

UNITED STATES DEPARTMENT OF THE TREASURY  
1500 PENNSYLVANIA AVENUE, NW  
WASHINGTON, D.C. 20220

Dear Ladies and Gentlemen:

The company set forth on the signature page hereto (the "*Company*") intends to issue in a private placement the number of shares of a series of its preferred stock set forth on Schedule A hereto (the "*Preferred Shares*") and a warrant to purchase the number of shares of a series of its preferred stock set forth on Schedule A hereto (the "*Warrant*" and, together with the Preferred Shares, the "*Purchased Securities*") and the United States Department of the Treasury (the "*Investor*") intends to purchase from the Company the Purchased Securities.

The purpose of this letter agreement is to confirm the terms and conditions of the purchase by the Investor of the Purchased Securities. Except to the extent supplemented or superseded by the terms set forth herein or in the Schedules hereto, the provisions contained in the Securities Purchase Agreement – Standard Terms attached hereto as Exhibit A (the "*Securities Purchase Agreement*") are incorporated by reference herein. Terms that are defined in the Securities Purchase Agreement are used in this letter agreement as so defined. In the event of any inconsistency between this letter agreement and the Securities Purchase Agreement, the terms of this letter agreement shall govern.

Each of the Company and the Investor hereby confirms its agreement with the other party with respect to the issuance by the Company of the Purchased Securities and the purchase by the Investor of the Purchased Securities pursuant to this letter agreement and the Securities Purchase Agreement on the terms specified on Schedule A hereto.


This letter agreement (including the Schedules hereto), the Securities Purchase Agreement (including the Annexes thereto), the Disclosure Schedules and the Warrant constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties, both written and oral, between the parties, with respect to the subject matter hereof. This letter agreement constitutes the "Letter Agreement" referred to in the Securities Purchase Agreement.

This letter agreement may be executed in any number of separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts will together constitute the same agreement. Executed signature pages to this letter agreement may be delivered by facsimile and such facsimiles will be deemed as sufficient as if actual signature pages had been delivered.

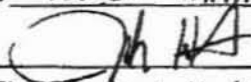
\* \* \*

In witness whereof, this letter agreement has been duly executed and delivered by the duly authorized representatives of the parties hereto as of the date written below.

UNITED STATES DEPARTMENT OF THE  
TREASURY

By:   
Name: Neel Kashkari  
Title: Interim Assistant Secretary  
For Financial Stability

COMPANY: W.T.B. Financial Corporation

By:   
Name: Jack Heath  
Title: Vice President

Date: JAN. 30, 2009

**SECURITIES PURCHASE AGREEMENT**

**EXHIBIT A**  
(Non-Exchange-Traded QFIs, excluding S Corps  
and Mutual Organizations)

---

**SECURITIES PURCHASE AGREEMENT**

**STANDARD TERMS**

---

## TABLE OF CONTENTS

	Page
Article I	
Purchase; Closing	
1.1	Purchase .....3
1.2	Closing .....3
1.3	Interpretation.....8
Article II	
Representations and Warranties	
2.1	Disclosure .....9
2.2	Representations and Warranties of the Company .....11
Article III	
Covenants	
3.1	Commercially Reasonable Efforts .....29
3.2	Expenses .....30
3.3	Sufficiency of Authorized Warrant Preferred Stock; Exchange Listing .....30
3.4	Certain Notifications Until Closing .....30
3.5	Access, Information and Confidentiality .....31
Article IV	
Additional Agreements	
4.1	Purchase for Investment.....34
4.2	Legends .....35
4.3	Certain Transactions .....39
4.4	Transfer of Purchased Securities and Warrant Shares; Restrictions on Exercise of the Warrant .....39
4.5	Registration Rights.....40
4.6	Depository Shares .....68
4.7	Restriction on Dividends and Repurchases.....68
4.8	Executive Compensation .....73
4.9	Related Party Transactions .....74
4.10	Bank and Thrift Holding Company Status.....74
4.11	Predominantly Financial .....75

Article V

Miscellaneous

5.1	Termination.....	75
5.2	Survival of Representations and Warranties.....	77
5.3	Amendment.....	77
5.4	Waiver of Conditions.....	77
5.5	<b>Governing Law: Submission to Jurisdiction, Etc. ....</b>	<b>78</b>
5.6	Notices .....	78
5.7	Definitions.....	79
5.8	Assignment .....	80
5.9	Severability .....	81
5.10	No Third Party Beneficiaries .....	81

## LIST OF ANNEXES

- ANNEX A: FORM OF CERTIFICATE OF DESIGNATIONS FOR PREFERRED STOCK
- ANNEX B: FORM OF CERTIFICATE OF DESIGNATIONS FOR WARRANT  
PREFERRED STOCK
- ANNEX C: FORM OF WAIVER
- ANNEX D: FORM OF OPINION
- ANNEX E: FORM OF WARRANT

## INDEX OF DEFINED TERMS

Term	Location of Definition
Affiliate	5.7(b)
Agreement	Recitals
Appropriate Federal Banking Agency	2.2(s)
Bank Holding Company	4.10
Bankruptcy Exceptions	2.2(d)
Benefit Plans	1.2(d)(iv)
Board of Directors	2.2(f)
Business Combination	5.8
business day	1.3
Capitalization Date	2.2(b)
Certificates of Designations	1.2(d)(iii)
Charter	1.2(d)(iii)
Closing	1.2(a)
Closing Date	1.2(a)
Code	2.2(n)
Common Stock	2.2(b)
Company	Recitals
Company Financial Statements	2.2(h)
Company Material Adverse Effect	2.1(b)
Company Reports	2.2(i)(i)
Company Subsidiary; Company Subsidiaries	2.2(e)(ii)
control; controlled by; under common control with	5.7(b)
Controlled Group	2.2(n)
CPP	Recitals
Disclosure Schedule	2.1(a)
EESA	1.2(d)(iv)
ERISA	2.2(n)
Exchange Act	4.4
Federal Reserve	4.10
GAAP	2.1(b)
Governmental Entities	1.2(c)
Holder	4.5(l)(i)
Holder's Counsel	4.5(l)(ii)
Indemnitee	4.5(h)(i)
Information	3.5(c)
Investor	Recitals
Junior Stock	4.7(f)
knowledge of the Company; Company's knowledge	5.7(c)
Letter Agreement	Recitals
officers	5.7(c)
Parity Stock	4.7(f)



Term	Location of Definition
Pending Underwritten Offering	4.5(m)
Permitted Repurchases	4.7(c)
Piggyback Registration Plan	4.5(b)(iv)
Preferred Shares	2.2(n)
Preferred Stock	Recitals
Previously Disclosed	Recitals
Proprietary Rights	2.1(c)
Purchase	2.2(u)
Purchase Price	Recitals
Purchased Securities	1.1
register; registered; registration	Recitals
Registrable Securities	4.5(l)(iii)
Registration Expenses	4.5(l)(iv)
Regulatory Agreement	4.5(l)(v)
Rule 144; Rule 144A; Rule 159A; Rule 405; Rule 415	2.2(s)
Savings and Loan Holding Company	4.5(l)(vi)
Schedules	4.10
SEC	Recitals
Securities Act	2.2(k)
Selling Expenses	2.2(a)
Senior Executive Officers	4.5(l)(vii)
Shelf Registration Statement	4.8
Signing Date	4.5(b)(ii)
Special Registration	2.1(b)
subsidiary	4.5(j)
Tax; Taxes	5.7(a)
Transfer	2.2(o)
Warrant	4.4
Warrant Preferred Stock	Recitals
Warrant Shares	Recitals
	2.2(d)

## SECURITIES PURCHASE AGREEMENT – STANDARD TERMS

### Recitals:

WHEREAS, the United States Department of the Treasury (the “*Investor*”) may from time to time agree to purchase shares of preferred stock and warrants from eligible financial institutions which elect to participate in the Troubled Asset Relief Program Capital Purchase Program (“*CPP*”);

WHEREAS, an eligible financial institution electing to participate in the CPP and issue securities to the Investor (referred to herein as the “*Company*”) shall enter into a letter agreement (the “*Letter Agreement*”) with the Investor which incorporates this Securities Purchase Agreement – Standard Terms;

WHEREAS, the Company agrees to expand the flow of credit to U.S. consumers and businesses on competitive terms to promote the sustained growth and vitality of the U.S. economy;

WHEREAS, the Company agrees to work diligently, under existing programs, to modify the terms of residential mortgages as appropriate to strengthen the health of the U.S. housing market;

WHEREAS, the Company intends to issue in a private placement the number of shares of the series of its Preferred Stock (“*Preferred Stock*”) set forth on Schedule A to the Letter Agreement (the “*Preferred Shares*”) and a warrant to purchase the number of shares of the series of its Preferred Stock (“*Warrant Preferred Stock*”) set forth on Schedule A to the Letter Agreement (the “*Warrant*” and, together with the Preferred Shares, the “*Purchased Securities*”) and the Investor intends to purchase (the “*Purchase*”) from the Company the Purchased Securities; and

WHEREAS, the Purchase will be governed by this Securities Purchase Agreement – Standard Terms and the Letter Agreement, including the schedules thereto (the “*Schedules*”), specifying additional terms of the Purchase. This Securities Purchase Agreement – Standard Terms (including the Annexes hereto) and the Letter Agreement (including the Schedules thereto) are together referred to as this “*Agreement*”. All references in this Securities Purchase Agreement – Standard Terms to “*Schedules*” are to the Schedules attached to the Letter Agreement.

**NOW, THEREFORE**, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

### Article I Purchase; Closing

1.1 Purchase. On the terms and subject to the conditions set forth in this Agreement, the Company agrees to sell to the Investor, and the Investor agrees to purchase from the Company, at the Closing (as hereinafter defined), the Purchased Securities for the price set forth on Schedule A (the “*Purchase Price*”).

1.2 Closing.

(a) On the terms and subject to the conditions set forth in this Agreement, the closing of the Purchase (the "*Closing*") will take place at the location specified in Schedule A, at the time and on the date set forth in Schedule A or as soon as practicable thereafter, or at such other place, time and date as shall be agreed between the Company and the Investor. The time and date on which the Closing occurs is referred to in this Agreement as the "*Closing Date*".

(b) Subject to the fulfillment or waiver of the conditions to the Closing in this Section 1.2, at the Closing the Company will deliver the Preferred Shares and the Warrant, in each case as evidenced by one or more certificates dated the Closing Date and bearing appropriate legends as hereinafter provided for, in exchange for payment in full of the Purchase Price by wire transfer of immediately available United States funds to a bank account designated by the Company on Schedule A.

