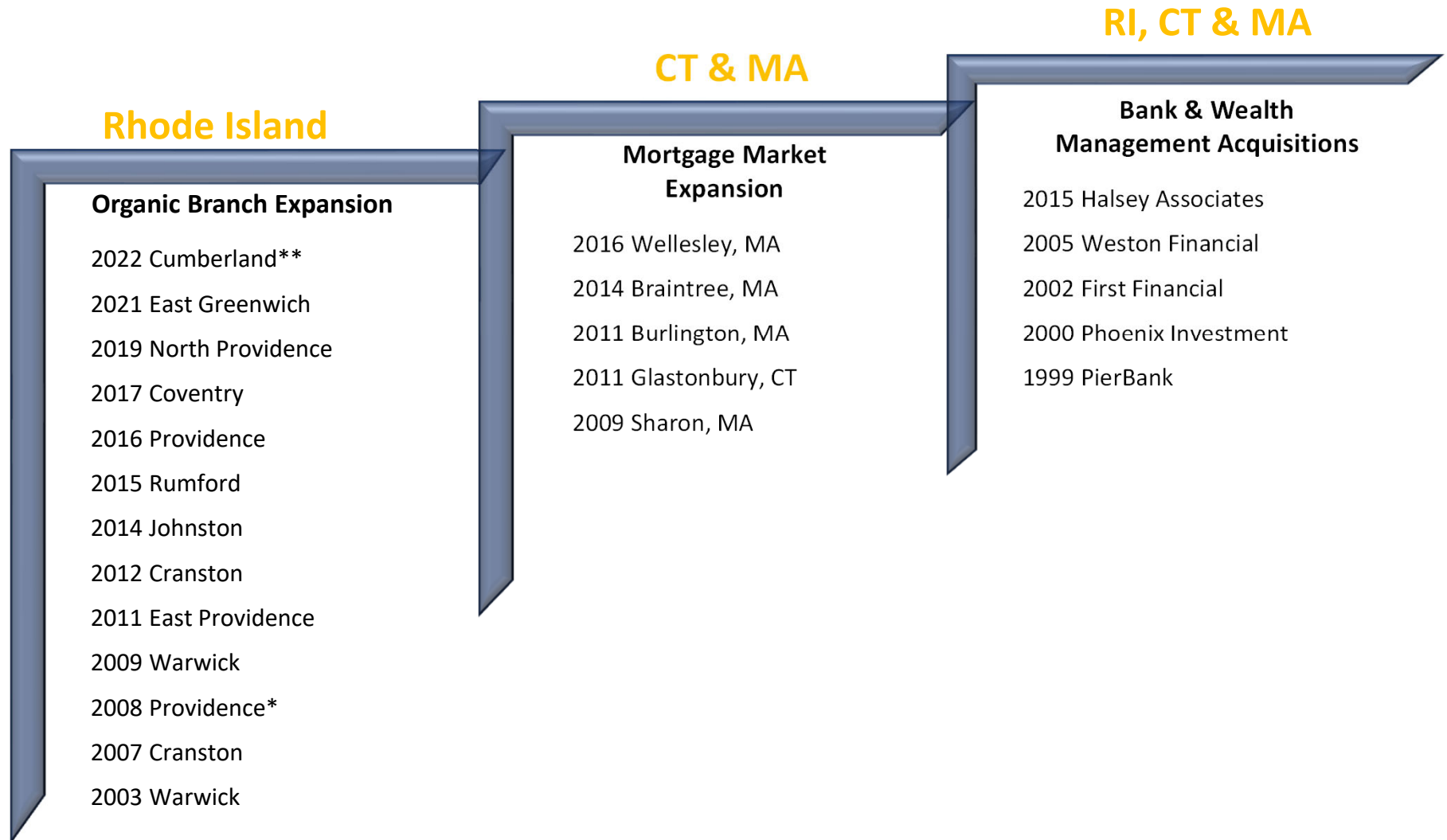
Named by Newsweek as Best Small Bank in Rhode Island

Named as one of Rhode Island's Best Places to Work by Providence Business News for the eleventh year in a row.





# Proven Growth Model



• Moved from 180 Washington Street, Providence  
\*\* Announced new branch to open Q2 2022



# STRATEGIC PRIORITIES

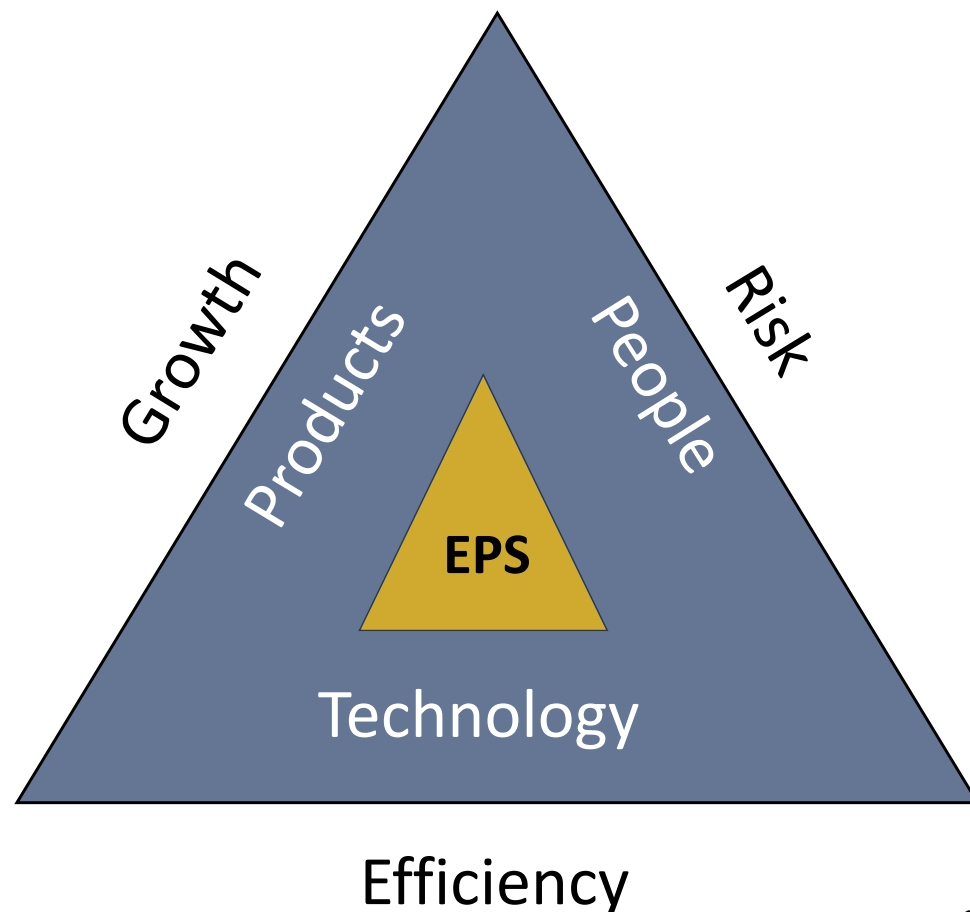






# Achieve Shareholder Value

- Sustain strong financial performance
  - ROA: 1.32%
  - ROE: 14.03%
  - ROTCE: 16.09%
- Emphasize pristine asset quality
- Maintain consistent profitability



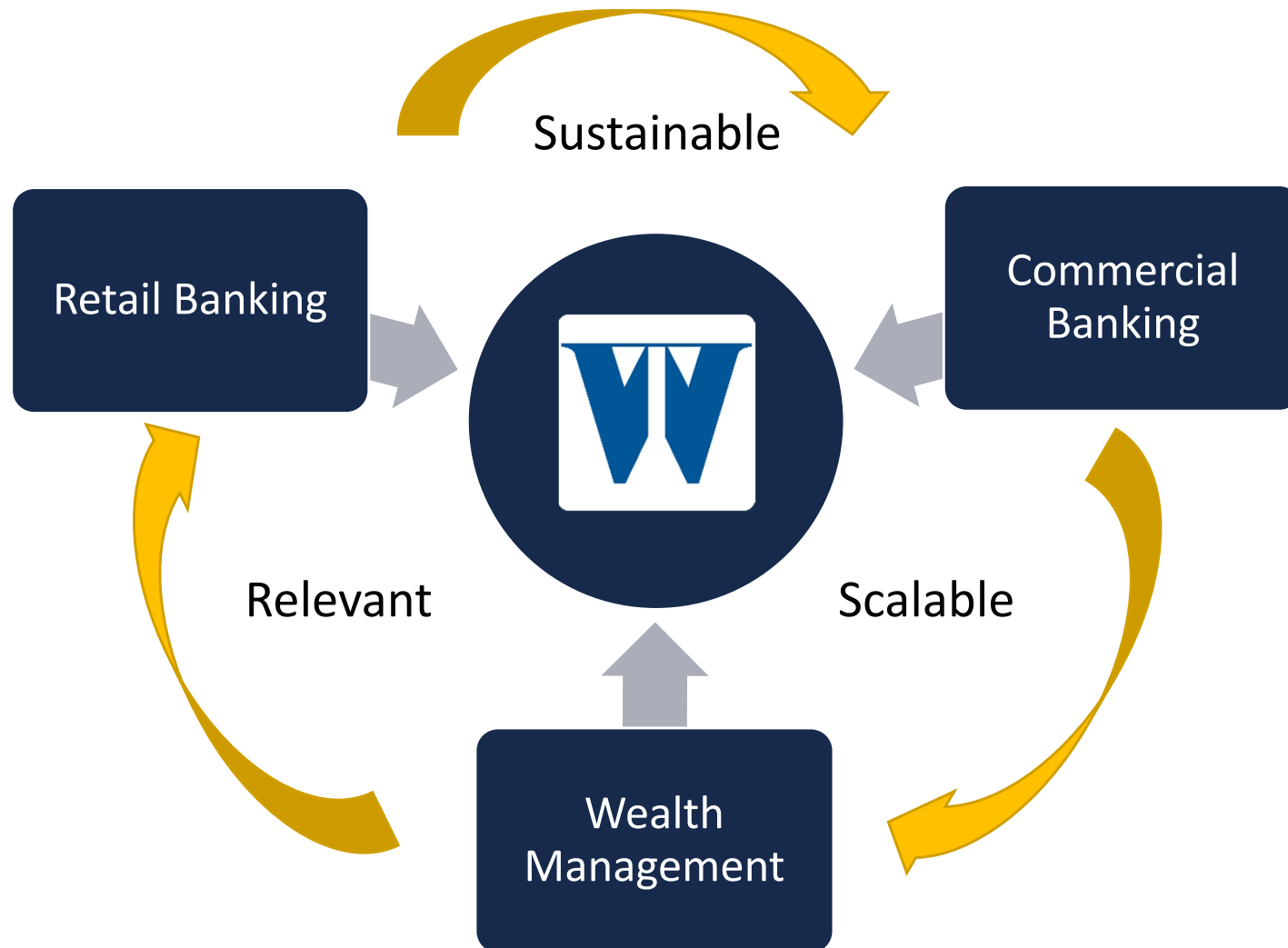


# Value Creation

- Preserve strong capital position
- Maintain strong credit quality
- Focus on key growth priorities
- Evaluate and consider growth through M&A



# Capitalize on Unique Business Model





# Exploit Opportunities in Core Market

- Expand into new markets
- Continue organic and contiguous growth
- Leverage key deposit, wealth and mortgage relationships
- Capitalize on brand strength and service quality reputation

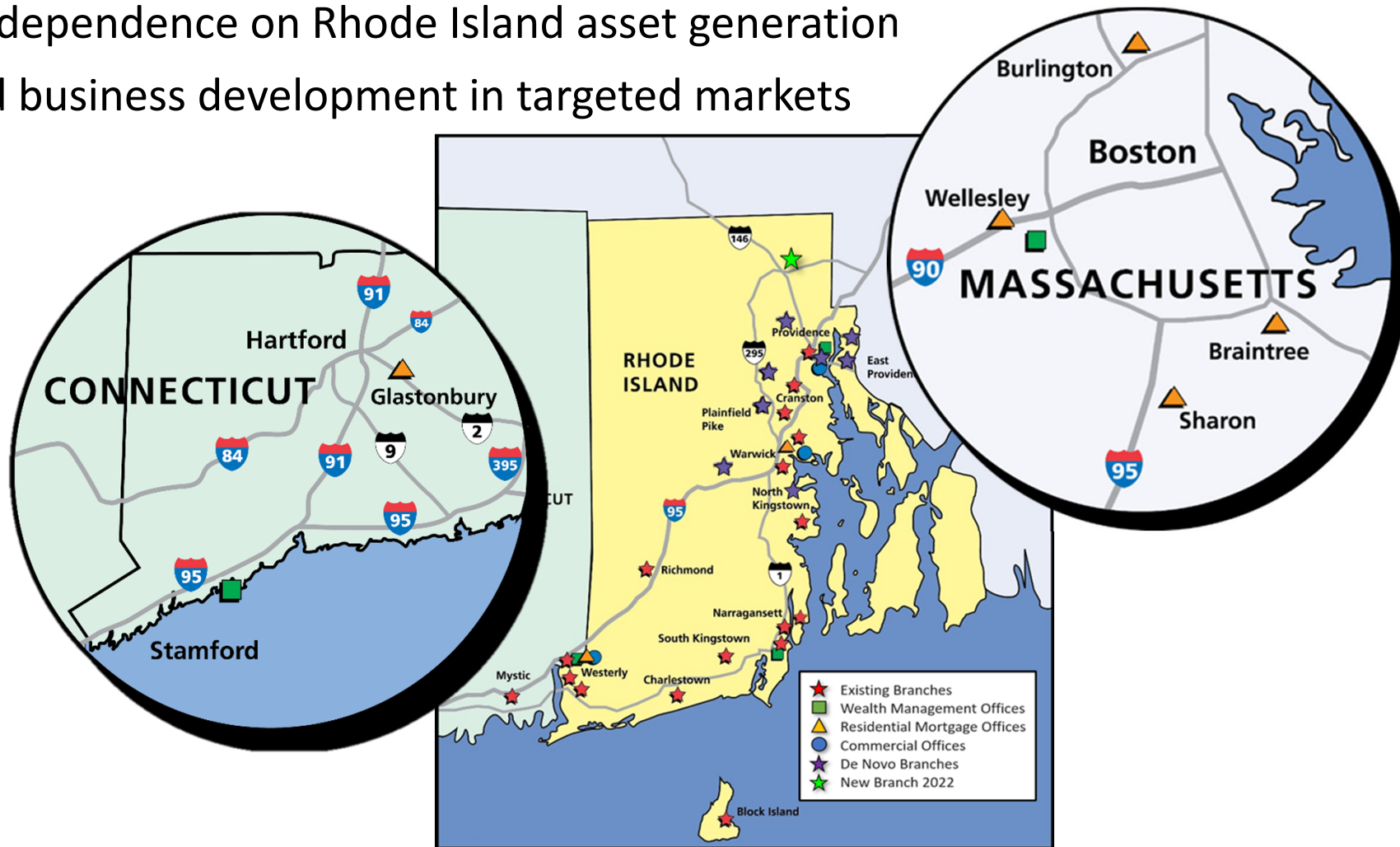






# Seize Opportunities in Growth Markets

- Enhanced lending activity into adjacent New England states
- Reduced dependence on Rhode Island asset generation
- Expanded business development in targeted markets