(c) The respective obligations of each of the Investor and the Company to consummate the Purchase are subject to the fulfillment (or waiver by the Investor and the Company, as applicable) prior to the Closing of the conditions that (i) any approvals or authorizations of all United States and other governmental, regulatory or judicial authorities (collectively, "*Governmental Entities*") required for the consummation of the Purchase shall have been obtained or made in form and substance reasonably satisfactory to each party and shall be in full force and effect and all waiting periods required by United States and other applicable law, if any, shall have expired and (ii) no provision of any applicable United States or other law, and no judgment, injunction, order or decree of any Governmental Entity shall prohibit the purchase and sale of the Purchased Securities as contemplated by this Agreement.

(d) The obligation of the Investor to consummate the Purchase is also subject to the fulfillment (or waiver by the Investor) at or prior to the Closing of each of the following conditions:

(i) (A) the representations and warranties of the Company set forth in (x) Section 2.2(g) of this Agreement shall be true and correct in all respects as though made on and as of the Closing Date, (y) Sections 2.2(a) through (f) shall be true and correct in all material respects as though made on and as of the Closing Date (other than representations and warranties that by their terms speak as of another date, which representations and warranties shall be true and correct in all material respects as of such other date) and (z) Sections 2.2(h) through (v) (disregarding all qualifications or limitations set forth in such representations and warranties as to "materiality", "Company Material Adverse Effect" and words of similar import) shall be true and correct as though made on and as of the Closing Date (other than representations and warranties that by their terms speak as of another date, which representations and warranties shall be true and correct as of such other date), except to the extent that the failure of such representations and warranties referred to in this Section 1.2(d)(i)(A)(z) to be so true and correct, individually or in the aggregate, does not have and would not reasonably be expected to have a Company Material Adverse Effect and (B) the Company shall have

performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing;

(ii) the Investor shall have received a certificate signed on behalf of the Company by a senior executive officer certifying to the effect that the conditions set forth in Section 1.2(d)(i) have been satisfied;

(iii) the Company shall have duly adopted and filed with the Secretary of State of its jurisdiction of organization or other applicable Governmental Entity the amendments to its certificate or articles of incorporation, articles of association, or similar organizational document ("*Charter*") in substantially the forms attached hereto as Annex A and Annex B (the "*Certificates of Designations*") and such filing shall have been accepted;

(iv) (A) the Company shall have effected such changes to its compensation, bonus, incentive and other benefit plans, arrangements and agreements (including golden parachute, severance and employment agreements) (collectively, "*Benefit Plans*") with respect to its Senior Executive Officers (and to the extent necessary for such changes to be legally enforceable, each of its Senior Executive Officers shall have duly consented in writing to such changes), as may be necessary, during the period that the Investor owns any debt or equity securities of the Company acquired pursuant to this Agreement or the Warrant, in order to comply with Section 111(b) of the Emergency Economic Stabilization Act of 2008 ("*EESA*") as implemented by guidance or regulation thereunder that has been issued and is in effect as of the Closing Date, and (B) the Investor shall have received a certificate signed on behalf of the Company by a senior executive officer certifying to the effect that the condition set forth in Section 1.2(d)(iv)(A) has been satisfied;

(v) each of the Company's Senior Executive Officers shall have delivered to the Investor a written waiver in the form attached hereto as Annex C releasing the Investor from any claims that such Senior Executive Officers may otherwise have as a result of the issuance, on or prior to the Closing Date, of any regulations which require the modification of, and the agreement of the Company hereunder to modify, the terms of any Benefit Plans with respect to its Senior Executive Officers to eliminate any provisions of such Benefit Plans that would not be in compliance with the requirements of Section 111(b) of the EESA as implemented by guidance or regulation thereunder that has been issued and is in effect as of the Closing Date;

(vi) the Company shall have delivered to the Investor a written opinion from counsel to the Company (which may be internal counsel), addressed to the Investor and dated as of the Closing Date, in substantially the form attached hereto as Annex D;

(vii) the Company shall have delivered certificates in proper form or, with the prior consent of the Investor, evidence of shares in book-entry form, evidencing the Preferred Shares to Investor or its designee(s); and

(viii) the Company shall have duly executed the Warrant in substantially the form attached hereto as Annex E and delivered such executed Warrant to the Investor or its designee(s).

1.3 Interpretation. When a reference is made in this Agreement to “Recitals,” “Articles,” “Sections,” or “Annexes” such reference shall be to a Recital, Article or Section of, or Annex to, this Securities Purchase Agreement – Standard Terms, and a reference to “Schedules” shall be to a Schedule to the Letter Agreement, in each case, unless otherwise indicated. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References to “herein”, “hereof”, “hereunder” and the like refer to this Agreement as a whole and not to any particular section or provision, unless the context requires otherwise. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed followed by the words “without limitation.” No rule of construction against the draftsman shall be applied in connection with the interpretation or enforcement of this Agreement, as this Agreement is the product of negotiation between sophisticated parties advised by counsel. All references to “\$” or “dollars” mean the lawful currency of the United States of America. Except as expressly stated in this Agreement, all references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section. References to a “*business day*” shall mean any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

## Article II Representations and Warranties

### 2.1 Disclosure.

(a) On or prior to the Signing Date, the Company delivered to the Investor a schedule (“*Disclosure Schedule*”) setting forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained in Section 2.2.

(b) “*Company Material Adverse Effect*” means a material adverse effect on (i) the business, results of operation or financial condition of the Company and its consolidated subsidiaries taken as a whole; *provided, however*, that Company Material Adverse Effect shall not be deemed to include the effects of (A) changes after the date of the Letter Agreement (the “*Signing Date*”) in general business, economic or market conditions (including changes generally in prevailing interest rates, credit availability and liquidity, currency exchange rates and price levels or trading volumes in the United States or foreign securities or credit markets), or any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism, in

each case generally affecting the industries in which the Company and its subsidiaries operate, (B) changes or proposed changes after the Signing Date in generally accepted accounting principles in the United States (“GAAP”) or regulatory accounting requirements, or authoritative interpretations thereof, or (C) changes or proposed changes after the Signing Date in securities, banking and other laws of general applicability or related policies or interpretations of Governmental Entities (in the case of each of these clauses (A), (B) and (C), other than changes or occurrences to the extent that such changes or occurrences have or would reasonably be expected to have a materially disproportionate adverse effect on the Company and its consolidated subsidiaries taken as a whole relative to comparable U.S. banking or financial services organizations); or (ii) the ability of the Company to consummate the Purchase and other transactions contemplated by this Agreement and the Warrant and perform its obligations hereunder or thereunder on a timely basis.

(c) “*Previously Disclosed*” means information set forth on the Disclosure Schedule, provided, however, that disclosure in any section of such Disclosure Schedule shall apply only to the indicated section of this Agreement except to the extent that it is reasonably apparent from the face of such disclosure that such disclosure is relevant to another section of this Agreement.

2.2 Representations and Warranties of the Company. Except as Previously Disclosed, the Company represents and warrants to the Investor that as of the Signing Date and as of the Closing Date (or such other date specified herein):

(a) Organization, Authority and Significant Subsidiaries. The Company has been duly incorporated and is validly existing and in good standing under the laws of its jurisdiction of organization, with the necessary power and authority to own its properties and conduct its business in all material respects as currently conducted, and except as has not, individually or in the aggregate, had and would not reasonably be expected to have a Company Material Adverse Effect, has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification; each subsidiary of the Company that would be considered a “significant subsidiary” within the meaning of Rule 1-02(w) of Regulation S-X under the Securities Act of 1933 (the “*Securities Act*”), has been duly organized and is validly existing in good standing under the laws of its jurisdiction of organization. The Charter and bylaws of the Company, copies of which have been provided to the Investor prior to the Signing Date, are true, complete and correct copies of such documents as in full force and effect as of the Signing Date.

(b) Capitalization. The authorized capital stock of the Company, and the outstanding capital stock of the Company (including securities convertible into, or exercisable or exchangeable for, capital stock of the Company) as of the most recent fiscal month-end preceding the Signing Date (the “*Capitalization Date*”) is set forth on Schedule B. The outstanding shares of capital stock of the Company have been duly authorized and are validly issued and outstanding, fully paid and nonassessable, and subject to no preemptive rights (and were not issued in violation of any preemptive rights). As of the Signing Date, the Company does not have outstanding any securities or other obligations providing the holder the right to

acquire its Common Stock ("*Common Stock*") that is not reserved for issuance as specified on Schedule B, and the Company has not made any other commitment to authorize, issue or sell any Common Stock. Since the Capitalization Date, the Company has not issued any shares of Common Stock, other than (i) shares issued upon the exercise of stock options or delivered under other equity-based awards or other convertible securities or warrants which were issued and outstanding on the Capitalization Date and disclosed on Schedule B and (ii) shares disclosed on Schedule B. Each holder of 5% or more of any class of capital stock of the Company and such holder's primary address are set forth on Schedule B.

(c) Preferred Shares. The Preferred Shares have been duly and validly authorized, and, when issued and delivered pursuant to this Agreement, such Preferred Shares will be duly and validly issued and fully paid and non-assessable, will not be issued in violation of any preemptive rights, and will rank *pari passu* with or senior to all other series or classes of Preferred Stock, whether or not issued or outstanding, with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Company.

(d) The Warrant and Warrant Shares. The Warrant has been duly authorized and, when executed and delivered as contemplated hereby, will constitute a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity ("*Bankruptcy Exceptions*"). The shares of Warrant Preferred Stock issuable upon exercise of the Warrant (the "*Warrant Shares*") have been duly authorized and reserved for issuance upon exercise of the Warrant and when so issued in accordance with the terms of the Warrant will be validly issued, fully paid and non-assessable, and will rank *pari passu* with or senior to all other series or classes of Preferred Stock, whether or not issued or outstanding, with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Company.

(e) Authorization, Enforceability.

(i) The Company has the corporate power and authority to execute and deliver this Agreement and the Warrant and to carry out its obligations hereunder and thereunder (which includes the issuance of the Preferred Shares, Warrant and Warrant Shares). The execution, delivery and performance by the Company of this Agreement and the Warrant and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of the Company and its stockholders, and no further approval or authorization is required on the part of the Company. This Agreement is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the Bankruptcy Exceptions.

(ii) The execution, delivery and performance by the Company of this Agreement and the Warrant and the consummation of the transactions contemplated hereby and thereby and compliance by the Company with the provisions hereof and thereof, will not (A) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of, any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company or any subsidiary of the Company (each a "*Company Subsidiary*" and, collectively, the "*Company Subsidiaries*") under any of the terms, conditions or provisions of (i) its organizational documents or (ii) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Company or any Company Subsidiary is a party or by which it or any Company Subsidiary may be bound, or to which the Company or any Company Subsidiary or any of the properties or assets of the Company or any Company Subsidiary may be subject, or (B) subject to compliance with the statutes and regulations referred to in the next paragraph, violate any statute, rule or regulation or any judgment, ruling, order, writ, injunction or decree applicable to the Company or any Company Subsidiary or any of their respective properties or assets except, in the case of clauses (A)(ii) and (B), for those occurrences that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(iii) Other than the filing of the Certificates of Designations with the Secretary of State of its jurisdiction of organization or other applicable Governmental Entity, such filings and approvals as are required to be made or obtained under any state "blue sky" laws and such as have been made or obtained, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any Governmental Entity is required to be made or obtained by the Company in connection with the consummation by the Company of the Purchase except for any such notices, filings, exemptions, reviews, authorizations, consents and approvals the failure of which to make or obtain would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(f) Anti-takeover Provisions and Rights Plan. The Board of Directors of the Company (the "*Board of Directors*") has taken all necessary action to ensure that the transactions contemplated by this Agreement and the Warrant and the consummation of the transactions contemplated hereby and thereby, including the exercise of the Warrant in accordance with its terms, will be exempt from any anti-takeover or similar provisions of the Company's Charter and bylaws, and any other provisions of any applicable "moratorium", "control share", "fair price", "interested stockholder" or other anti-takeover laws and regulations of any jurisdiction.

(g) No Company Material Adverse Effect. Since the last day of the last completed fiscal period for which financial statements are included in the Company Financial Statements (as defined below), no fact, circumstance, event, change, occurrence, condition or development



has occurred that, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect.

(h) Company Financial Statements. The Company has Previously Disclosed each of the consolidated financial statements of the Company and its consolidated subsidiaries for each of the last three completed fiscal years of the Company (which shall be audited to the extent audited financial statements are available prior to the Signing Date) and each completed quarterly period since the last completed fiscal year (collectively the "*Company Financial Statements*"). The Company Financial Statements present fairly in all material respects the consolidated financial position of the Company and its consolidated subsidiaries as of the dates indicated therein and the consolidated results of their operations for the periods specified therein; and except as stated therein, such financial statements (A) were prepared in conformity with GAAP applied on a consistent basis (except as may be noted therein) and (B) have been prepared from, and are in accordance with, the books and records of the Company and the Company Subsidiaries.

(i) Reports.

(i) Since December 31, 2006, the Company and each Company Subsidiary has filed all reports, registrations, documents, filings, statements and submissions, together with any amendments thereto, that it was required to file with any Governmental Entity (the foregoing, collectively, the "*Company Reports*") and has paid all fees and assessments due and payable in connection therewith, except, in each case, as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. As of their respective dates of filing, the Company Reports complied in all material respects with all statutes and applicable rules and regulations of the applicable Governmental Entities.

(ii) The records, systems, controls, data and information of the Company and the Company Subsidiaries are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of the Company or the Company Subsidiaries or their accountants (including all means of access thereto and therefrom), except for any non-exclusive ownership and non-direct control that would not reasonably be expected to have a material adverse effect on the system of internal accounting controls described below in this Section 2.2(i)(ii). The Company (A) has implemented and maintains adequate disclosure controls and procedures to ensure that material information relating to the Company, including the consolidated Company Subsidiaries, is made known to the chief executive officer and the chief financial officer of the Company by others within those entities, and (B) has disclosed, based on its most recent evaluation prior to the Signing Date, to the Company's outside auditors and the audit committee of the Board of Directors (x) any significant deficiencies and material weaknesses in the design or operation of internal controls that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (y) any fraud, whether or not material, that involves management or

other employees who have a significant role in the Company's internal controls over financial reporting.

(j) No Undisclosed Liabilities. Neither the Company nor any of the Company Subsidiaries has any liabilities or obligations of any nature (absolute, accrued, contingent or otherwise) which are not properly reflected or reserved against in the Company Financial Statements to the extent required to be so reflected or reserved against in accordance with GAAP, except for (A) liabilities that have arisen since the last fiscal year end in the ordinary and usual course of business and consistent with past practice and (B) liabilities that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(k) Offering of Securities. Neither the Company nor any person acting on its behalf has taken any action (including any offering of any securities of the Company under circumstances which would require the integration of such offering with the offering of any of the Purchased Securities under the Securities Act, and the rules and regulations of the Securities and Exchange Commission (the "SEC") promulgated thereunder), which might subject the offering, issuance or sale of any of the Purchased Securities to Investor pursuant to this Agreement to the registration requirements of the Securities Act.

(l) Litigation and Other Proceedings. Except (i) as set forth on Schedule C or (ii) as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, there is no (A) pending or, to the knowledge of the Company, threatened, claim, action, suit, investigation or proceeding, against the Company or any Company Subsidiary or to which any of their assets are subject nor is the Company or any Company Subsidiary subject to any order, judgment or decree or (B) unresolved violation, criticism or exception by any Governmental Entity with respect to any report or relating to any examinations or inspections of the Company or any Company Subsidiaries.

(m) Compliance with Laws. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company and the Company Subsidiaries have all permits, licenses, franchises, authorizations, orders and approvals of, and have made all filings, applications and registrations with, Governmental Entities that are required in order to permit them to own or lease their properties and assets and to carry on their business as presently conducted and that are material to the business of the Company or such Company Subsidiary. Except as set forth on Schedule D, the Company and the Company Subsidiaries have complied in all respects and are not in default or violation of, and none of them is, to the knowledge of the Company, under investigation with respect to or, to the knowledge of the Company, have been threatened to be charged with or given notice of any violation of, any applicable domestic (federal, state or local) or foreign law, statute, ordinance, license, rule, regulation, policy or guideline, order, demand, writ, injunction, decree or judgment of any Governmental Entity, other than such noncompliance, defaults or violations that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Except for statutory or regulatory restrictions of general application or as set forth on Schedule D, no Governmental Entity has placed any restriction on the business or properties of

the Company or any Company Subsidiary that would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(n) Employee Benefit Matters. Except as would not reasonably be expected to have, either individually or in the aggregate, a Company Material Adverse Effect: (A) each “employee benefit plan” (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) providing benefits to any current or former employee, officer or director of the Company or any member of its “Controlled Group” (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Internal Revenue Code of 1986, as amended (the “Code”)) that is sponsored, maintained or contributed to by the Company or any member of its Controlled Group and for which the Company or any member of its Controlled Group would have any liability, whether actual or contingent (each, a “Plan”) has been maintained in compliance with its terms and with the requirements of all applicable statutes, rules and regulations, including ERISA and the Code; (B) with respect to each Plan subject to Title IV of ERISA (including, for purposes of this clause (B), any plan subject to Title IV of ERISA that the Company or any member of its Controlled Group previously maintained or contributed to in the six years prior to the Signing Date), (1) no “reportable event” (within the meaning of Section 4043(c) of ERISA), other than a reportable event for which the notice period referred to in Section 4043(c) of ERISA has been waived, has occurred in the three years prior to the Signing Date or is reasonably expected to occur, (2) no “accumulated funding deficiency” (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived, has occurred in the three years prior to the Signing Date or is reasonably expected to occur, (3) the fair market value of the assets under each Plan exceeds the present value of all benefits accrued under such Plan (determined based on the assumptions used to fund such Plan) and (4) neither the Company nor any member of its Controlled Group has incurred in the six years prior to the Signing Date, or reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the PBGC in the ordinary course and without default) in respect of a Plan (including any Plan that is a “multiemployer plan”, within the meaning of Section 4001(c)(3) of ERISA); and (C) each Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service with respect to its qualified status that has not been revoked, or such a determination letter has been timely applied for but not received by the Signing Date, and nothing has occurred, whether by action or by failure to act, which could reasonably be expected to cause the loss, revocation or denial of such qualified status or favorable determination letter.

(o) Taxes. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (i) the Company and the Company Subsidiaries have filed all federal, state, local and foreign income and franchise Tax returns required to be filed through the Signing Date, subject to permitted extensions, and have paid all Taxes due thereon, and (ii) no Tax deficiency has been determined adversely to the Company or any of the Company Subsidiaries, nor does the Company have any knowledge of any Tax deficiencies. “Tax” or “Taxes” means any federal, state, local or foreign income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, withholding, alternative or add on minimum, ad valorem, transfer or excise tax, or any other tax, custom, duty,

governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, imposed by any Governmental Entity.

(p) Properties and Leases. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company and the Company Subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them, in each case free from liens, encumbrances, claims and defects that would affect the value thereof or interfere with the use made or to be made thereof by them. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company and the Company Subsidiaries hold all leased real or personal property under valid and enforceable leases with no exceptions that would interfere with the use made or to be made thereof by them.

(q) Environmental Liability. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect:

(i) there is no legal, administrative, or other proceeding, claim or action of any nature seeking to impose, or that would reasonably be expected to result in the imposition of, on the Company or any Company Subsidiary, any liability relating to the release of hazardous substances as defined under any local, state or federal environmental statute, regulation or ordinance, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, pending or, to the Company's knowledge, threatened against the Company or any Company Subsidiary;

(ii) to the Company's knowledge, there is no reasonable basis for any such proceeding, claim or action; and

(iii) neither the Company nor any Company Subsidiary is subject to any agreement, order, judgment or decree by or with any court, Governmental Entity or third party imposing any such environmental liability.