# Enhance Client Experience

- Balance “high touch” personal service with “high tech” digital solutions
- Ensure positive client experiences across and between all channels
- Deepen client relationships by understanding the entire customer journey
- Optimize branch delivery
- Invest in key technology

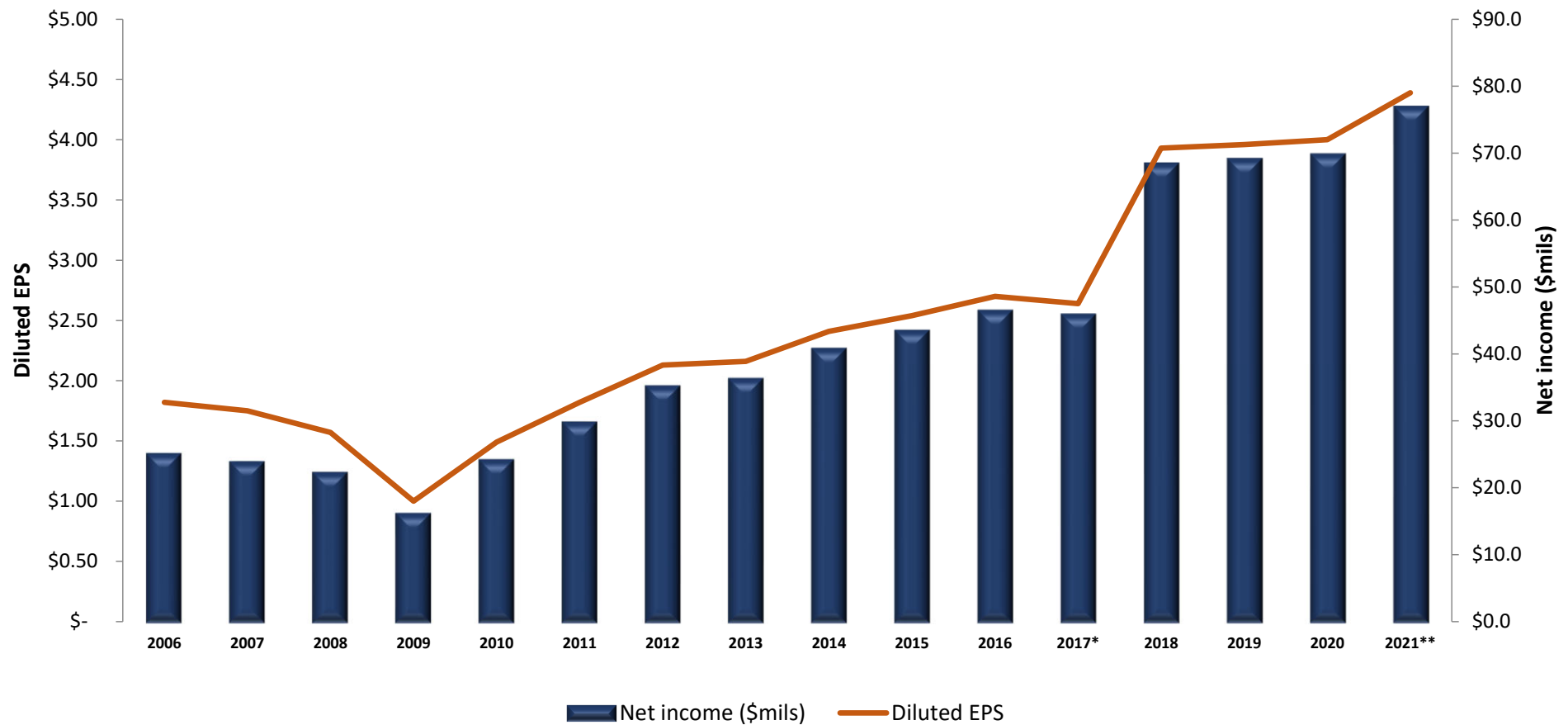
# EARNINGS CAPACITY





# Profitability Trend

## Proven track record of earnings growth



At December 31st unless otherwise noted

\* Includes \$6.2 million deferred tax asset write-down resulting from Tax Reform Act

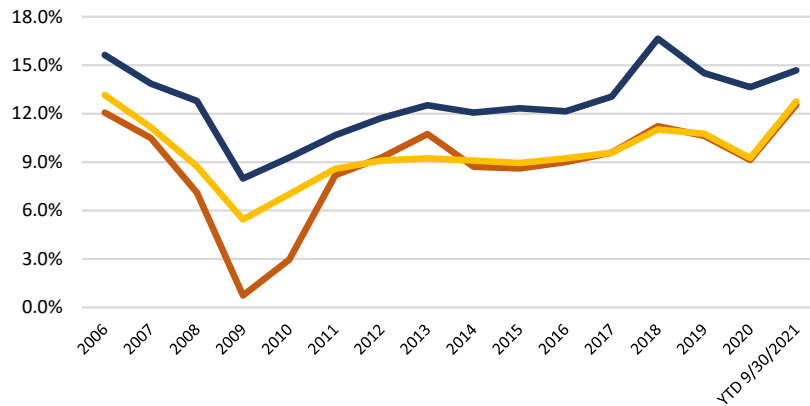
\*\* Includes \$5.4 million after tax net non-operating expense (FHLB prepayment fees)



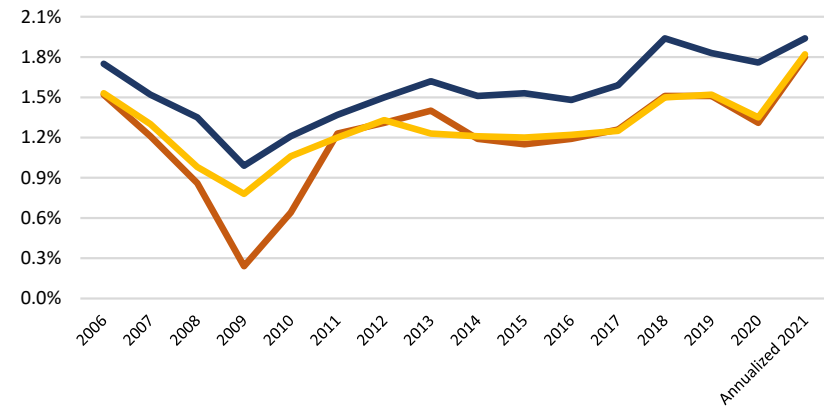


# Profitability Metrics

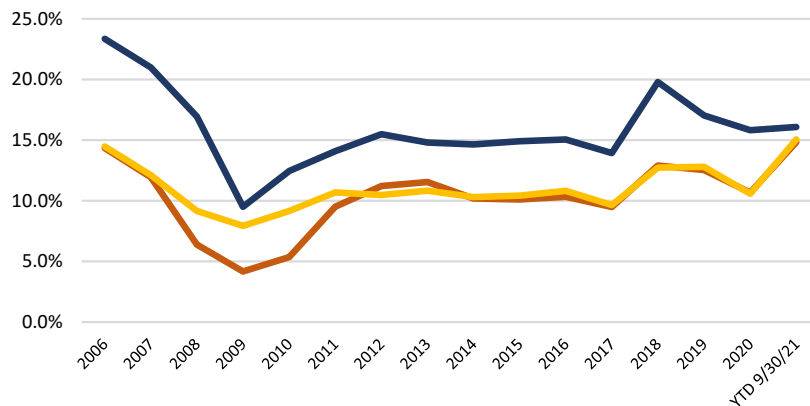
Core ROE <sup>(1)</sup>



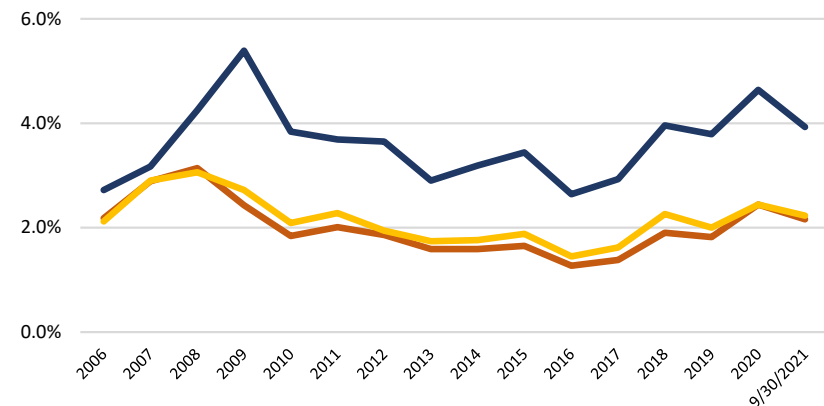
Risk-Weighted Core ROA <sup>(1)</sup>



ROATCE



Dividend Yield



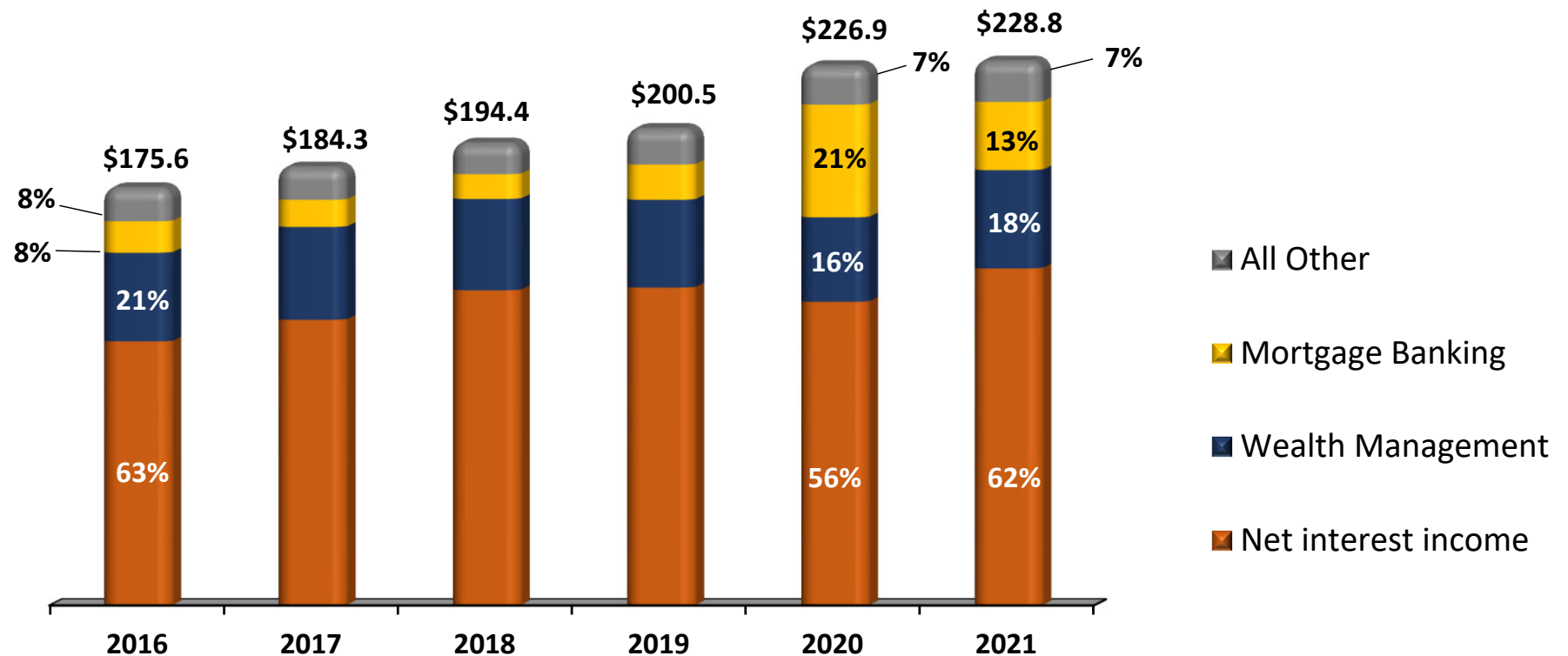
— WASH — Average peer — Median peer

Most recent complete peer data as of 9/30/21  
 Peers are public banks & thrifts with \$3 billion to \$10 billion in total assets excluding Puerto Rico; Source: S&P Global Market Intelligence  
 (1) Based on core income defined as "net income after taxes and before extraordinary items, less net income attributable to noncontrolling interest, gain on the sale of held to maturity and available for sale securities, amortization of intangibles, goodwill and nonrecurring items." Source: S&P Global Market Intelligence



# Top Line Revenue Trend

Contributions from all major business lines

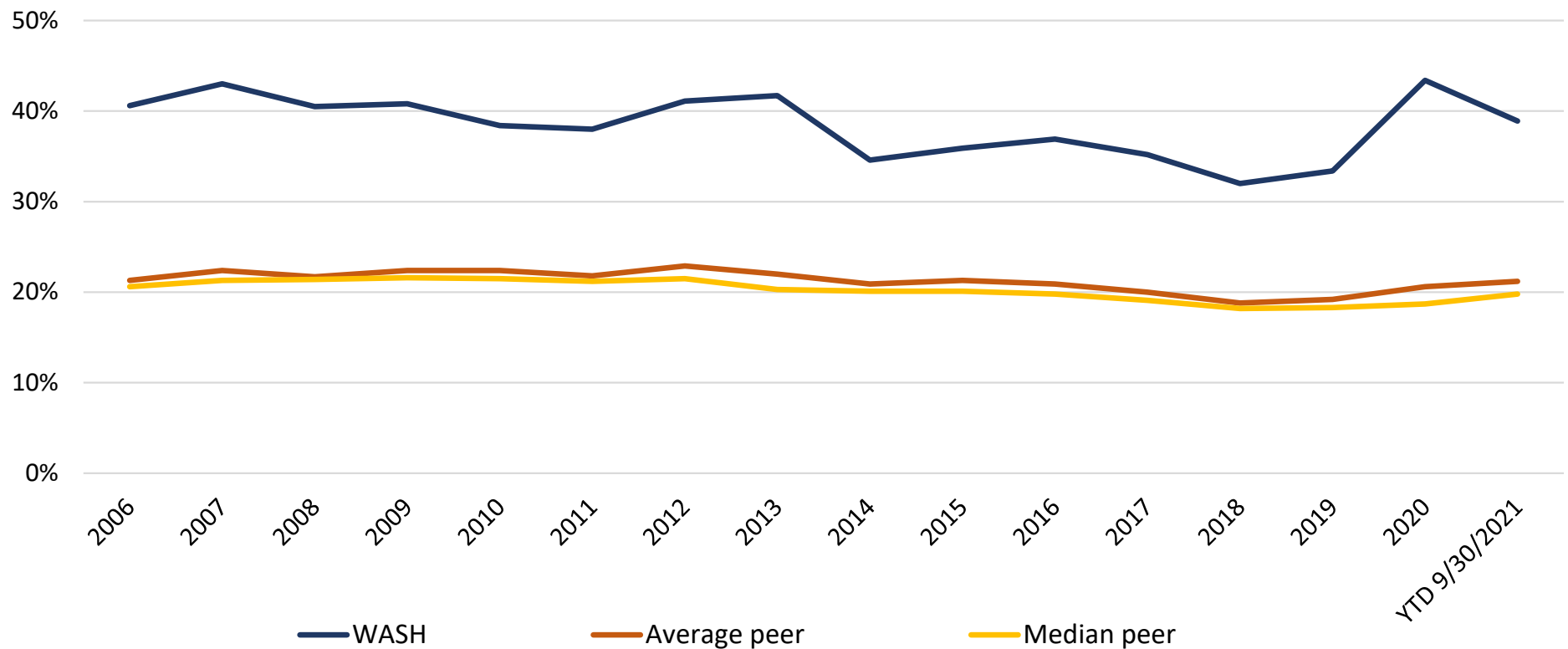




# Noninterest Income Trend

Better than 95% of peer group <sup>(1)</sup>

Noninterest Income as % of Operating Income



Most recent complete peer data as of 9/30/21

(1) Percentile ranking for the twelve months ended December 31, 2020 unless otherwise noted among public banks & thrifts with \$3 billion to \$10 billion in total assets excluding Puerto Rico; Source: S&P Global Market Intelligence

# CREDIT QUALITY





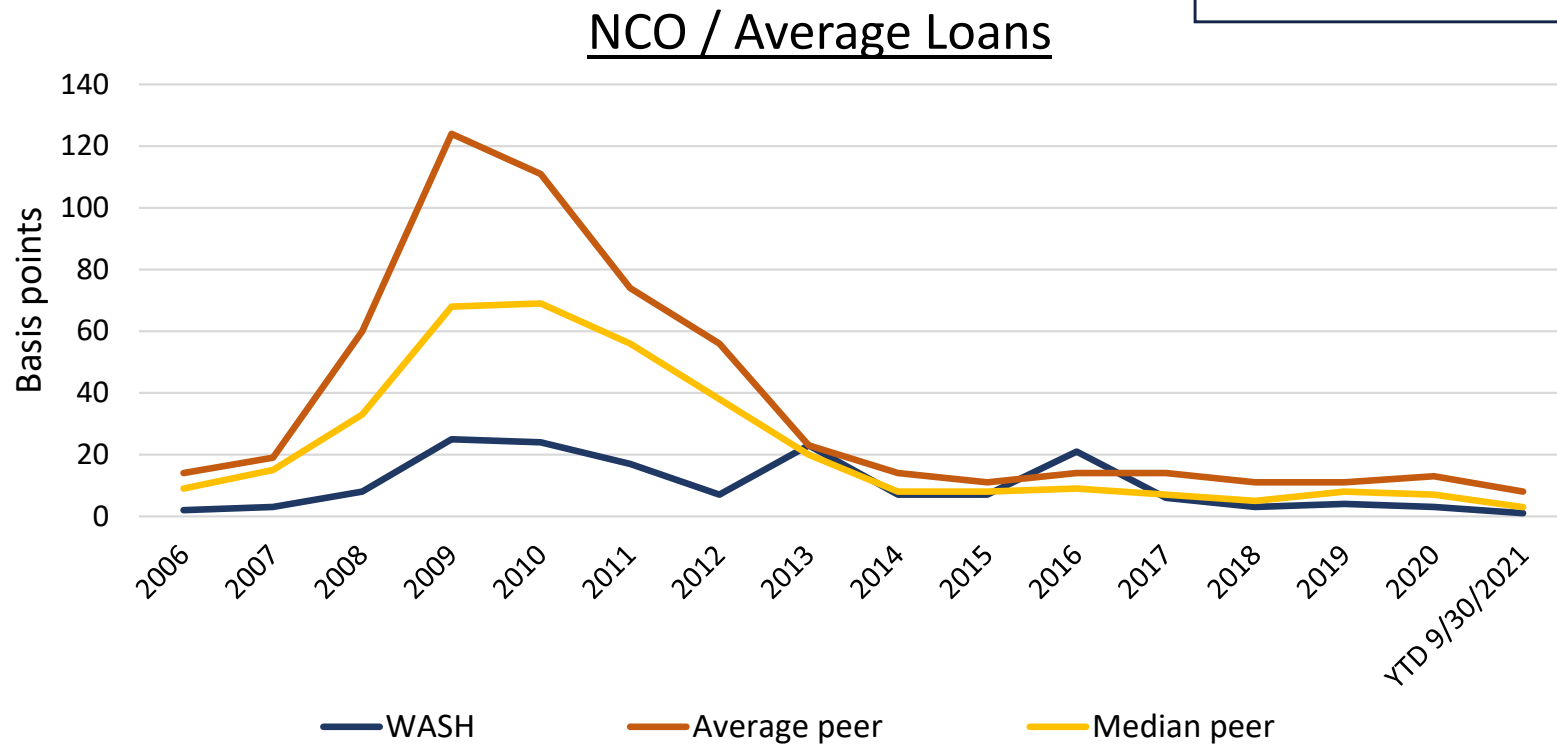


# Asset Quality

## Historical differentiator

### Cumulative losses 2006-2021 (bps)

WASH	162
Average peer	580
Median peer	363



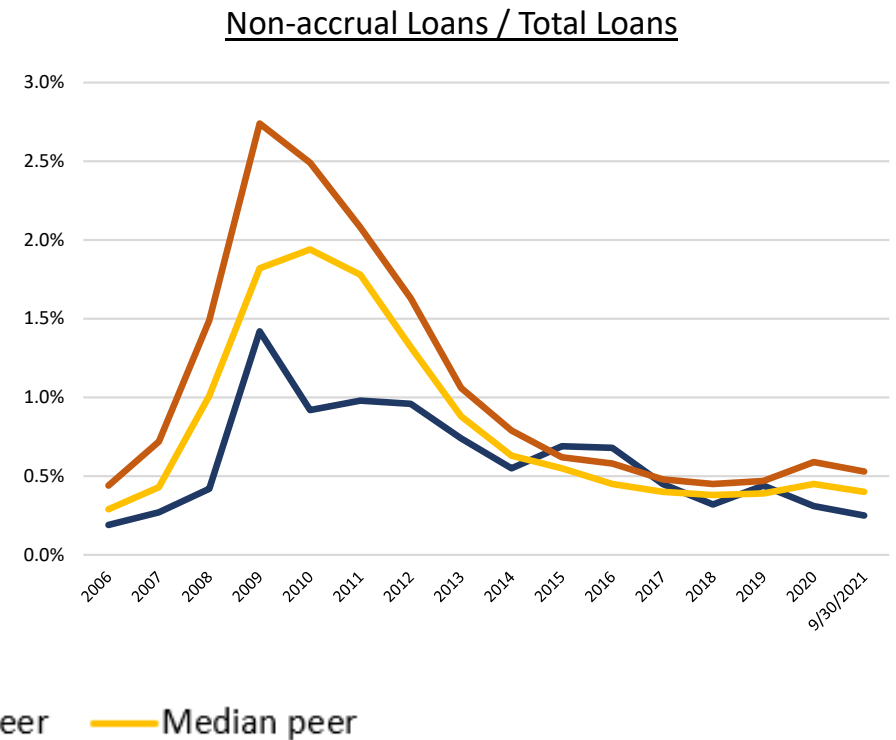
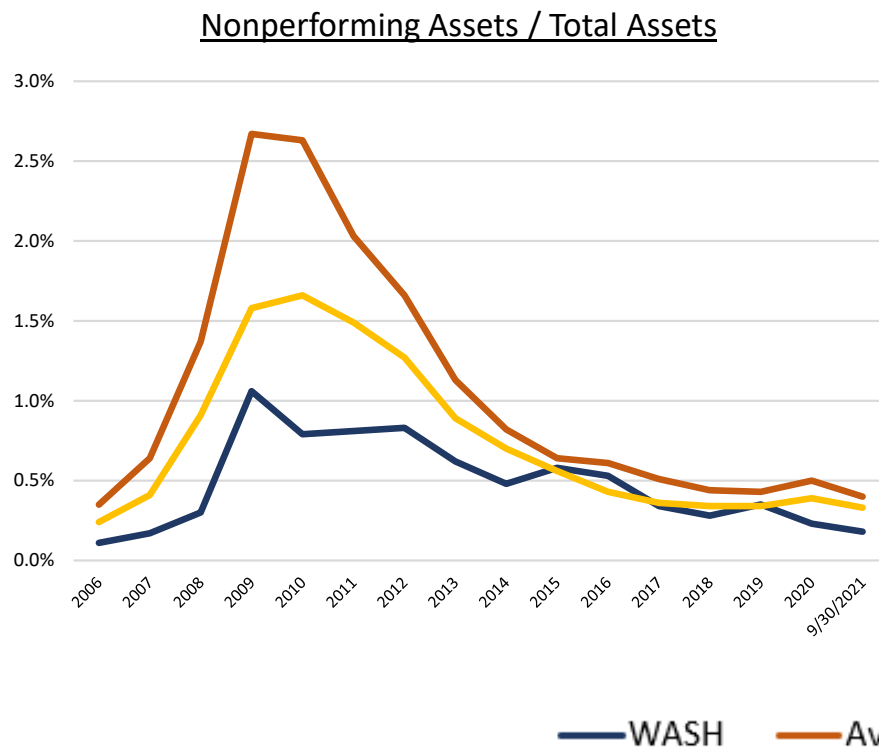
Most recent complete peer data as of 9/30/21

Percentile ranking for the year ended December 31st unless otherwise noted among public banks & thrifts with \$3 billion to \$10 billion in total assets excluding Puerto Rico; Source: S&P Global Market Intelligence



# Credit Quality

## Consistently strong asset quality ratios



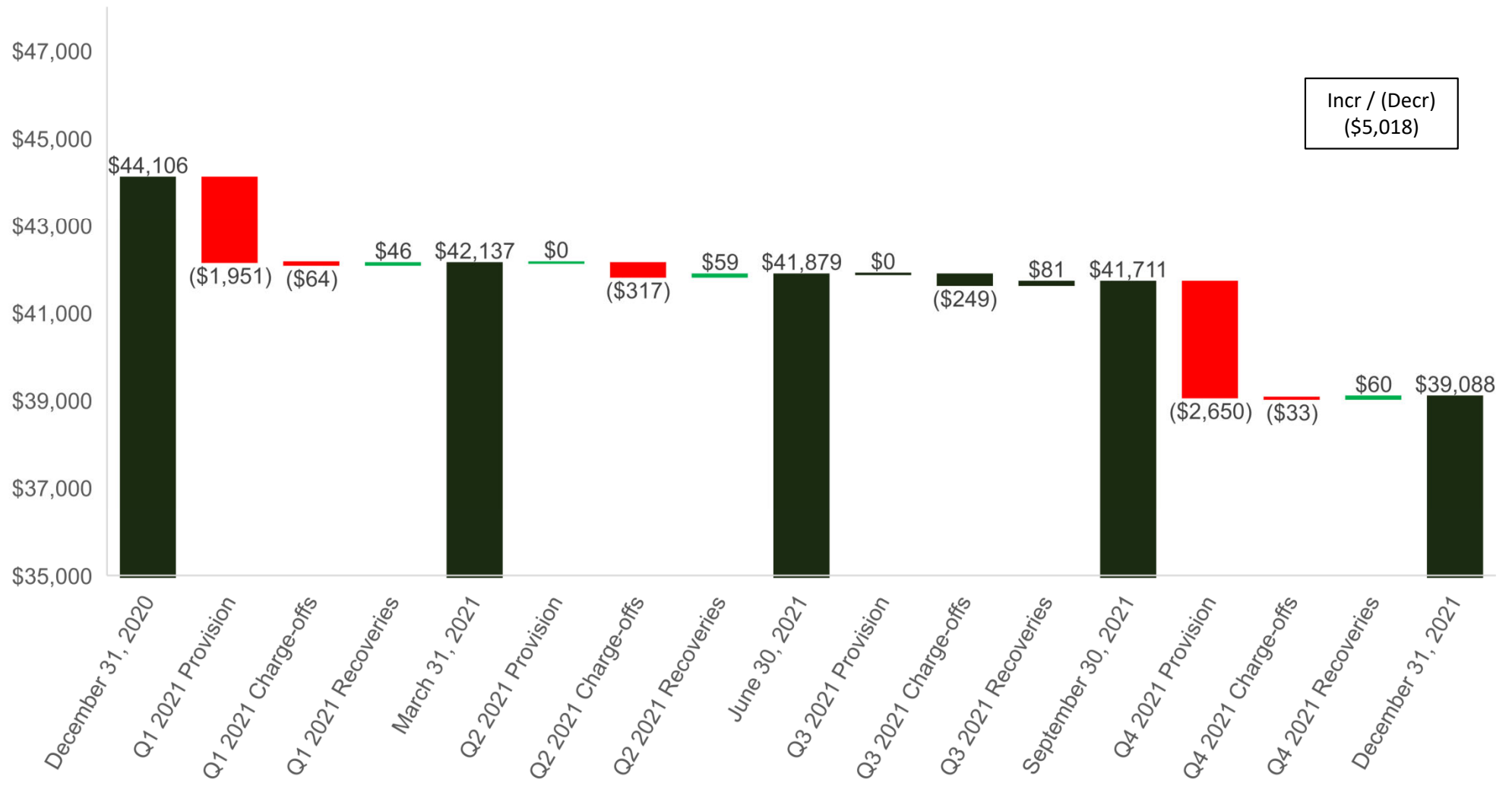
Most recent complete peer data as of 9/30/21

At December 31st, unless otherwise noted

Peers are public banks & thrifts with \$3 billion to \$10 billion in total assets excluding Puerto Rico; Source: S&P Global Market Intelligence