(r) Risk Management Instruments. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, all derivative instruments, including, swaps, caps, floors and option agreements, whether entered into for the Company's own account, or for the account of one or more of the Company Subsidiaries or its or their customers, were entered into (i) only in the ordinary course of business, (ii) in accordance with prudent practices and in all material respects with all applicable laws, rules, regulations and regulatory policies and (iii) with counterparties believed to be financially responsible at the time; and each of such instruments constitutes the valid and legally binding obligation of the Company or one of the Company Subsidiaries, enforceable in accordance with its terms, except as may be limited by the Bankruptcy Exceptions. Neither the Company or the Company Subsidiaries, nor, to the knowledge of the Company, any other party thereto, is in breach of any of its obligations under any such agreement or arrangement other than such breaches that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(s) Agreements with Regulatory Agencies. Except as set forth on Schedule E, neither the Company nor any Company Subsidiary is subject to any material cease-and-desist or other similar order or enforcement action issued by, or is a party to any material written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any capital directive by, or since December 31, 2006, has adopted any board resolutions at the request of, any Governmental Entity (other than the Appropriate Federal Banking Agencies with jurisdiction over the Company and the Company Subsidiaries) that currently restricts in any material respect the conduct of its business or that in any material manner relates to its capital adequacy, its liquidity and funding policies and practices, its ability to pay dividends, its credit, risk management or compliance policies or procedures, its internal controls, its management or its operations or business (each item in this sentence, a "*Regulatory Agreement*"), nor has the Company or any Company Subsidiary been advised since December 31, 2006 by any such Governmental Entity that it is considering issuing, initiating, ordering, or requesting any such Regulatory Agreement. The Company and each Company Subsidiary are in compliance in all material respects with each Regulatory Agreement to which it is party or subject, and neither the Company nor any Company Subsidiary has received any notice from any Governmental Entity indicating that either the Company or any Company Subsidiary is not in compliance in all material respects with any such Regulatory Agreement. "*Appropriate Federal Banking Agency*" means the "appropriate Federal banking agency" with respect to the Company or such Company Subsidiaries, as applicable, as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)).

(t) Insurance. The Company and the Company Subsidiaries are insured with reputable insurers against such risks and in such amounts as the management of the Company reasonably has determined to be prudent and consistent with industry practice. The Company and the Company Subsidiaries are in material compliance with their insurance policies and are not in default under any of the material terms thereof, each such policy is outstanding and in full force and effect, all premiums and other payments due under any material policy have been paid, and all claims thereunder have been filed in due and timely fashion, except, in each case, as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(u) Intellectual Property. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (i) the Company and each Company Subsidiary owns or otherwise has the right to use, all intellectual property rights, including all trademarks, trade dress, trade names, service marks, domain names, patents, inventions, trade secrets, know-how, works of authorship and copyrights therein, that are used in the conduct of their existing businesses and all rights relating to the plans, design and specifications of any of its branch facilities ("*Proprietary Rights*") free and clear of all liens and any claims of ownership by current or former employees, contractors, designers or others and (ii) neither the Company nor any of the Company Subsidiaries is materially infringing, diluting, misappropriating or violating, nor has the Company or any or the Company Subsidiaries received any written (or, to the knowledge of the Company, oral) communications alleging that any of them has materially infringed, diluted, misappropriated or violated, any of the Proprietary Rights owned by any other person. Except as would not, individually or in the aggregate, reasonably be

expected to have a Company Material Adverse Effect, to the Company's knowledge, no other person is infringing, diluting, misappropriating or violating, nor has the Company or any of the Company Subsidiaries sent any written communications since January 1, 2006 alleging that any person has infringed, diluted, misappropriated or violated, any of the Proprietary Rights owned by the Company and the Company Subsidiaries.

(v) Brokers and Finders. No broker, finder or investment banker is entitled to any financial advisory, brokerage, finder's or other fee or commission in connection with this Agreement or the Warrant or the transactions contemplated hereby or thereby based upon arrangements made by or on behalf of the Company or any Company Subsidiary for which the Investor could have any liability.

### Article III Covenants

3.1 Commercially Reasonable Efforts. Subject to the terms and conditions of this Agreement, each of the parties will use its commercially reasonable efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, so as to permit consummation of the Purchase as promptly as practicable and otherwise to enable consummation of the transactions contemplated hereby and shall use commercially reasonable efforts to cooperate with the other party to that end.

3.2 Expenses. Unless otherwise provided in this Agreement or the Warrant, each of the parties hereto will bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated under this Agreement and the Warrant, including fees and expenses of its own financial or other consultants, investment bankers, accountants and counsel.

3.3 Sufficiency of Authorized Warrant Preferred Stock; Exchange Listing.

(a) During the period from the Closing Date until the date on which the Warrant has been fully exercised, the Company shall at all times have reserved for issuance, free of preemptive or similar rights, a sufficient number of authorized and unissued Warrant Shares to effectuate such exercise.

(b) If the Company lists its Common Stock on any national securities exchange, the Company shall, if requested by the Investor, promptly use its reasonable best efforts to cause the Preferred Shares and Warrant Shares to be approved for listing on a national securities exchange as promptly as practicable following such request.

3.4 Certain Notifications Until Closing. From the Signing Date until the Closing, the Company shall promptly notify the Investor of (i) any fact, event or circumstance of which it is aware and which would reasonably be expected to cause any representation or warranty of the Company contained in this Agreement to be untrue or inaccurate in any material respect or to

cause any covenant or agreement of the Company contained in this Agreement not to be complied with or satisfied in any material respect and (ii) except as Previously Disclosed, any fact, circumstance, event, change, occurrence, condition or development of which the Company is aware and which, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect; *provided, however*, that delivery of any notice pursuant to this Section 3.4 shall not limit or affect any rights of or remedies available to the Investor; *provided, further*, that a failure to comply with this Section 3.4 shall not constitute a breach of this Agreement or the failure of any condition set forth in Section 1.2 to be satisfied unless the underlying Company Material Adverse Effect or material breach would independently result in the failure of a condition set forth in Section 1.2 to be satisfied.

### 3.5 Access, Information and Confidentiality.

(a) From the Signing Date until the date when the Investor holds an amount of Preferred Shares having an aggregate liquidation value of less than 10% of the Purchase Price, the Company will permit the Investor and its agents, consultants, contractors and advisors (x) acting through the Appropriate Federal Banking Agency, or otherwise to the extent necessary to evaluate, manage, or transfer its investment in the Company, to examine the corporate books and make copies thereof and to discuss the affairs, finances and accounts of the Company and the Company Subsidiaries with the principal officers of the Company, all upon reasonable notice and at such reasonable times and as often as the Investor may reasonably request and (y) to review any information material to the Investor's investment in the Company provided by the Company to its Appropriate Federal Banking Agency. Any investigation pursuant to this Section 3.5 shall be conducted during normal business hours and in such manner as not to interfere unreasonably with the conduct of the business of the Company, and nothing herein shall require the Company or any Company Subsidiary to disclose any information to the Investor to the extent (i) prohibited by applicable law or regulation, or (ii) that such disclosure would reasonably be expected to cause a violation of any agreement to which the Company or any Company Subsidiary is a party or would cause a risk of a loss of privilege to the Company or any Company Subsidiary (*provided* that the Company shall use commercially reasonable efforts to make appropriate substitute disclosure arrangements under circumstances where the restrictions in this clause (ii) apply).

(b) From the Signing Date until the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole, the Company will deliver, or will cause to be delivered, to the Investor:

(i) as soon as available after the end of each fiscal year of the Company, and in any event within 90 days thereafter, a consolidated balance sheet of the Company as of the end of such fiscal year, and consolidated statements of income, retained earnings and cash flows of the Company for such year, in each case prepared in accordance with GAAP and setting forth in each case in comparative form the figures for the previous fiscal year of the Company, and which shall be audited to the extent audited financial statements are available; and

(ii) as soon as available after the end of the first, second and third quarterly periods in each fiscal year of the Company, a copy of any quarterly reports provided to other stockholders of the Company or Company management.

(c) The Investor will use reasonable best efforts to hold, and will use reasonable best efforts to cause its agents, consultants, contractors and advisors to hold, in confidence all non-public records, books, contracts, instruments, computer data and other data and information (collectively, "*Information*") concerning the Company furnished or made available to it by the Company or its representatives pursuant to this Agreement (except to the extent that such information can be shown to have been (i) previously known by such party on a non-confidential basis, (ii) in the public domain through no fault of such party or (iii) later lawfully acquired from other sources by the party to which it was furnished (and without violation of any other confidentiality obligation)); *provided* that nothing herein shall prevent the Investor from disclosing any Information to the extent required by applicable laws or regulations or by any subpoena or similar legal process.

(d) The Investor's information rights pursuant to Section 3.5(b) may be assigned by the Investor to a transferee or assignee of the Purchased Securities or the Warrant Shares or with a liquidation preference or, in the case of the Warrant, the liquidation preference of the underlying shares of Warrant Preferred Stock, no less than an amount equal to 2% of the initial aggregate liquidation preference of the Preferred Shares.

#### Article IV Additional Agreements

4.1 Purchase for Investment. The Investor acknowledges that the Purchased Securities and the Warrant Shares have not been registered under the Securities Act or under any state securities laws. The Investor (a) is acquiring the Purchased Securities pursuant to an exemption from registration under the Securities Act solely for investment with no present intention to distribute them to any person in violation of the Securities Act or any applicable U.S. state securities laws, (b) will not sell or otherwise dispose of any of the Purchased Securities or the Warrant Shares, except in compliance with the registration requirements or exemption provisions of the Securities Act and any applicable U.S. state securities laws, and (c) has such knowledge and experience in financial and business matters and in investments of this type that it is capable of evaluating the merits and risks of the Purchase and of making an informed investment decision.

#### 4.2 Legends.

(a) The Investor agrees that all certificates or other instruments representing the Warrant will bear a legend substantially to the following effect:

"THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD



OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

THIS INSTRUMENT IS ISSUED SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A SECURITIES PURCHASE AGREEMENT BETWEEN THE ISSUER OF THESE SECURITIES AND THE INVESTOR REFERRED TO THEREIN, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID.”

(b) In addition, the Investor agrees that all certificates or other instruments representing the Preferred Shares and the Warrant Shares will bear a legend substantially to the following effect:

“THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE NOT SAVINGS ACCOUNTS, DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY.

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS. EACH PURCHASER OF THE SECURITIES REPRESENTED BY THIS INSTRUMENT IS NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. ANY TRANSFEREE OF THE SECURITIES REPRESENTED BY THIS INSTRUMENT BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (2) AGREES THAT IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER THE SECURITIES REPRESENTED BY THIS INSTRUMENT EXCEPT (A) PURSUANT TO A REGISTRATION STATEMENT WHICH IS THEN EFFECTIVE UNDER THE SECURITIES ACT, (B) FOR SO LONG AS THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER

TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) TO THE ISSUER OR (D) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS INSTRUMENT IS ISSUED SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A SECURITIES PURCHASE AGREEMENT BETWEEN THE ISSUER OF THESE SECURITIES AND THE INVESTOR REFERRED TO THEREIN, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID.”