# ACL on Loans Rollforward

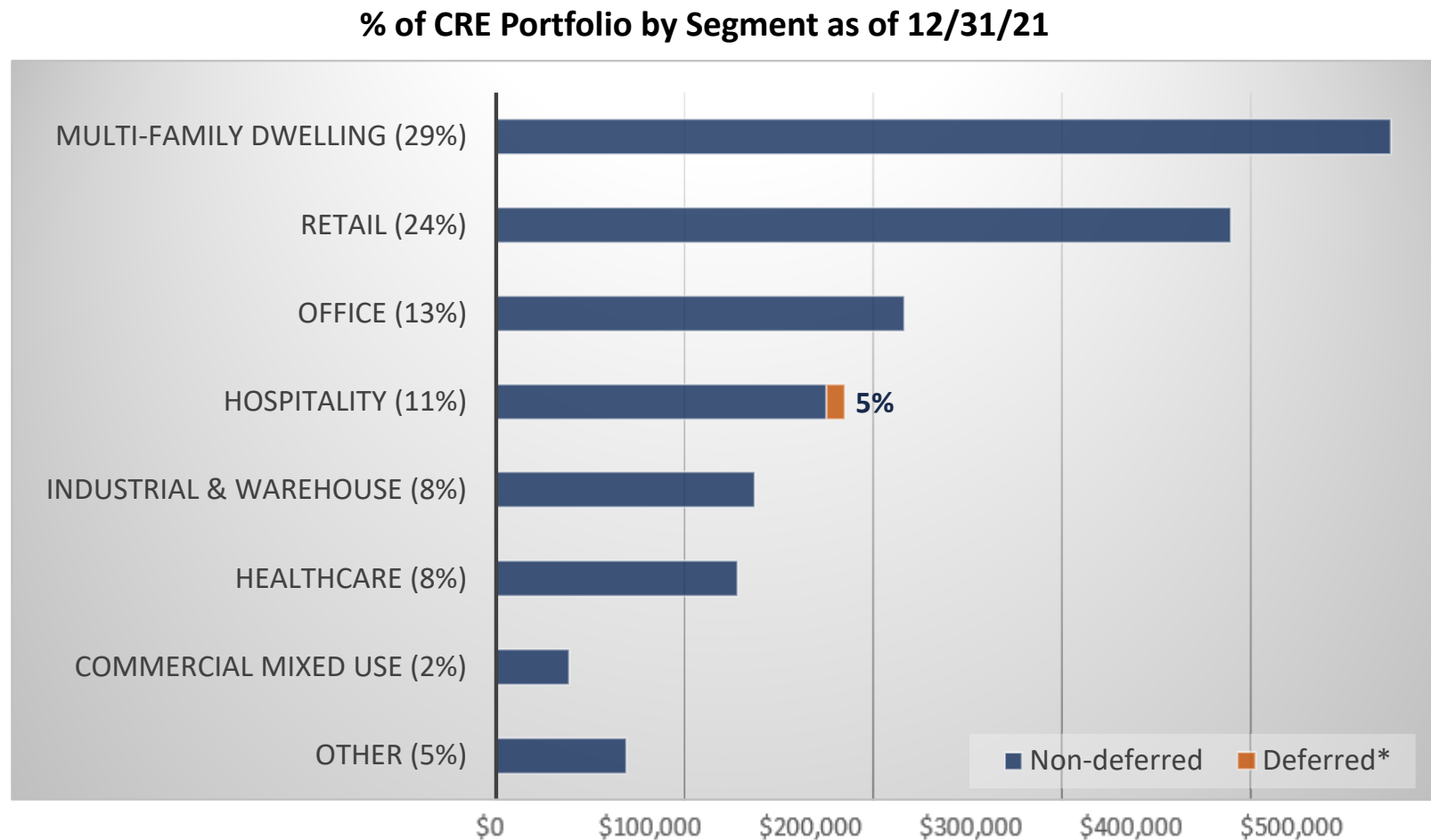




# Commercial Real Estate Lending

## Portfolio Overview as of December 31, 2021 (outstandings) and December 31, 2021 (deferments)

- Total portfolio: \$1.6 billion; \$9.7 million (1%) deferred



\* Executed deferments as of 12/31/21 as a percentage of 12/31/21 outstanding balances.



# Commercial & Industrial (C&I)

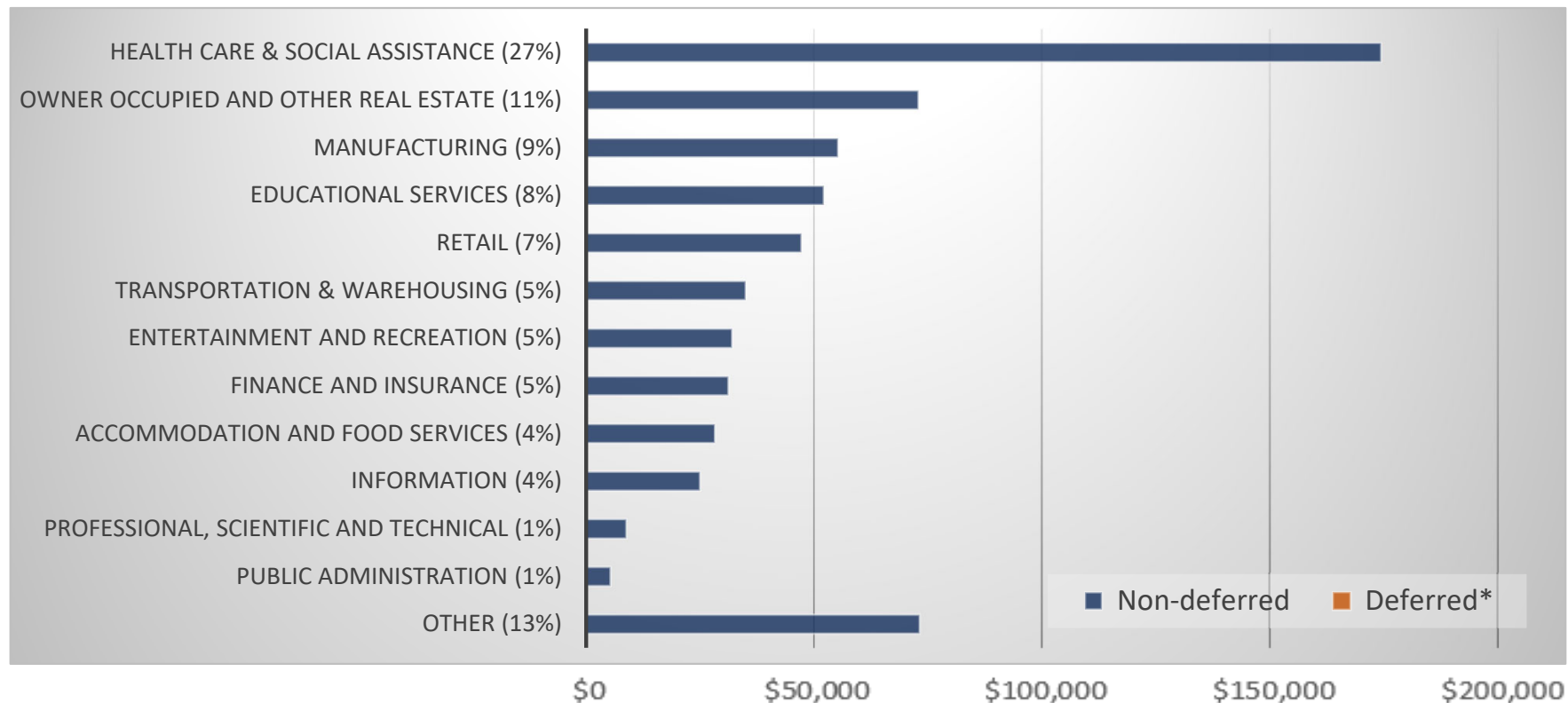
## Portfolio Overview as of December 31, 2021 (outstandings) and December 31, 2021 (deferments)

- Total portfolio: \$641.6 million; 0% deferred

### Paycheck Protect Program (PPP)

- 2,930 SBA loans totaling \$321 million, current PPP loan balance of \$38 million as of December 31, 2021

**% of C&I Portfolio by Segment as of 12/31/21**



\* Executed deferments as of 12/31/21 as a percentage of 12/31/21 outstanding balances.

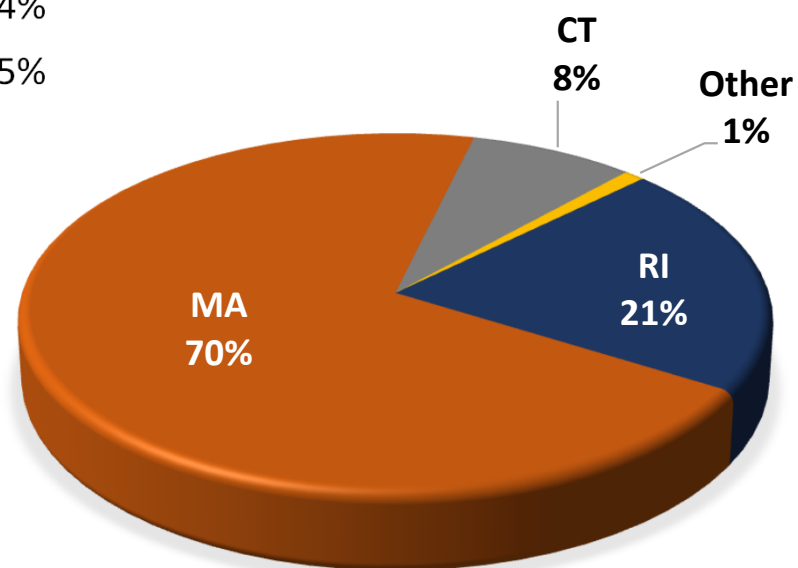




# Residential & Home Equity

	<u>Residential</u>	<u>Home Equity</u>
Total portfolio (\$ millions)	\$1,727.0	\$247.7
FICO score*	757	761
Total delinquencies	0.6%	0.3%
Nonperforming	0.8%	0.3%
Net charge-offs to average loans	0.00%	0.04%
LTV <sup>(1)</sup>	59.7%	63.5%

- **No Home Equity deferments**
- **No Residential deferments**



At or for the twelve months ended December 31, 2021

\* Weighted average; refreshed May 31, 2021

Weighted average LTV for residential loans is based on updated collateral values and current loan balances. LTV for home equity represent the LTV at origination.

# CAPITAL MANAGEMENT

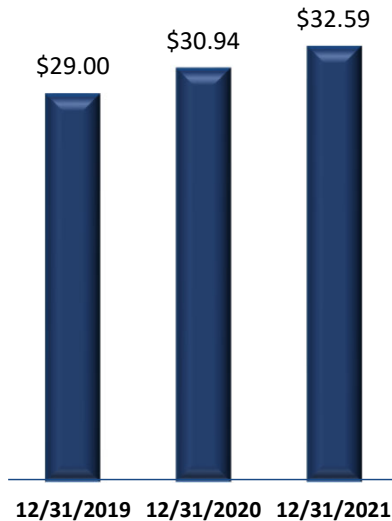




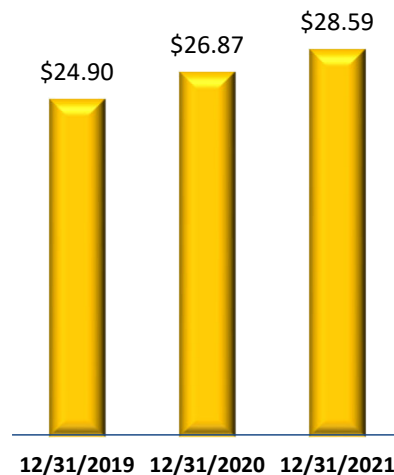
# Capital Position

- Solid balance sheet, fee-intensive business model
- Supports dividend & future growth

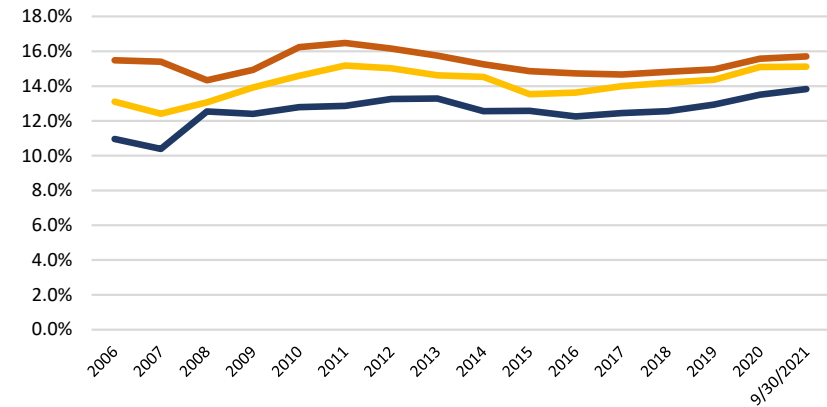
Book Value per Share



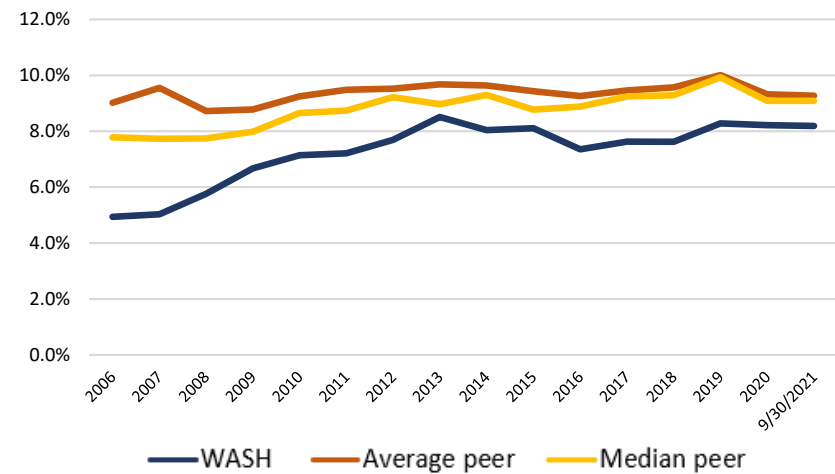
Tangible Book Value per Share <sup>(1)</sup>