(c) In the event that any Purchased Securities or Warrant Shares (i) become registered under the Securities Act or (ii) are eligible to be transferred without restriction in accordance with Rule 144 or another exemption from registration under the Securities Act (other than Rule 144A), the Company shall issue new certificates or other instruments representing such Purchased Securities or Warrant Shares, which shall not contain the applicable legends in Sections 4.2(a) and (b) above; *provided* that the Investor surrenders to the Company the previously issued certificates or other instruments.

4.3 Certain Transactions. The Company will not merge or consolidate with, or sell, transfer or lease all or substantially all of its property or assets to, any other party unless the successor, transferee or lessee party (or its ultimate parent entity), as the case may be (if not the Company), expressly assumes the due and punctual performance and observance of each and every covenant, agreement and condition of this Agreement to be performed and observed by the Company.

4.4 Transfer of Purchased Securities and Warrant Shares; Restrictions on Exercise of the Warrant. Subject to compliance with applicable securities laws, the Investor shall be permitted to transfer, sell, assign or otherwise dispose of (“*Transfer*”) all or a portion of the Purchased Securities or Warrant Shares at any time, and the Company shall take all steps as may be reasonably requested by the Investor to facilitate the Transfer of the Purchased Securities and the Warrant Shares; *provided* that the Investor shall not Transfer any Purchased Securities or Warrant Shares if such transfer would require the Company to be subject to the periodic reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 (the “*Exchange Act*”). In furtherance of the foregoing, the Company shall provide reasonable cooperation to facilitate any Transfers of the Purchased Securities or Warrant Shares, including, as is reasonable under the circumstances, by furnishing such information concerning the Company and its business as a proposed transferee may reasonably request (including such information as is required by Section 4.5(k)) and making management of the Company

reasonably available to respond to questions of a proposed transferee in accordance with customary practice, subject in all cases to the proposed transferee agreeing to a customary confidentiality agreement.

4.5 Registration Rights.

(a) Unless and until the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall have no obligation to comply with the provisions of this Section 4.5 (other than Section 4.5(b)(iv)-(vi)); *provided* that the Company covenants and agrees that it shall comply with this Section 4.5 as soon as practicable after the date that it becomes subject to such reporting requirements.

(b) Registration.

(i) Subject to the terms and conditions of this Agreement, the Company covenants and agrees that as promptly as practicable after the date that the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act (and in any event no later than 30 days thereafter), the Company shall prepare and file with the SEC a Shelf Registration Statement covering all Registrable Securities (or otherwise designate an existing Shelf Registration Statement filed with the SEC to cover the Registrable Securities), and, to the extent the Shelf Registration Statement has not theretofore been declared effective or is not automatically effective upon such filing, the Company shall use reasonable best efforts to cause such Shelf Registration Statement to be declared or become effective and to keep such Shelf Registration Statement continuously effective and in compliance with the Securities Act and usable for resale of such Registrable Securities for a period from the date of its initial effectiveness until such time as there are no Registrable Securities remaining (including by refiling such Shelf Registration Statement (or a new Shelf Registration Statement) if the initial Shelf Registration Statement expires). Notwithstanding the foregoing, if the Company is not eligible to file a registration statement on Form S-3, then the Company shall not be obligated to file a Shelf Registration Statement unless and until requested to do so in writing by the Investor.

(ii) Any registration pursuant to Section 4.5(b)(i) shall be effected by means of a shelf registration on an appropriate form under Rule 415 under the Securities Act (a "*Shelf Registration Statement*"). If the Investor or any other Holder intends to distribute any Registrable Securities by means of an underwritten offering it shall promptly so advise the Company and the Company shall take all reasonable steps to facilitate such distribution, including the actions required pursuant to Section 4.5(d); *provided* that the Company shall not be required to facilitate an underwritten offering of Registrable Securities unless the expected gross proceeds from such offering exceed (i) 2% of the initial aggregate liquidation preference of the Preferred Shares if such initial aggregate liquidation preference is less than \$2 billion and (ii) \$200 million if the initial aggregate liquidation preference of the Preferred Shares is equal to or greater than \$2 billion. The lead underwriters in any such distribution shall be selected by the Holders of a majority

of the Registrable Securities to be distributed; *provided* that to the extent appropriate and permitted under applicable law, such Holders shall consider the qualifications of any broker-dealer Affiliate of the Company in selecting the lead underwriters in any such distribution.

(iii) The Company shall not be required to effect a registration (including a resale of Registrable Securities from an effective Shelf Registration Statement) or an underwritten offering pursuant to Section 4.5(b): (A) with respect to securities that are not Registrable Securities; or (B) if the Company has notified the Investor and all other Holders that in the good faith judgment of the Board of Directors, it would be materially detrimental to the Company or its securityholders for such registration or underwritten offering to be effected at such time, in which event the Company shall have the right to defer such registration for a period of not more than 45 days after receipt of the request of the Investor or any other Holder; *provided* that such right to delay a registration or underwritten offering shall be exercised by the Company (1) only if the Company has generally exercised (or is concurrently exercising) similar black-out rights against holders of similar securities that have registration rights and (2) not more than three times in any 12-month period and not more than 90 days in the aggregate in any 12-month period.

(iv) If during any period when an effective Shelf Registration Statement is not available, the Company proposes to register any of its equity securities, other than a registration pursuant to Section 4.5(b)(i) or a Special Registration, and the registration form to be filed may be used for the registration or qualification for distribution of Registrable Securities, the Company will give prompt written notice to the Investor and all other Holders of its intention to effect such a registration (but in no event less than ten days prior to the anticipated filing date) and will include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within ten business days after the date of the Company's notice (a "Piggyback Registration"). Any such person that has made such a written request may withdraw its Registrable Securities from such Piggyback Registration by giving written notice to the Company and the managing underwriter, if any, on or before the fifth business day prior to the planned effective date of such Piggyback Registration. The Company may terminate or withdraw any registration under this Section 4.5(b)(iv) prior to the effectiveness of such registration, whether or not Investor or any other Holders have elected to include Registrable Securities in such registration.

(v) If the registration referred to in Section 4.5(b)(iv) is proposed to be underwritten, the Company will so advise Investor and all other Holders as a part of the written notice given pursuant to Section 4.5(b)(iv). In such event, the right of Investor and all other Holders to registration pursuant to Section 4.5(b) will be conditioned upon such persons' participation in such underwriting and the inclusion of such person's Registrable Securities in the underwriting if such securities are of the same class of securities as the securities to be offered in the underwritten offering, and each such person will (together with the Company and the other persons distributing their securities through such underwriting) enter into an underwriting agreement in customary form with

the underwriter or underwriters selected for such underwriting by the Company; *provided* that the Investor (as opposed to other Holders) shall not be required to indemnify any person in connection with any registration. If any participating person disapproves of the terms of the underwriting, such person may elect to withdraw therefrom by written notice to the Company, the managing underwriters and the Investor (if the Investor is participating in the underwriting).

(vi) If either (x) the Company grants “piggyback” registration rights to one or more third parties to include their securities in an underwritten offering under the Shelf Registration Statement pursuant to Section 4.5(b)(ii) or (y) a Piggyback Registration under Section 4.5(b)(iv) relates to an underwritten offering on behalf of the Company, and in either case the managing underwriters advise the Company that in their reasonable opinion the number of securities requested to be included in such offering exceeds the number which can be sold without adversely affecting the marketability of such offering (including an adverse effect on the per share offering price), the Company will include in such offering only such number of securities that in the reasonable opinion of such managing underwriters can be sold without adversely affecting the marketability of the offering (including an adverse effect on the per share offering price), which securities will be so included in the following order of priority: (A) first, in the case of a Piggyback Registration under Section 4.5(b)(iv), the securities the Company proposes to sell, (B) then the Registrable Securities of the Investor and all other Holders who have requested inclusion of Registrable Securities pursuant to Section 4.5(b)(ii) or Section 4.5(b)(iv), as applicable, *pro rata* on the basis of the aggregate number of such securities or shares owned by each such person and (C) lastly, any other securities of the Company that have been requested to be so included, subject to the terms of this Agreement; *provided, however,* that if the Company has, prior to the Signing Date, entered into an agreement with respect to its securities that is inconsistent with the order of priority contemplated hereby then it shall apply the order of priority in such conflicting agreement to the extent that it would otherwise result in a breach under such agreement.

(c) Expenses of Registration. All Registration Expenses incurred in connection with any registration, qualification or compliance hereunder shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder shall be borne by the holders of the securities so registered *pro rata* on the basis of the aggregate offering or sale price of the securities so registered.

(d) Obligations of the Company. Whenever required to effect the registration of any Registrable Securities or facilitate the distribution of Registrable Securities pursuant to an effective Shelf Registration Statement, the Company shall, as expeditiously as reasonably practicable:

(i) Prepare and file with the SEC a prospectus supplement or post-effective amendment with respect to a proposed offering of Registrable Securities pursuant to an effective registration statement, subject to Section 4.5(d), keep such registration

statement effective and keep such prospectus supplement current until the securities described therein are no longer Registrable Securities.

(ii) Prepare and file with the SEC such amendments and supplements to the applicable registration statement and the prospectus or prospectus supplement used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(iii) Furnish to the Holders and any underwriters such number of copies of the applicable registration statement and each such amendment and supplement thereto (including in each case all exhibits) and of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned or to be distributed by them.

(iv) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders or any managing underwriter(s), to keep such registration or qualification in effect for so long as such registration statement remains in effect, and to take any other action which may be reasonably necessary to enable such seller to consummate the disposition in such jurisdictions of the securities owned by such Holder; *provided* that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(v) Notify each Holder of Registrable Securities at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the applicable prospectus, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing.

(vi) Give written notice to the Holders:

(A) when any registration statement filed pursuant to Section 4.5(a) or any amendment thereto has been filed with the SEC (except for any amendment effected by the filing of a document with the SEC pursuant to the Exchange Act) and when such registration statement or any post-effective amendment thereto has become effective;

(B) of any request by the SEC for amendments or supplements to any registration statement or the prospectus included therein or for additional information;

(C) of the issuance by the SEC of any stop order suspending the effectiveness of any registration statement or the initiation of any proceedings for that purpose;

(D) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the applicable Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(E) of the happening of any event that requires the Company to make changes in any effective registration statement or the prospectus related to the registration statement in order to make the statements therein not misleading (which notice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made); and

(F) if at any time the representations and warranties of the Company contained in any underwriting agreement contemplated by Section 4.5(d)(x) cease to be true and correct.

(vii) Use its reasonable best efforts to prevent the issuance or obtain the withdrawal of any order suspending the effectiveness of any registration statement referred to in Section 4.5(d)(vi)(C) at the earliest practicable time.