Total Risk-based Capital



Tangible Equity / Tangible Assets



— WASH — Average peer — Median peer

Most recent complete peer data as of 9/30/21

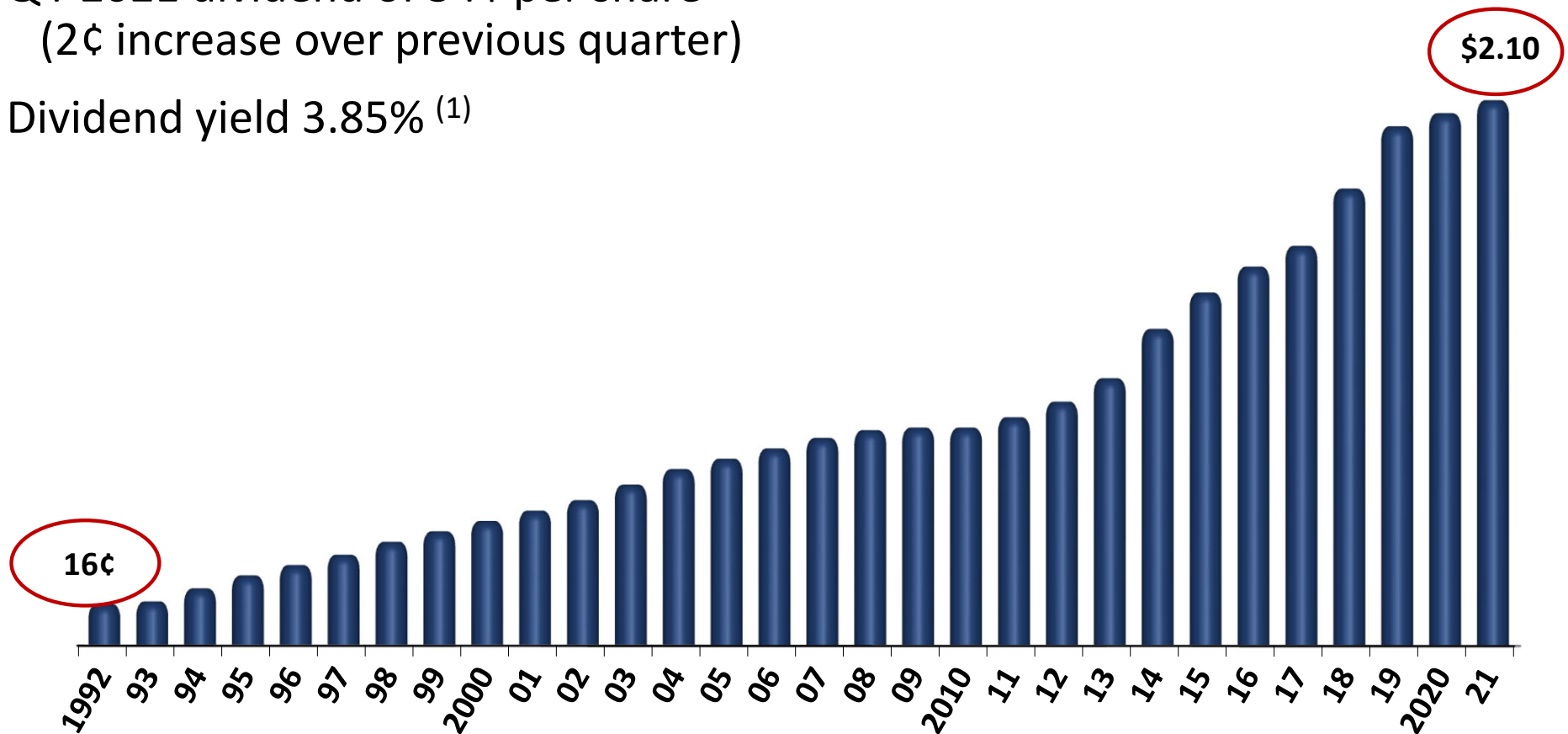
(1) Non-GAAP; see “Non-GAAP Financial Measures”

Peers are public banks & thrifts with \$3 billion to \$10 billion in total assets excluding Puerto Rico; Source: S&P Global Market Intelligence



# Cash Dividend Declared

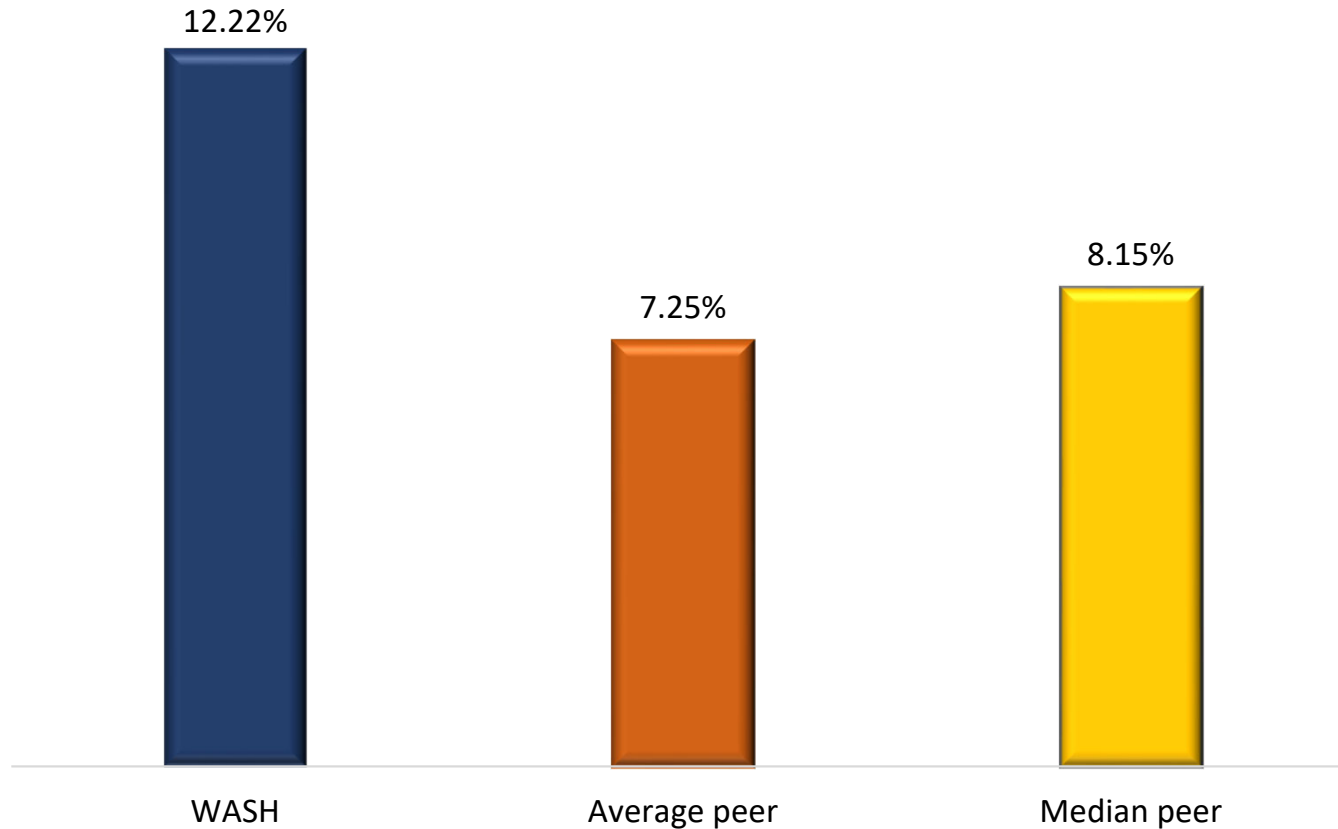
- Important contributor to shareholder value
- Q4-2021 dividend of 54¢ per share  
(2¢ increase over previous quarter)
- Dividend yield 3.85% <sup>(1)</sup>





# Capital Deployment

Tangible Book Value per Share Plus Cumulative Dividend per Share CAGR  
12/31/2006 to 9/30/2021