(viii) Upon the occurrence of any event contemplated by Section 4.5(d)(v) or 4.5(d)(vi)(E), promptly prepare a post-effective amendment to such registration statement or a supplement to the related prospectus or file any other required document so that, as thereafter delivered to the Holders and any underwriters, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Holders in accordance with Section 4.5(d)(vi)(E) to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Holders and any underwriters shall suspend use of such prospectus and use their reasonable best efforts to return to the Company all copies of such prospectus (at the Company's expense) other than permanent file copies then in such Holders' or underwriters' possession. The total number of days that any such suspension may be in effect in any 12-month period shall not exceed 90 days.

(ix) Use reasonable best efforts to procure the cooperation of the Company's transfer agent in settling any offering or sale of Registrable Securities, including with respect to the transfer of physical stock certificates into book-entry form in accordance with any procedures reasonably requested by the Holders or any managing underwriter(s).

(x) If an underwritten offering is requested pursuant to Section 4.5(b)(ii), enter into an underwriting agreement in customary form, scope and substance and take all

such other actions reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith or by the managing underwriter(s), if any, to expedite or facilitate the underwritten disposition of such Registrable Securities, and in connection therewith in any underwritten offering (including making members of management and executives of the Company available to participate in "road shows", similar sales events and other marketing activities), (A) make such representations and warranties to the Holders that are selling stockholders and the managing underwriter(s), if any, with respect to the business of the Company and its subsidiaries, and the Shelf Registration Statement, prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in customary form, substance and scope, and, if true, confirm the same if and when requested, (B) use its reasonable best efforts to furnish the underwriters with opinions of counsel to the Company, addressed to the managing underwriter(s), if any, covering the matters customarily covered in such opinions requested in underwritten offerings, (C) use its reasonable best efforts to obtain "cold comfort" letters from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any business acquired by the Company for which financial statements and financial data are included in the Shelf Registration Statement) who have certified the financial statements included in such Shelf Registration Statement, addressed to each of the managing underwriter(s), if any, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters, (D) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures customary in underwritten offerings (provided that the Investor shall not be obligated to provide any indemnity), and (E) deliver such documents and certificates as may be reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith, their counsel and the managing underwriter(s), if any, to evidence the continued validity of the representations and warranties made pursuant to clause (i) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company.

(xi) Make available for inspection by a representative of Holders that are selling stockholders, the managing underwriter(s), if any, and any attorneys or accountants retained by such Holders or managing underwriter(s), at the offices where normally kept, during reasonable business hours, financial and other records, pertinent corporate documents and properties of the Company, and cause the officers, directors and employees of the Company to supply all information in each case reasonably requested (and of the type customarily provided in connection with due diligence conducted in connection with a registered public offering of securities) by any such representative, managing underwriter(s), attorney or accountant in connection with such Shelf Registration Statement.

(xii) Use reasonable best efforts to cause all such Registrable Securities to be listed on each national securities exchange on which similar securities issued by the Company are then listed or, if no similar securities issued by the Company are then listed on any national securities exchange, use its reasonable best efforts to cause all such



Registrable Securities to be listed on such securities exchange as the Investor may designate.

(xiii) If requested by Holders of a majority of the Registrable Securities being registered and/or sold in connection therewith, or the managing underwriter(s), if any, promptly include in a prospectus supplement or amendment such information as the Holders of a majority of the Registrable Securities being registered and/or sold in connection therewith or managing underwriter(s), if any, may reasonably request in order to permit the intended method of distribution of such securities and make all required filings of such prospectus supplement or such amendment as soon as practicable after the Company has received such request.

(xiv) Timely provide to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

(e) Suspension of Sales. Upon receipt of written notice from the Company that a registration statement, prospectus or prospectus supplement contains or may contain an untrue statement of a material fact or omits or may omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that circumstances exist that make inadvisable use of such registration statement, prospectus or prospectus supplement, the Investor and each Holder of Registrable Securities shall forthwith discontinue disposition of Registrable Securities until the Investor and/or Holder has received copies of a supplemented or amended prospectus or prospectus supplement, or until the Investor and/or such Holder is advised in writing by the Company that the use of the prospectus and, if applicable, prospectus supplement may be resumed, and, if so directed by the Company, the Investor and/or such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in the Investor and/or such Holder's possession, of the prospectus and, if applicable, prospectus supplement covering such Registrable Securities current at the time of receipt of such notice. The total number of days that any such suspension may be in effect in any 12-month period shall not exceed 90 days.

(f) Termination of Registration Rights. A Holder's registration rights as to any securities held by such Holder (and its Affiliates, partners, members and former members) shall not be available unless such securities are Registrable Securities.

(g) Furnishing Information.

(i) Neither the Investor nor any Holder shall use any free writing prospectus (as defined in Rule 405) in connection with the sale of Registrable Securities without the prior written consent of the Company.

(ii) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 4.5(d) that Investor and/or the selling Holders and the underwriters, if any, shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of

disposition of such securities as shall be required to effect the registered offering of their Registrable Securities.

(h) Indemnification.

(i) The Company agrees to indemnify each Holder and, if a Holder is a person other than an individual, such Holder's officers, directors, employees, agents, representatives and Affiliates, and each Person, if any, that controls a Holder within the meaning of the Securities Act (each, an "Indemnitee"), against any and all losses, claims, damages, actions, liabilities, costs and expenses (including reasonable fees, expenses and disbursements of attorneys and other professionals incurred in connection with investigating, defending, settling, compromising or paying any such losses, claims, damages, actions, liabilities, costs and expenses), joint or several, arising out of or based upon any untrue statement or alleged untrue statement of material fact contained in any registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto or any documents incorporated therein by reference or contained in any free writing prospectus (as such term is defined in Rule 405) prepared by the Company or authorized by it in writing for use by such Holder (or any amendment or supplement thereto); or any omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided*, that the Company shall not be liable to such Indemnitee in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon (A) an untrue statement or omission made in such registration statement, including any such preliminary prospectus or final prospectus contained therein or any such amendments or supplements thereto or contained in any free writing prospectus (as such term is defined in Rule 405) prepared by the Company or authorized by it in writing for use by such Holder (or any amendment or supplement thereto), in reliance upon and in conformity with information regarding such Indemnitee or its plan of distribution or ownership interests which was furnished in writing to the Company by such Indemnitee for use in connection with such registration statement, including any such preliminary prospectus or final prospectus contained therein or any such amendments or supplements thereto, or (B) offers or sales effected by or on behalf of such Indemnitee "by means of" (as defined in Rule 159A) a "free writing prospectus" (as defined in Rule 405) that was not authorized in writing by the Company.

(ii) If the indemnification provided for in Section 4.5(h)(i) is unavailable to an Indemnitee with respect to any losses, claims, damages, actions, liabilities, costs or expenses referred to therein or is insufficient to hold the Indemnitee harmless as contemplated therein, then the Company, in lieu of indemnifying such Indemnitee, shall contribute to the amount paid or payable by such Indemnitee as a result of such losses, claims, damages, actions, liabilities, costs or expenses in such proportion as is appropriate to reflect the relative fault of the Indemnitee, on the one hand, and the Company, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, actions, liabilities, costs or expenses as well as any other relevant

equitable considerations. The relative fault of the Company, on the one hand, and of the Indemnitee, on the other hand, shall be determined by reference to, among other factors, whether the untrue statement of a material fact or omission to state a material fact relates to information supplied by the Company or by the Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; the Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 4.5(h)(ii) were determined by *pro rata* allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 4.5(h)(i). No Indemnitee guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from the Company if the Company was not guilty of such fraudulent misrepresentation.

(i) Assignment of Registration Rights. The rights of the Investor to registration of Registrable Securities pursuant to Section 4.5(b) may be assigned by the Investor to a transferee or assignee of Registrable Securities with a liquidation preference or, in the case of the Warrant, the liquidation preference of the underlying shares of Warrant Preferred Stock, no less than an amount equal to (i) 2% of the initial aggregate liquidation preference of the Preferred Shares if such initial aggregate liquidation preference is less than \$2 billion and (ii) \$200 million if the initial aggregate liquidation preference of the Preferred Shares is equal to or greater than \$2 billion; *provided, however*, the transferor shall, within ten days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the number and type of Registrable Securities that are being assigned.

(j) Clear Market. With respect to any underwritten offering of Registrable Securities by the Investor or other Holders pursuant to this Section 4.5, the Company agrees not to effect (other than pursuant to such registration or pursuant to a Special Registration) any public sale or distribution, or to file any Shelf Registration Statement (other than such registration or a Special Registration) covering any preferred stock of the Company or any securities convertible into or exchangeable or exercisable for preferred stock of the Company, during the period not to exceed ten days prior and 60 days following the effective date of such offering or such longer period up to 90 days as may be requested by the managing underwriter for such underwritten offering. The Company also agrees to cause such of its directors and senior executive officers to execute and deliver customary lock-up agreements in such form and for such time period up to 90 days as may be requested by the managing underwriter. "*Special Registration*" means the registration of (A) equity securities and/or options or other rights in respect thereof solely registered on Form S-4 or Form S-8 (or successor form) or (B) shares of equity securities and/or options or other rights in respect thereof to be offered to directors, members of management, employees, consultants, customers, lenders or vendors of the Company or Company Subsidiaries or in connection with dividend reinvestment plans.

(k) Rule 144; Rule 144A. With a view to making available to the Investor and Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(i) make and keep public information available, as those terms are understood and defined in Rule 144(c)(1) or any similar or analogous rule promulgated under the Securities Act, at all times after the Signing Date;

(ii) (A) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act, and (B) if at any time the Company is not required to file such reports, make available, upon the request of any Holder, such information necessary to permit sales pursuant to Rule 144A (including the information required by Rule 144A(d)(4) under the Securities Act);

(iii) so long as the Investor or a Holder owns any Registrable Securities, furnish to the Investor or such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of Rule 144 under the Securities Act, and of the Exchange Act; a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as the Investor or Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities to the public without registration; and

(iv) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act.

(l) As used in this Section 4.5, the following terms shall have the following respective meanings:

(i) “*Holder*” means the Investor and any other holder of Registrable Securities to whom the registration rights conferred by this Agreement have been transferred in compliance with Section 4.5(h) hereof.

(ii) “*Holders’ Counsel*” means one counsel for the selling Holders chosen by Holders holding a majority interest in the Registrable Securities being registered.