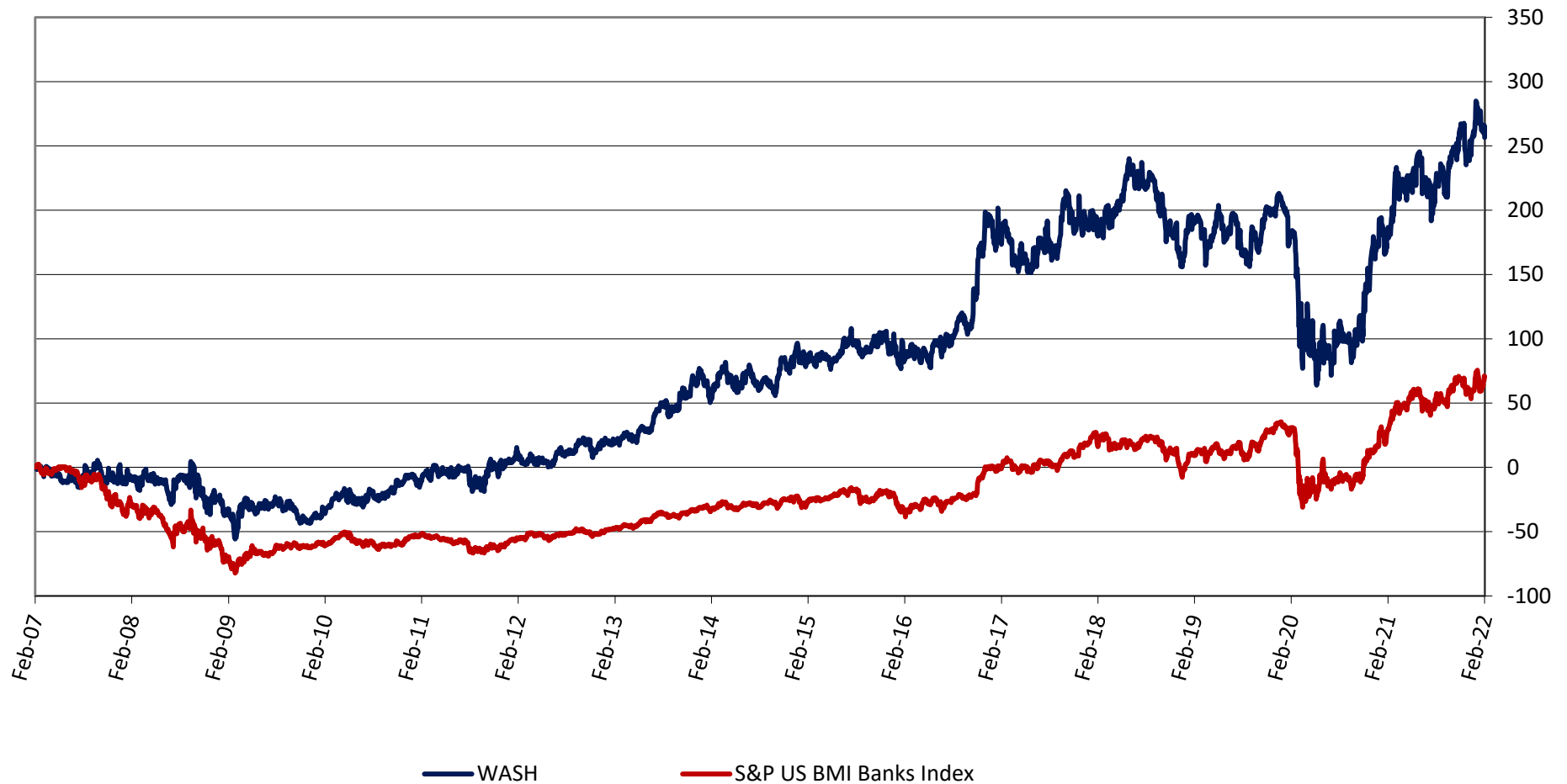






# 15 Year Total Stock Returns

WASH Total Return (%) versus S&P US BMI Banks Index

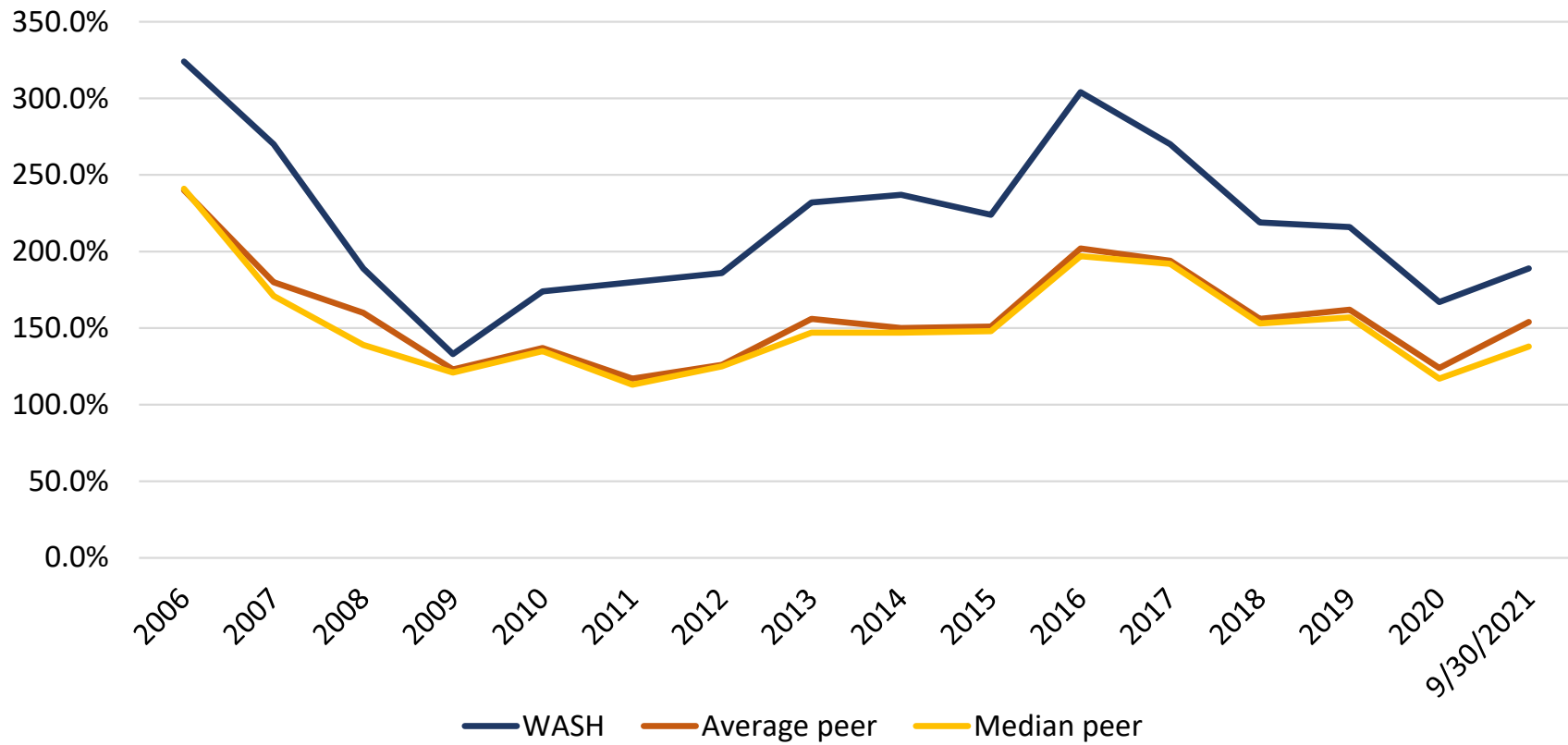




# Price / Tangible Book Trend

Attractive entry point given historical pricing

## Price / Tangible Book Multiple

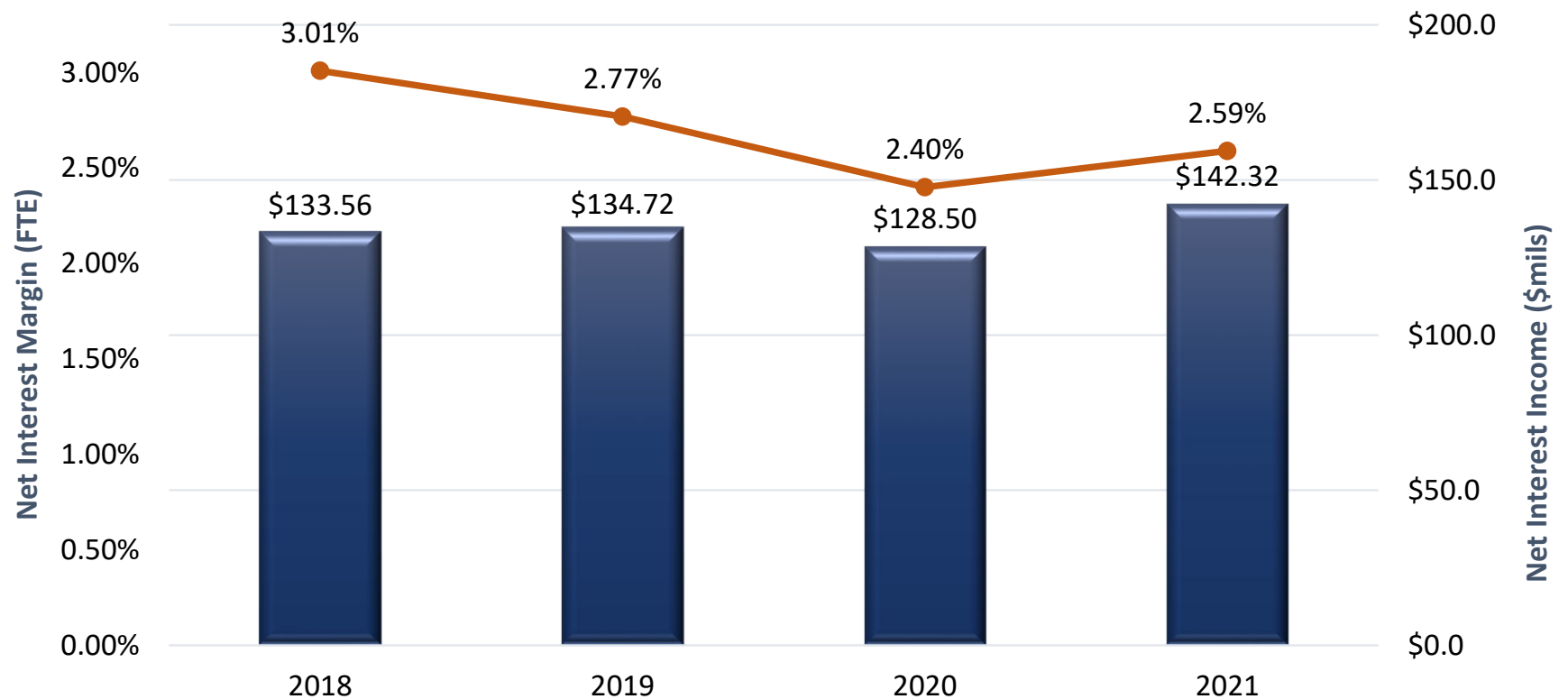


# FINANCIAL HIGHLIGHTS





# Net Interest Margin

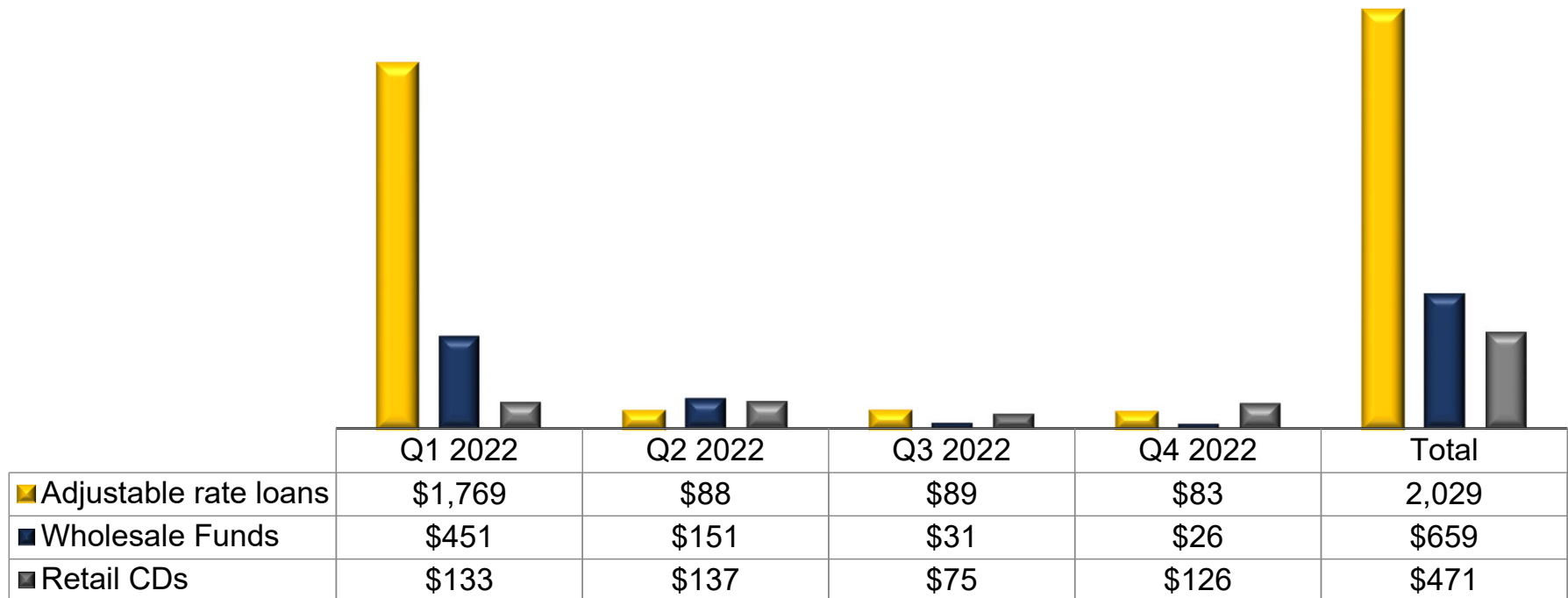




# Repricing Analysis

- Balance sheet is asset sensitive
- Adjustable rate loans mainly 1M LIBOR and Prime
- Adjustable rate loans largely funded with short-term adjustable liabilities ( $\leq 1$  year)

## Funding Repricing



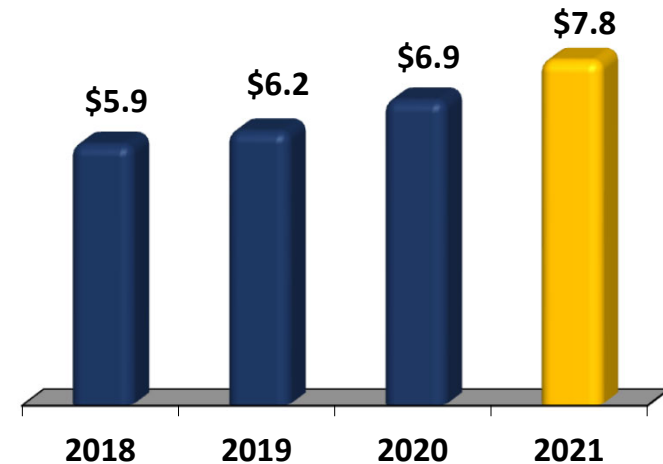




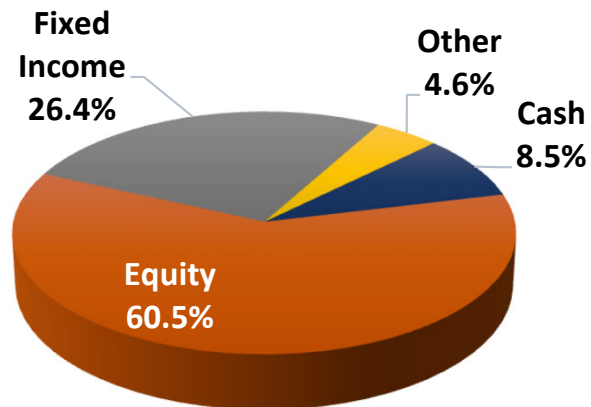
# Wealth Management

- Key contributor to pre-tax income
- Average client size: \$2.8 million
- 69% high net worth individuals
- Average fee: 55 basis points

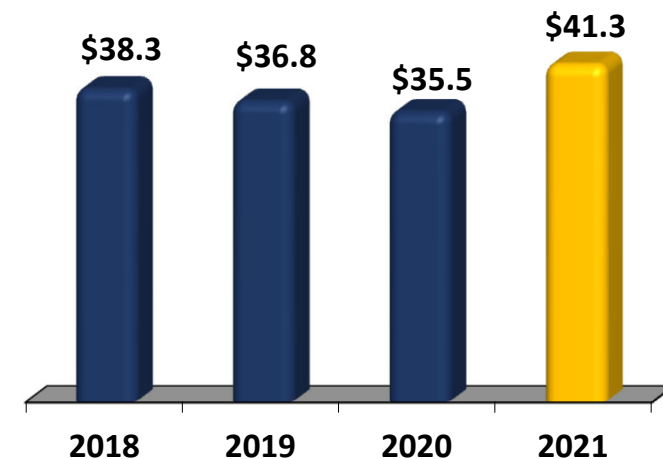
Assets Under Administration (AUA) (\$ billions)



Asset Mix



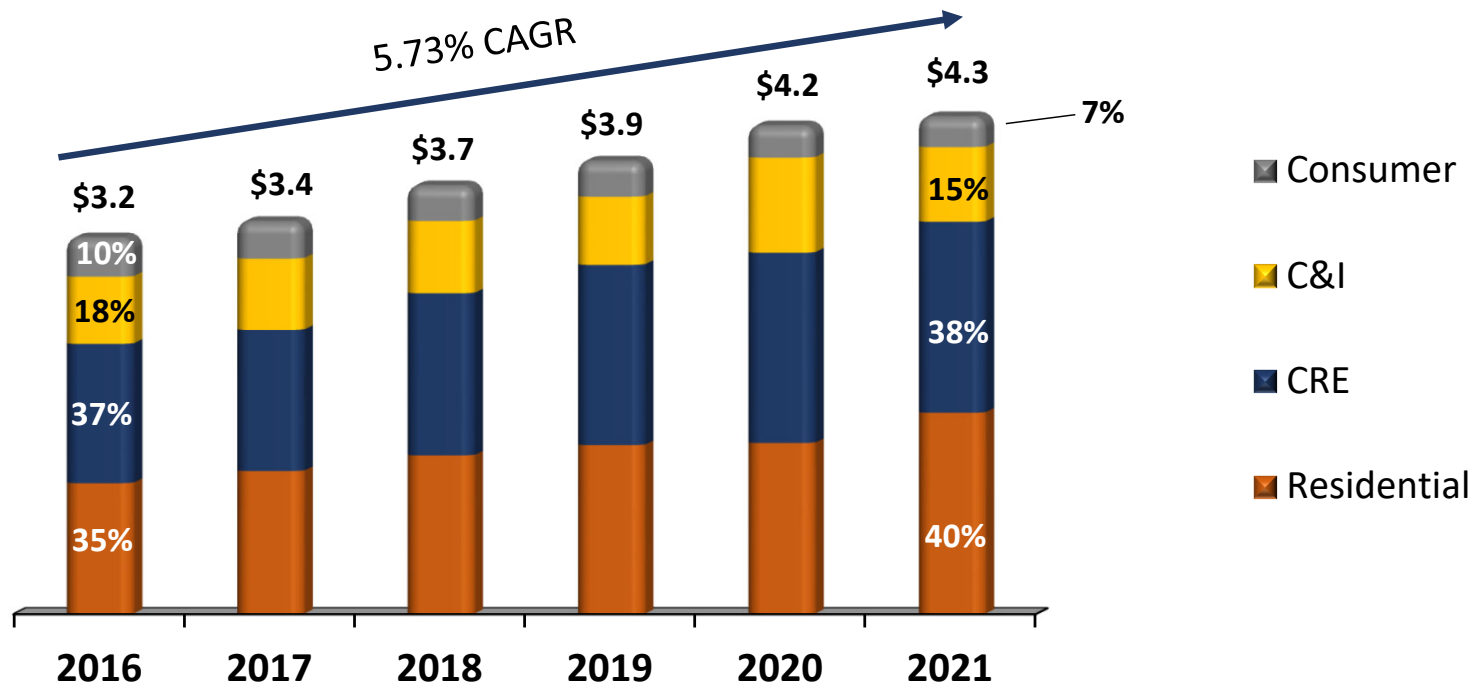
Revenues (\$ millions)





# Loan Portfolio

- Well-diversified portfolio
- 65% variable loans

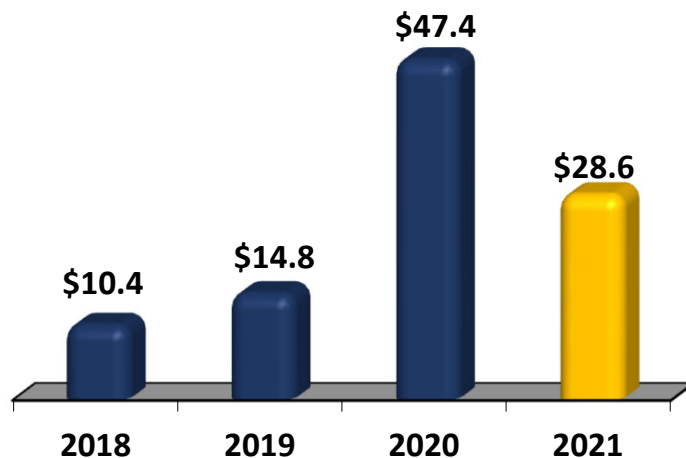




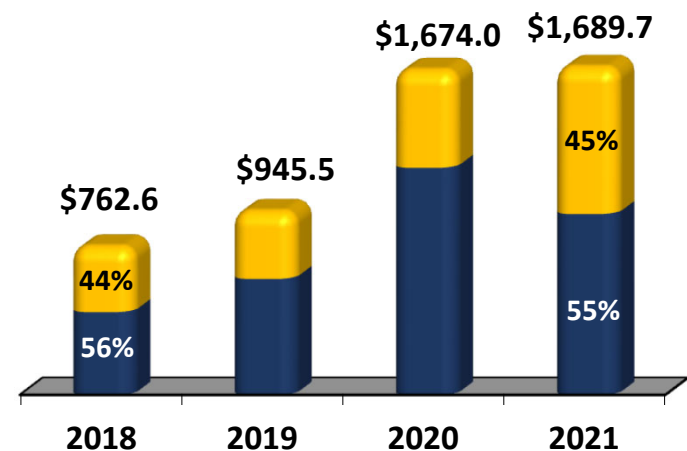
# Mortgage Banking

- Strategic approach aimed at developing banking relationships
- Flexible origination model where loans can be sold or put in portfolio
- Success in leveraging clients' mortgage experience to offer other banking services