(iii) “*Register*,” “*registered*,” and “*registration*” shall refer to a registration effected by preparing and (A) filing a registration statement or amendment thereto in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration or ordering of effectiveness of such registration statement or amendment thereto or (B) filing a prospectus and/or prospectus supplement in respect of an appropriate effective registration statement on Form S-3.

(iv) “*Registrable Securities*” means (A) all Preferred Shares, (B) the Warrant (subject to Section 4.5(q)) and (C) any equity securities issued or issuable directly or indirectly with respect to the securities referred to in the foregoing clauses (A) or (B) by way of conversion, exercise or exchange thereof, including the Warrant Shares, or share dividend or share split or in connection with a combination of shares, recapitalization, reclassification, merger, amalgamation, arrangement, consolidation or other

reorganization, *provided* that, once issued, such securities will not be Registrable Securities when (1) they are sold pursuant to an effective registration statement under the Securities Act, (2) except as provided below in Section 4.5(p), they may be sold pursuant to Rule 144 without limitation thereunder on volume or manner of sale, (3) they shall have ceased to be outstanding or (4) they have been sold in a private transaction in which the transferor's rights under this Agreement are not assigned to the transferee of the securities. No Registrable Securities may be registered under more than one registration statement at any one time.

(v) “*Registration Expenses*” mean all expenses incurred by the Company in effecting any registration pursuant to this Agreement (whether or not any registration or prospectus becomes effective or final) or otherwise complying with its obligations under this Section 4.5, including all registration, filing and listing fees, printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses, expenses incurred in connection with any “road show”, the reasonable fees and disbursements of Holders’ Counsel, and expenses of the Company’s independent accountants in connection with any regular or special reviews or audits incident to or required by any such registration, but shall not include Selling Expenses.

(vi) “*Rule 144*”, “*Rule 144A*”, “*Rule 159A*”, “*Rule 405*” and “*Rule 415*” mean, in each case, such rule promulgated under the Securities Act (or any successor provision), as the same shall be amended from time to time.

(vii) “*Selling Expenses*” mean all discounts, selling commissions and stock transfer taxes applicable to the sale of Registrable Securities and fees and disbursements of counsel for any Holder (other than the fees and disbursements of Holders’ Counsel included in Registration Expenses).

(m) At any time, any holder of Securities (including any Holder) may elect to forfeit its rights set forth in this Section 4.5 from that date forward; *provided*, that a Holder forfeiting such rights shall nonetheless be entitled to participate under Section 4.5(b)(iv) – (vi) in any Pending Underwritten Offering to the same extent that such Holder would have been entitled to if the holder had not withdrawn; and *provided, further*, that no such forfeiture shall terminate a Holder’s rights or obligations under Section 4.5(g) with respect to any prior registration or Pending Underwritten Offering. “*Pending Underwritten Offering*” means, with respect to any Holder forfeiting its rights pursuant to this Section 4.5(m), any underwritten offering of Registrable Securities in which such Holder has advised the Company of its intent to register its Registrable Securities either pursuant to Section 4.5(b)(ii) or 4.5(b)(iv) prior to the date of such Holder’s forfeiture.

(n) Specific Performance. The parties hereto acknowledge that there would be no adequate remedy at law if the Company fails to perform any of its obligations under this Section 4.5 and that the Investor and the Holders from time to time may be irreparably harmed by any such failure, and accordingly agree that the Investor and such Holders, in addition to any other remedy to which they may be entitled at law or in equity, to the fullest extent permitted and

enforceable under applicable law shall be entitled to compel specific performance of the obligations of the Company under this Section 4.5 in accordance with the terms and conditions of this Section 4.5.

(o) No Inconsistent Agreements. The Company shall not, on or after the Signing Date, enter into any agreement with respect to its securities that may impair the rights granted to the Investor and the Holders under this Section 4.5 or that otherwise conflicts with the provisions hereof in any manner that may impair the rights granted to the Investor and the Holders under this Section 4.5. In the event the Company has, prior to the Signing Date, entered into any agreement with respect to its securities that is inconsistent with the rights granted to the Investor and the Holders under this Section 4.5 (including agreements that are inconsistent with the order of priority contemplated by Section 4.5(b)(vi)) or that may otherwise conflict with the provisions hereof, the Company shall use its reasonable best efforts to amend such agreements to ensure they are consistent with the provisions of this Section 4.5.

(p) Certain Offerings by the Investor. In the case of any securities held by the Investor that cease to be Registrable Securities solely by reason of clause (2) in the definition of "Registrable Securities," the provisions of Sections 4.5(b)(ii), clauses (iv), (ix) and (x)-(xii) of Section 4.5(d), Section 4.5(h) and Section 4.5(j) shall continue to apply until such securities otherwise cease to be Registrable Securities. In any such case, an "underwritten" offering or other disposition shall include any distribution of such securities on behalf of the Investor by one or more broker-dealers, an "underwriting agreement" shall include any purchase agreement entered into by such broker-dealers, and any "registration statement" or "prospectus" shall include any offering document approved by the Company and used in connection with such distribution.

(q) Registered Sales of the Warrant. The Holders agree to sell the Warrant or any portion thereof under the Shelf Registration Statement only beginning 30 days after notifying the Company of any such sale, during which 30-day period the Investor and all Holders of the Warrant shall take reasonable steps to agree to revisions to the Warrant to permit a public distribution of the Warrant, including entering into a warrant agreement and appointing a warrant agent.

4.6 Depository Shares. Upon request by the Investor at any time following the Closing Date, the Company shall promptly enter into a depository arrangement, pursuant to customary agreements reasonably satisfactory to the Investor and with a depository reasonably acceptable to the Investor, pursuant to which the Preferred Shares or the Warrant Shares may be deposited and depository shares, each representing a fraction of a Preferred Share or Warrant Share, as applicable, as specified by the Investor, may be issued. From and after the execution of any such depository arrangement, and the deposit of any Preferred Shares or Warrant Shares, as applicable, pursuant thereto, the depository shares issued pursuant thereto shall be deemed "Preferred Shares", "Warrant Shares" and, as applicable, "Registrable Securities" for purposes of this Agreement.

4.7 Restriction on Dividends and Repurchases.

(a) Prior to the earlier of (x) the third anniversary of the Closing Date and (y) the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole or the Investor has transferred all of the Preferred Shares and Warrant Shares to third parties which are not Affiliates of the Investor, neither the Company nor any Company Subsidiary shall, without the consent of the Investor, declare or pay any dividend or make any distribution on capital stock or other equity securities of any kind of the Company or any Company Subsidiary (other than (i) regular quarterly cash dividends of not more than the amount of the last quarterly cash dividend per share declared or, if lower, announced to its holders of Common Stock an intention to declare, on the Common Stock prior to November 17, 2008, as adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction, (ii) dividends payable solely in shares of Common Stock, (iii) regular dividends on shares of preferred stock in accordance with the terms thereof and which are permitted under the terms of the Preferred Shares and the Warrant Shares, (iv) dividends or distributions by any wholly-owned Company Subsidiary or (v) dividends or distributions by any Company Subsidiary required pursuant to binding contractual agreements entered into prior to November 17, 2008).

(b) During the period beginning on the third anniversary of the Closing Date and ending on the earlier of (i) the tenth anniversary of the Closing Date and (ii) the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole or the Investor has transferred all of the Preferred Shares and Warrant Shares to third parties which are not Affiliates of the Investor, neither the Company nor any Company Subsidiary shall, without the consent of the Investor, (A) pay any per share dividend or distribution on capital stock or other equity securities of any kind of the Company at a per annum rate that is in excess of 103% of the aggregate per share dividends and distributions for the immediately prior fiscal year (other than regular dividends on shares of preferred stock in accordance with the terms thereof and which are permitted under the terms of the Preferred Shares and the Warrant Shares); *provided* that no increase in the aggregate amount of dividends or distributions on Common Stock shall be permitted as a result of any dividends or distributions paid in shares of Common Stock, any stock split or any similar transaction or (B) pay aggregate dividends or distributions on capital stock or other equity securities of any kind of any Company Subsidiary that is in excess of 103% of the aggregate dividends and distributions paid for the immediately prior fiscal year (other than in the case of this clause (B), (1) regular dividends on shares of preferred stock in accordance with the terms thereof and which are permitted under the terms of the Preferred Shares and the Warrant Shares, (2) dividends or distributions by any wholly-owned Company Subsidiary, (3) dividends or distributions by any Company Subsidiary required pursuant to binding contractual agreements entered into prior to November 17, 2008) or (4) dividends or distributions on newly issued shares of capital stock for cash or other property.

(c) Prior to the earlier of (x) the tenth anniversary of the Closing Date and (y) the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole or the Investor has transferred all of the Preferred Shares and Warrant Shares to third parties which are not Affiliates of the Investor, neither the Company nor any Company Subsidiary shall, without the consent of the Investor, redeem, purchase or acquire any shares of Common Stock or other capital stock or other equity securities of any kind of the Company or any Company Subsidiary, or any trust preferred securities issued by the Company or any Affiliate of the Company, other

than (i) redemptions, purchases or other acquisitions of the Preferred Shares and Warrant Shares, (ii) in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice, (iii) the acquisition by the Company or any of the Company Subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Company or any other Company Subsidiary), including as trustees or custodians, (iv) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock or trust preferred securities for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case set forth in this clause (iv), solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock (clauses (ii) and (iii), collectively, the “Permitted Repurchases”), (v) redemptions of securities held by the Company or any wholly-owned Company Subsidiary or (vi) redemptions, purchases or other acquisitions of capital stock or other equity securities of any kind of any Company Subsidiary required pursuant to binding contractual agreements entered into prior to November 17, 2008.

(d) Until such time as the Investor ceases to own any Preferred Shares or Warrant Shares, the Company shall not repurchase any Preferred Shares or Warrant Shares from any holder thereof, whether by means of open market purchase, negotiated transaction, or otherwise, other than Permitted Repurchases, unless it offers to repurchase a ratable portion of the Preferred Shares or Warrant Shares, as the case may be, then held by the Investor on the same terms and conditions.

(e) During the period beginning on the tenth anniversary of the Closing and ending on the date on which all of the Preferred Shares and Warrant Shares have been redeemed in whole or the Investor has transferred all of the Preferred Shares and Warrant Shares to third parties which are not Affiliates of the Investor, neither the Company nor any Company Subsidiary shall, without the consent of the Investor, (i) declare or pay any dividend or make any distribution on capital stock or other equity securities of any kind of the Company or any Company Subsidiary; or (ii) redeem, purchase or acquire any shares of Common Stock or other capital stock or other equity securities of any kind of the Company or any Company Subsidiary, or any trust preferred securities issued by the Company or any Affiliate of the Company, other than (A) redemptions, purchases or other acquisitions of the Preferred Shares and Warrant Shares, (B) regular dividends on shares of preferred stock in accordance with the terms thereof and which are permitted under the terms of the Preferred Shares and the Warrant Shares, or (C) dividends or distributions by any wholly-owned Company Subsidiary.