Mortgage Banking Revenues <sup>(1)</sup>



Mortgage Originations <sup>(2)</sup>



■ Originated for Sale ■ Originated for Portfolio

\$ millions; at December 31st unless otherwise noted

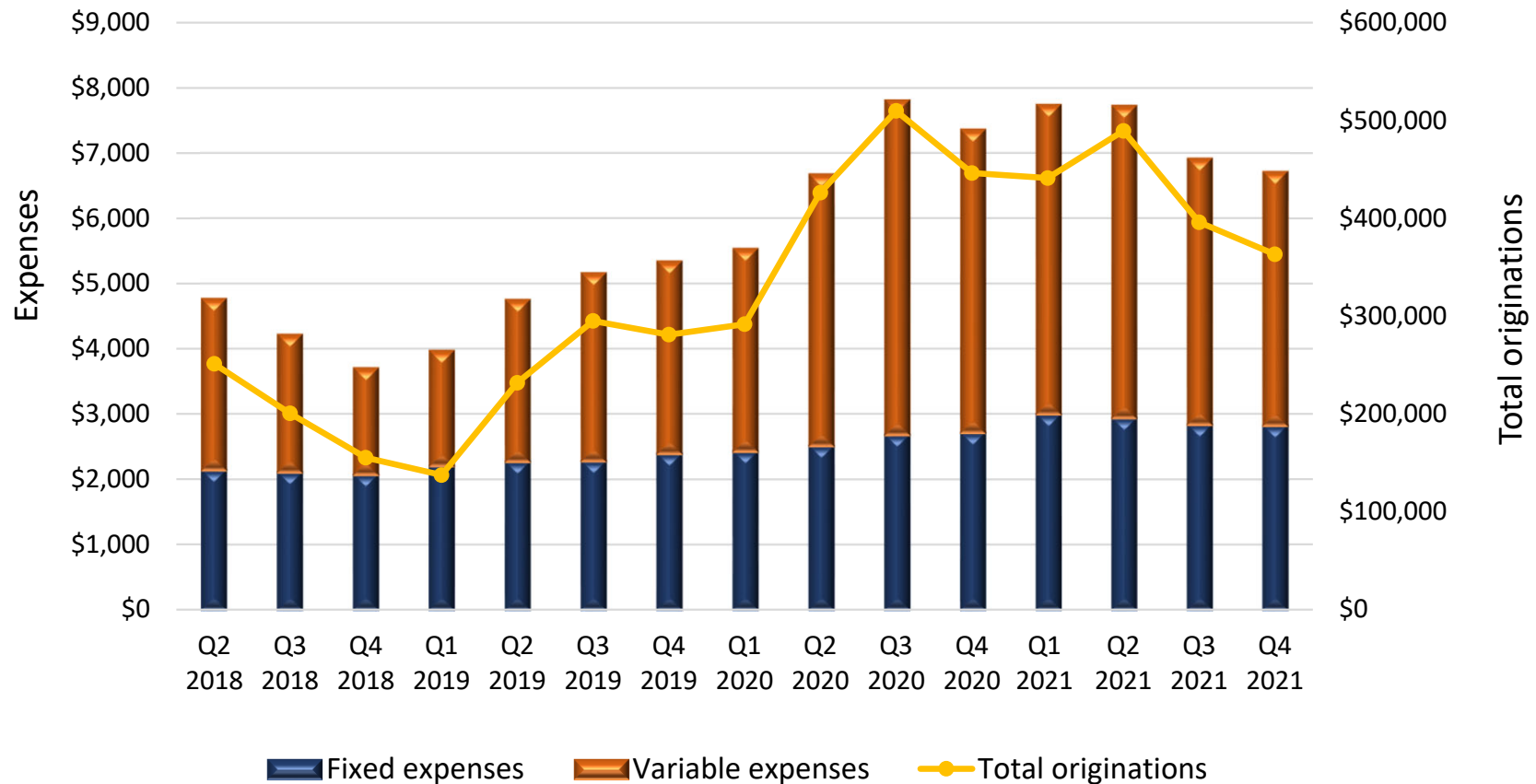
(1) Net gains on loan sales and commissions on loans originated for others

(2) Includes loans originated for portfolio or sale and as broker for other parties



# Mortgage Execution

- Expense base is largely variable with volumes
- Fintech processing provides speed of execution and closing reliability





# Mortgage Distribution

## As % of Total

Loan Amount Range	CT	MA	RI	NH	Total
< \$250,000	1%	5%	4%	0%	10%
\$250,000 up to \$548,250	2%	14%	5%	0%	22%
> \$548,250 (Jumbo) up to 1M	2%	28%	8%	0%	39%
> 1 Million	2%	23%	4%	0%	29%
Total	8%	70%	21%	1%	100%

## By State

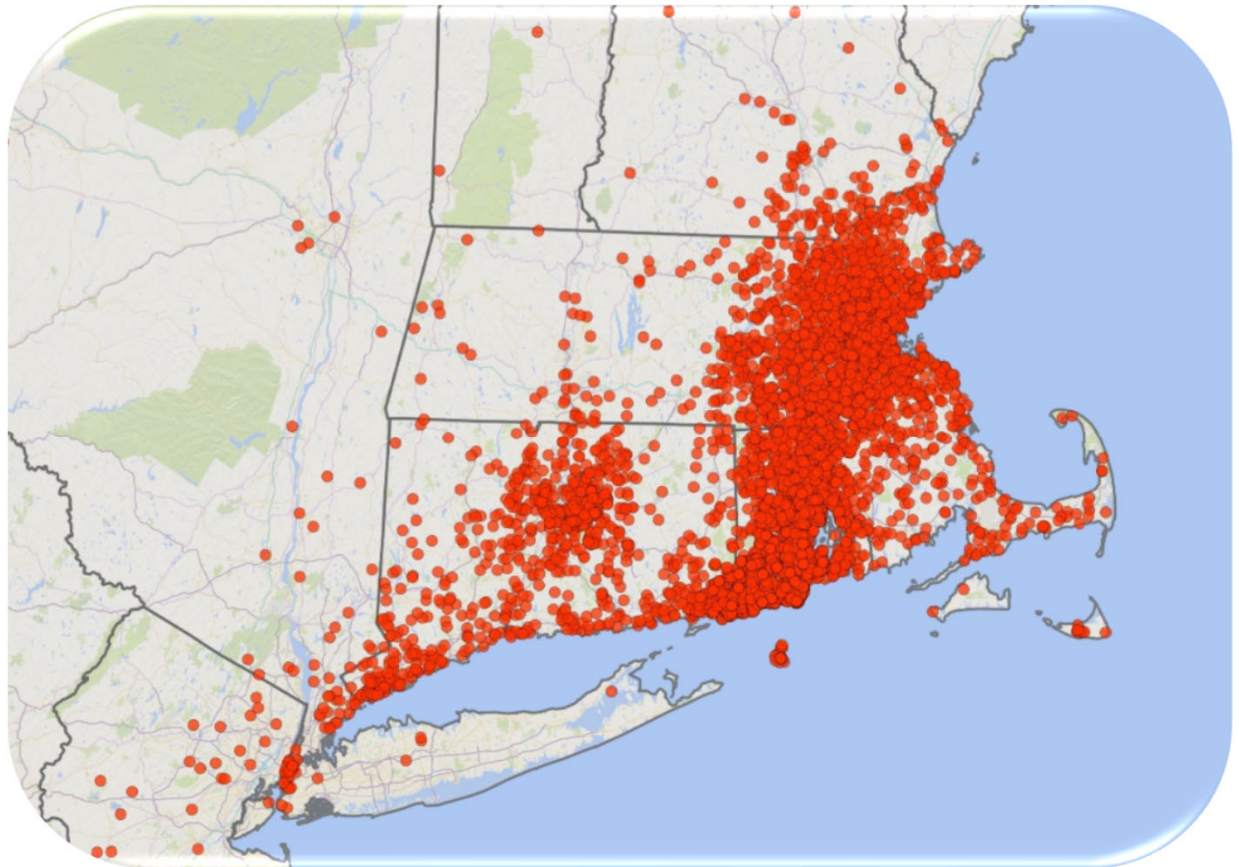
Loan Amount Range	CT	MA	RI	NH
< \$250,000	17%	7%	19%	18%
\$250,000 up to \$548,250	27%	20%	25%	31%
> \$548,250 (Jumbo) up to 1M	31%	40%	37%	37%
> 1 Million	25%	33%	19%	14%
Grand Total	100%	100%	100%	100%





# Mortgage Concentration

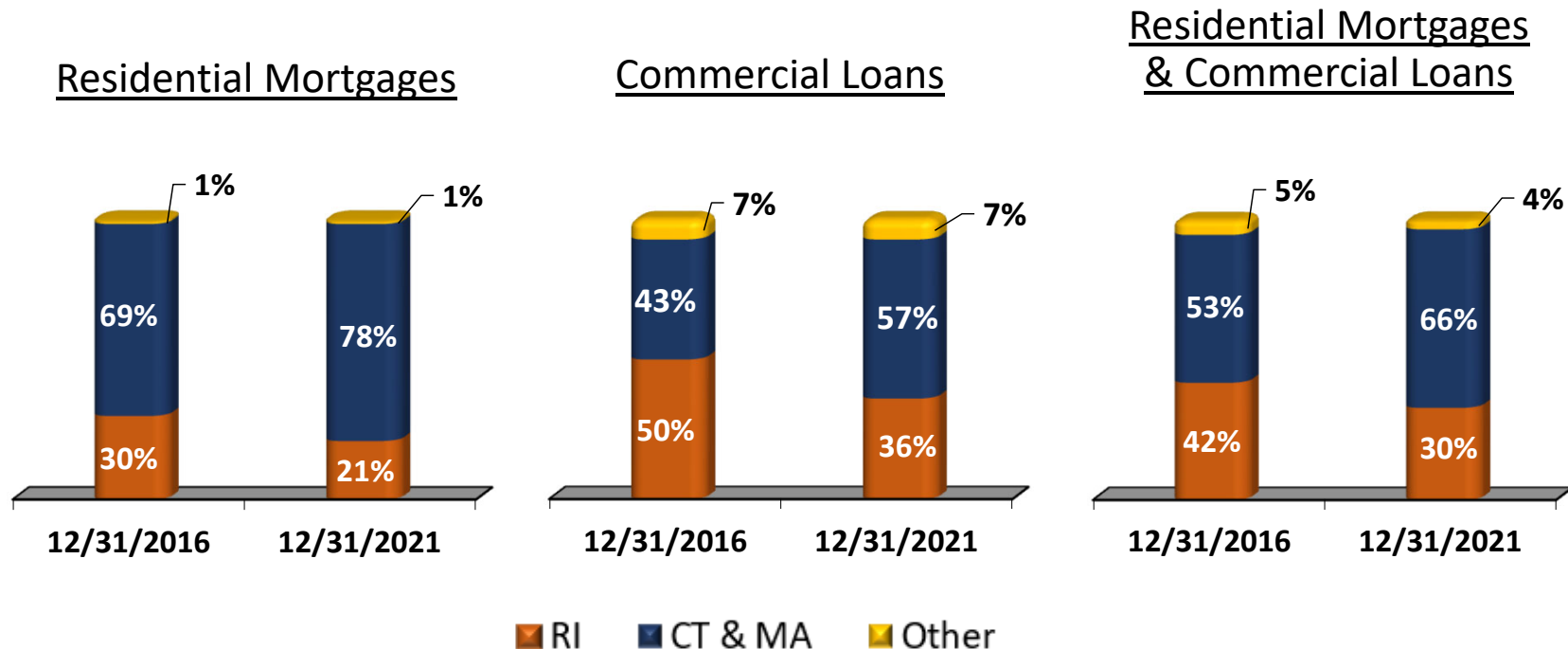
- Primarily in home territory
- 99% in RI, CT and MA





# Regional Expansion

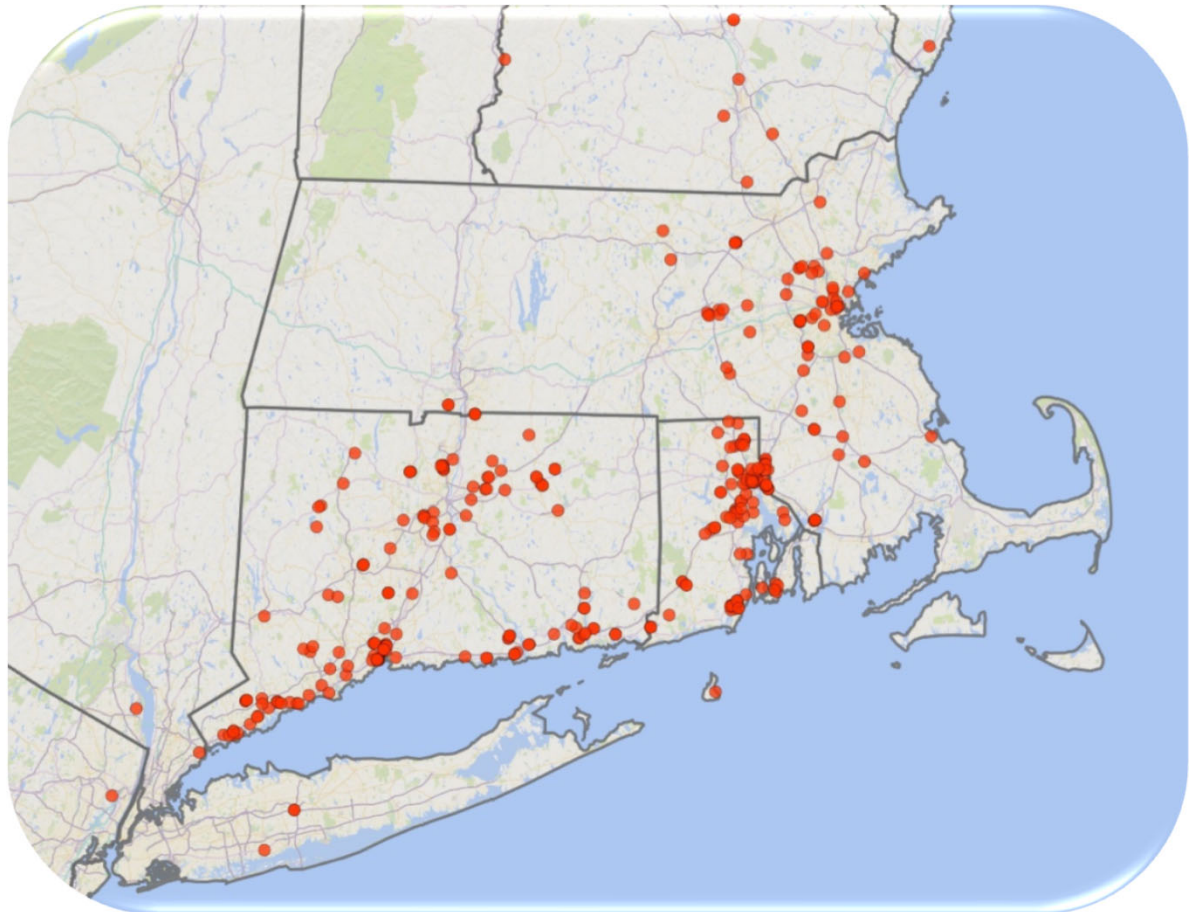
- Enhanced lending activity into adjacent New England states
- Reduced dependence on Rhode Island asset generation
- Greater presence in attractive markets





# CRE Concentration

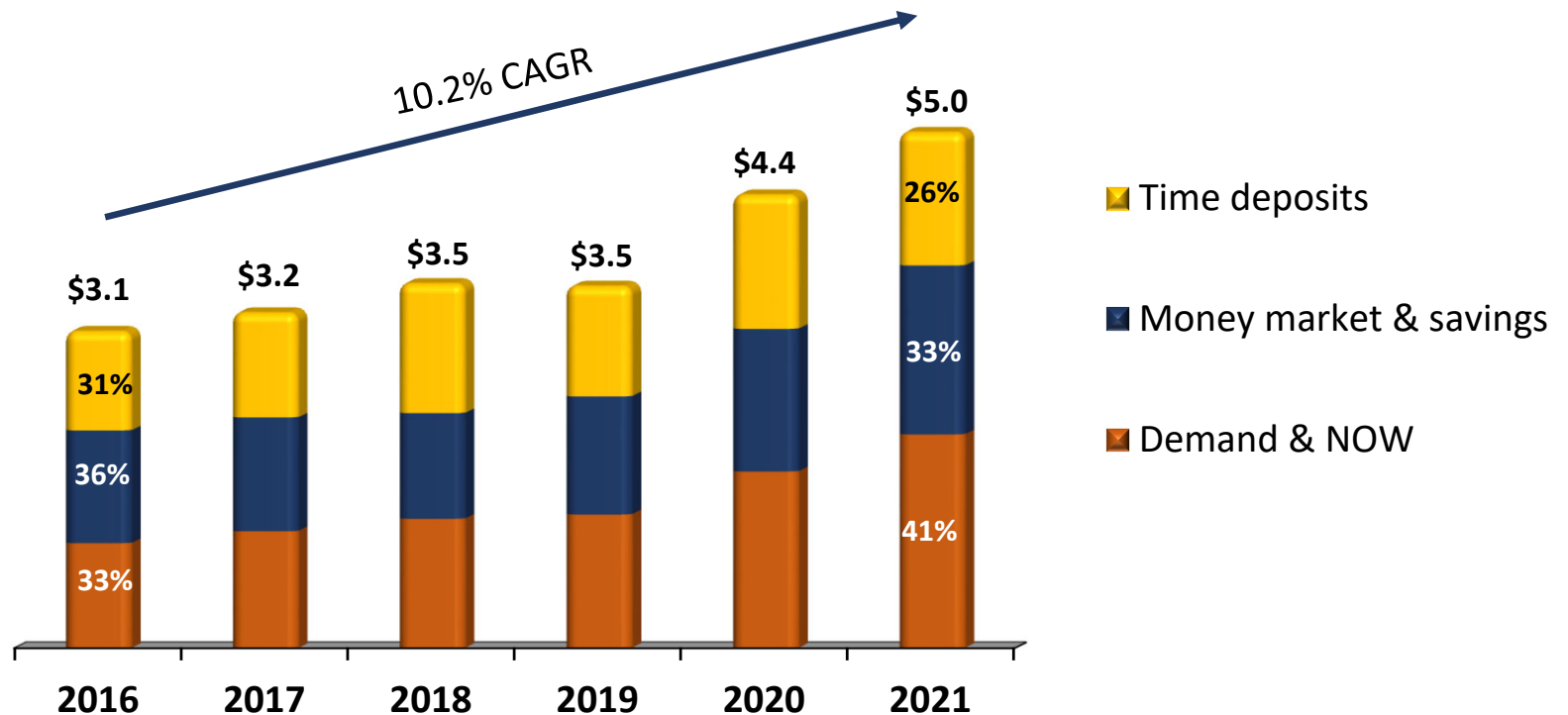
- Predominantly in RI, CT and MA
  - 39% in CT
  - 28% in MA
  - 25% in RI
- Concentration: ~291%





# Deposit Portfolio

- 38% of deposits are commercial-based
- 11% market share in RI; rank 3<sup>rd</sup> \*



\$ billions; at December 31st unless otherwise noted

\* Source: S&P Global Market Intelligence; Market Share is for U.S. Territories only and non-retail branches are not included.

FDIC deposits as of June 30, 2021; most recent data available



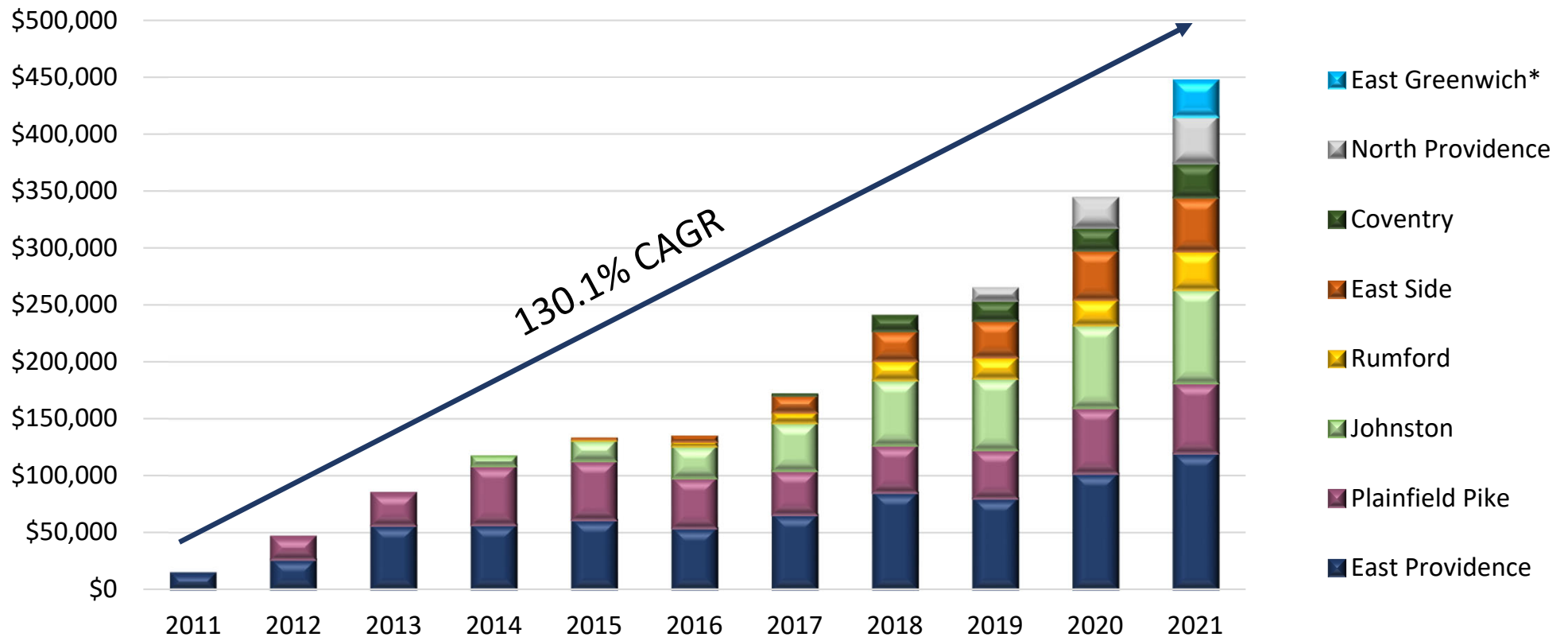
# Deposit Market Share

- #1 State-chartered bank in RI
- \$186 million average in market deposits per branch

Rank	Institution (ST)	Branch Count	Total Deposits in Market (\$B)	Total Market Share
1	Citizens (RI)	56	\$15.4	37%
2	Bank of America (NC)	28	\$9.4	23%
3	<b>Washington Trust (RI)</b>	<b>23</b>	<b>\$4.7</b>	<b>11%</b>
4	Santander	23	\$3.2	8%
5	Bank Rhode Island (MA)	20	\$2.7	6%
6	BankNewport (RI)	17	\$1.9	4%
7	Centreville Bank (RI)	11	\$1.1	3%
8	TD Bank	9	\$.8	2%
9	HarborOne (MA)	11	\$.7	2%
10	Webster Bank (CT)	8	\$.4	1%
<b>Total For Institutions In Market</b>		<b>233</b>	<b>\$37.3</b>	



# De Novo Branch Growth



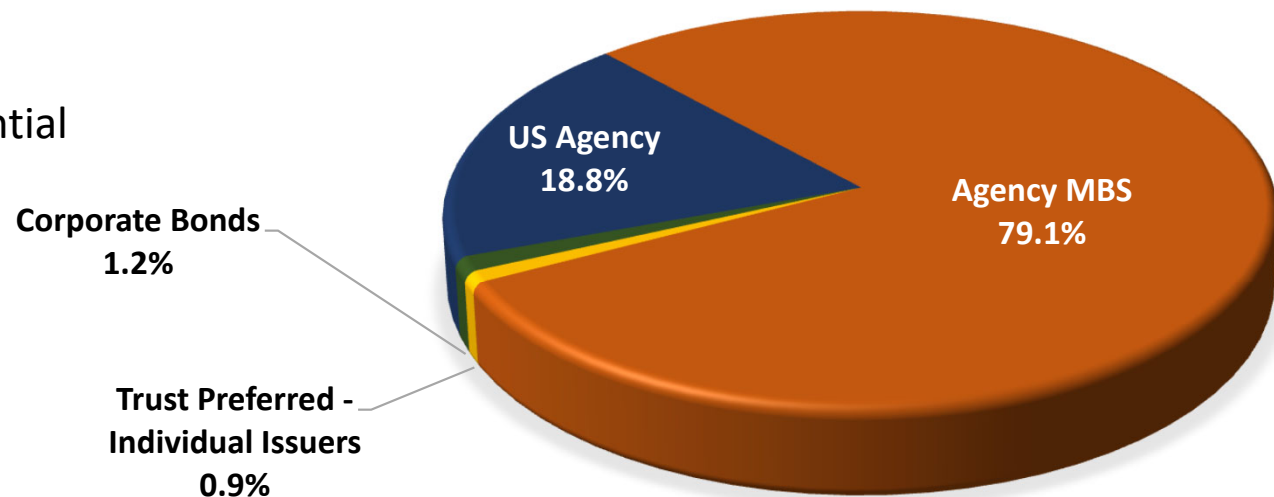
\*East Greenwich branch opened in May 2021



# Investment Securities

## Largely Agency MBS

- Fair value: \$1,042.9 million
- Amortized cost: 1,051.8 million
- Yield on securities: 1.47%  
(yield as of Q4-21)
- Duration of 3.92 years
- Limited extension potential





# WHY WASHINGTON TRUST





# Why Washington Trust

- Unique business model with diverse revenue streams
- Strong credit profile throughout all economic cycles
- Consistent top quartile returns and robust dividend payout
- Distinguished history with demonstrated track record
- Clear vision with proven growth strategy
- Committed to enhancing shareholder value

# SUPPLEMENTAL INFORMATION





# Income Statement

\$s in thousands	For the Year Ended				
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
Interest and dividend income	\$ 157,995	\$ 169,936	\$ 197,663	\$ 176,407	\$ 149,586
Interest expense	16,560	42,492	64,249	44,117	30,055
Net interest income	141,435	127,444	133,414	132,290	119,531
Provision for loan losses	(4,822)	12,342	1,575	1,550	2,600
Net interest income after provision for loan losses	146,257	115,102	131,839	130,740	116,931
Total noninterest income	87,394	99,442	67,080	62,114	64,809
Noninterest expense	135,464	125,384	110,740	106,162	104,100
Income before income taxes	98,187	89,160	88,179	86,692	77,640
Income tax expense	21,317	19,331	19,061	18,260	31,715
Net income	\$ 76,870	\$ 69,829	\$ 69,118	\$ 68,432	\$ 45,925





# Balance Sheet

<b>\$s in thousands</b>	<b>Dec 31, 2021</b>	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>	<b>Dec 31, 2017</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 178,493	\$ 202,268	\$ 138,455	\$ 93,475	\$ 82,923
Mortgage loans held for sale	40,196	61,614	27,833	20,996	26,943
Total securities	1,042,859	894,571	899,490	938,225	793,495
FHLB stock	13,031	30,285	50,853	46,068	40,517
Total loans	4,272,925	4,195,990	3,892,999	3,680,360	3,374,071
Less allowance for loan losses	39,088	44,106	27,014	27,072	26,488
Net loans	4,233,837	4,151,884	3,865,985	3,653,288	3,347,583
Investment in bank-owned life insurance	92,592	84,193	82,490	80,463	73,267
Goodwill and identifiable intangible assets	69,323	70,214	71,127	72,071	73,049
Other assets	180,796	218,140	156,426	106,180	92,073
<b>Total assets</b>	<b>\$ 5,851,127</b>	<b>\$ 5,713,169</b>	<b>\$ 5,292,659</b>	<b>\$ 5,010,766</b>	<b>\$ 4,529,850</b>
<b>Liabilities:</b>					
Total deposits	\$ 4,980,051	\$ 4,378,353	\$ 3,498,882	\$ 3,524,048	\$ 3,242,707
FHLB advances	145,000	593,859	1,141,464	950,722	791,356
Other liabilities	138,587	184,081	126,140	65,131	59,822
Junior subordinated debentures	22,681	22,681	22,681	22,681	22,681
Total shareholders' equity	564,808	534,195	503,492	448,184	413,284
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,851,127</b>	<b>\$ 5,713,169</b>	<b>\$ 5,292,659</b>	<b>\$ 5,010,766</b>	<b>\$ 4,529,850</b>



# Non-GAAP Financial Measures

\$s in thousands, except per share amounts	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
<b>Calculation of tangible book value per share</b>				
Total shareholders' equity at end of period	\$564,808	\$534,195	\$503,492	\$448,184
Less:				
Goodwill	63,909	63,909	63,909	63,909
Identifiable intangible assets, net	5,414	6,305	7,218	8,162
Total tangible shareholders' equity at end of period	\$495,485	\$463,981	\$432,365	\$376,113
Shares outstanding at end of period	17,331	17,265	17,363	17,302
Book value per share – GAAP	\$32.59	\$30.94	\$29.00	\$25.90
Tangible book value per share – Non-GAAP	\$28.59	\$26.87	\$24.90	\$21.74
<b>Calculation of tangible equity to tangible assets</b>				
Total tangible shareholders' equity at end of period	\$495,485	\$463,981	\$432,365	\$376,113
Total assets at end of period	\$5,851,127	\$5,713,169	\$5,292,659	\$5,010,766
Less:				
Goodwill	63,909	63,909	63,909	63,909
Identifiable intangible assets, net	5,414	6,305	7,218	8,162
Total tangible assets at end of period	\$5,781,804	\$5,642,955	\$5,221,532	\$4,938,695
Equity to assets - GAAP	9.65%	9.35%	9.51%	8.94%
Tangible equity to tangible assets – Non-GAAP	8.57%	8.22%	8.28%	7.62%

Washington Trust's management believes that the supplemental non-GAAP information, which consists of measurements and ratios based on tangible equity and tangible assets, is utilized by regulators and market analysts to evaluate a company's financial condition and therefore, such information is useful to investors. These disclosures should not be viewed as a substitute for financial results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures which may be presented by other companies.