(f) “*Junior Stock*” means Common Stock and any other class or series of stock of the Company the terms of which expressly provide that it ranks junior to the Preferred Shares as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Company. “*Parity Stock*” means any class or series of stock of the Company the terms of which do not expressly provide that such class or series will rank senior or junior to the Preferred Shares as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Company (in each case without regard to whether dividends accrue cumulatively or non-cumulatively).



4.8 Executive Compensation. Until such time as the Investor ceases to own any debt or equity securities of the Company acquired pursuant to this Agreement or the Warrant, the Company shall take all necessary action to ensure that its Benefit Plans with respect to its Senior Executive Officers comply in all respects with Section 111(b) of the EESA as implemented by any guidance or regulation thereunder that has been issued and is in effect as of the Closing Date, and shall not adopt any new Benefit Plan with respect to its Senior Executive Officers that does not comply therewith. “*Senior Executive Officers*” means the Company's "senior executive officers" as defined in subsection 111(b)(3) of the EESA and regulations issued thereunder, including the rules set forth in 31 C.F.R. Part 30.

4.9 Related Party Transactions. Until such time as the Investor ceases to own any Purchased Securities or Warrant Shares, the Company and the Company Subsidiaries shall not enter into transactions with Affiliates or related persons (within the meaning of Item 404 under the SEC's Regulation S-K) unless (i) such transactions are on terms no less favorable to the Company and the Company Subsidiaries than could be obtained from an unaffiliated third party, and (ii) have been approved by the audit committee of the Board of Directors or comparable body of independent directors of the Company.

4.10 Bank and Thrift Holding Company Status. If the Company is a Bank Holding Company or a Savings and Loan Holding Company on the Signing Date, then the Company shall maintain its status as a Bank Holding Company or Savings and Loan Holding Company, as the case may be, for as long as the Investor owns any Purchased Securities or Warrant Shares. The Company shall redeem all Purchased Securities and Warrant Shares held by the Investor prior to terminating its status as a Bank Holding Company or Savings and Loan Holding Company, as applicable. “*Bank Holding Company*” means a company registered as such with the Board of Governors of the Federal Reserve System (the “*Federal Reserve*”) pursuant to 12 U.S.C. §1842 and the regulations of the Federal Reserve promulgated thereunder. “*Savings and Loan Holding Company*” means a company registered as such with the Office of Thrift Supervision pursuant to 12 U.S.C. §1467(a) and the regulations of the Office of Thrift Supervision promulgated thereunder.

4.11 Predominantly Financial. For as long as the Investor owns any Purchased Securities or Warrant Shares, the Company, to the extent it is not itself an insured depository institution, agrees to remain predominantly engaged in financial activities. A company is predominantly engaged in financial activities if the annual gross revenues derived by the company and all subsidiaries of the company (excluding revenues derived from subsidiary depository institutions), on a consolidated basis, from engaging in activities that are financial in nature or are incidental to a financial activity under subsection (k) of Section 4 of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)) represent at least 85 percent of the consolidated annual gross revenues of the company.

## Article V Miscellaneous

5.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by either the Investor or the Company if the Closing shall not have occurred by the 30<sup>th</sup> calendar day following the Signing Date; *provided, however*, that in the event the Closing has not occurred by such 30<sup>th</sup> calendar day, the parties will consult in good faith to determine whether to extend the term of this Agreement, it being understood that the parties shall be required to consult only until the fifth day after such 30<sup>th</sup> calendar day and not be under any obligation to extend the term of this Agreement thereafter; *provided, further*, that the right to terminate this Agreement under this Section 5.1(a) shall not be available to any party whose breach of any representation or warranty or failure to perform any obligation under this Agreement shall have caused or resulted in the failure of the Closing to occur on or prior to such date; or

(b) by either the Investor or the Company in the event that any Governmental Entity shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and nonappealable; or

(c) by the mutual written consent of the Investor and the Company.

In the event of termination of this Agreement as provided in this Section 5.1, this Agreement shall forthwith become void and there shall be no liability on the part of either party hereto except that nothing herein shall relieve either party from liability for any breach of this Agreement.

5.2 Survival of Representations and Warranties. All covenants and agreements, other than those which by their terms apply in whole or in part after the Closing, shall terminate as of the Closing. The representations and warranties of the Company made herein or in any certificates delivered in connection with the Closing shall survive the Closing without limitation.

5.3 Amendment. No amendment of any provision of this Agreement will be effective unless made in writing and signed by an officer or a duly authorized representative of each party; *provided* that the Investor may unilaterally amend any provision of this Agreement to the extent required to comply with any changes after the Signing Date in applicable federal statutes. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative of any rights or remedies provided by law.

5.4 Waiver of Conditions. The conditions to each party's obligation to consummate the Purchase are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable law. No waiver will be effective unless it is in a writing signed by a duly authorized officer of the waiving party that makes express reference to the provision or provisions subject to such waiver.

5.5 Governing Law: Submission to Jurisdiction, Etc. This Agreement will be governed by and construed in accordance with the federal law of the United States if and to

the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the parties hereto agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia and the United States Court of Federal Claims for any and all civil actions, suits or proceedings arising out of or relating to this Agreement or the Warrant or the transactions contemplated hereby or thereby, and (b) that notice may be served upon (i) the Company at the address and in the manner set forth for notices to the Company in Section 5.6 and (ii) the Investor in accordance with federal law. To the extent permitted by applicable law, each of the parties hereto hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to this Agreement or the Warrant or the transactions contemplated hereby or thereby.

5.6 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second business day following the date of dispatch if delivered by a recognized next day courier service. All notices to the Company shall be delivered as set forth in Schedule A, or pursuant to such other instruction as may be designated in writing by the Company to the Investor. All notices to the Investor shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the Investor to the Company.

If to the Investor:

United States Department of the Treasury  
1500 Pennsylvania Avenue, NW, Room 2312  
Washington, D.C. 20220  
Attention: Assistant General Counsel (Banking and Finance)  
Facsimile: (202) 622-1974

5.7 Definitions

(a) When a reference is made in this Agreement to a subsidiary of a person, the term “*subsidiary*” means any corporation, partnership, joint venture, limited liability company or other entity (x) of which such person or a subsidiary of such person is a general partner or (y) of which a majority of the voting securities or other voting interests, or a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the board of directors or persons performing similar functions with respect to such entity, is directly or indirectly owned by such person and/or one or more subsidiaries thereof.

(b) The term “*Affiliate*” means, with respect to any person, any person directly or indirectly controlling, controlled by or under common control with, such other person. For purposes of this definition, “*control*” (including, with correlative meanings, the terms “*controlled by*” and “*under common control with*”) when used with respect to any person, means the possession, directly or indirectly, of the power to cause the direction of management and/or

policies of such person, whether through the ownership of voting securities by contract or otherwise.

(c) The terms “*knowledge of the Company*” or “*Company’s knowledge*” mean the actual knowledge after reasonable and due inquiry of the “*officers*” (as such term is defined in Rule 3b-2 under the Exchange Act, but excluding any Vice President or Secretary) of the Company.

5.8 Assignment. Neither this Agreement nor any right, remedy, obligation nor liability arising hereunder or by reason hereof shall be assignable by any party hereto without the prior written consent of the other party, and any attempt to assign any right, remedy, obligation or liability hereunder without such consent shall be void, except (a) an assignment, in the case of a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Company’s stockholders (a “*Business Combination*”) where such party is not the surviving entity, or a sale of substantially all of its assets, to the entity which is the survivor of such Business Combination or the purchaser in such sale and (b) as provided in Sections 3.5 and 4.5.

5.9 Severability. If any provision of this Agreement or the Warrant, or the application thereof to any person or circumstance, is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, will remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

5.10 No Third Party Beneficiaries. Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person or entity other than the Company and the Investor any benefit, right or remedies, except that the provisions of Section 4.5 shall inure to the benefit of the persons referred to in that Section.

\* \* \*

**FORM OF CERTIFICATE OF DESIGNATIONS FOR PREFERRED STOCK**

[SEE ATTACHED]

## FORM OF [CERTIFICATE OF DESIGNATIONS]

OF

FIXED RATE CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES [●]

OF

[●]

[*Insert name of Issuer*], a [corporation/bank/banking association] organized and existing under the laws of the [*Insert jurisdiction of organization*] (the “Issuer”), in accordance with the provisions of Section[s] [●] of the [*Insert applicable statute*] thereof, does hereby certify:

The board of directors of the Issuer (the “Board of Directors”) or an applicable committee of the Board of Directors, in accordance with the [[certificate of incorporation/articles of association] and bylaws] of the Issuer and applicable law, adopted the following resolution on [●] creating a series of [●] shares of Preferred Stock of the Issuer designated as “Fixed Rate Cumulative Perpetual Preferred Stock, Series [●]”.

**RESOLVED**, that pursuant to the provisions of the [[certificate of incorporation/articles of association] and the bylaws] of the Issuer and applicable law, a series of Preferred Stock, par value \$[●] per share, of the Issuer be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

Part 1. Designation and Number of Shares. There is hereby created out of the authorized and unissued shares of preferred stock of the Issuer a series of preferred stock designated as the “Fixed Rate Cumulative Perpetual Preferred Stock, Series [●]” (the “Designated Preferred Stock”). The authorized number of shares of Designated Preferred Stock shall be [●].

Part 2. Standard Provisions. The Standard Provisions contained in Schedule A attached hereto are incorporated herein by reference in their entirety and shall be deemed to be a part of this [Certificate of Designations] to the same extent as if such provisions had been set forth in full herein.

Part 3. Definitions. The following terms are used in this [Certificate of Designations] (including the Standard Provisions in Schedule A hereto) as defined below:

(a) “Common Stock” means the common stock, par value \$[●] per share, of the Issuer.

(b) “Dividend Payment Date” means February 15, May 15, August 15 and November 15 of each year.

(c) “Junior Stock” means the Common Stock, *[Insert titles of any existing Junior Stock]* and any other class or series of stock of the Issuer the terms of which expressly provide that it ranks junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer.

(d) “Liquidation Amount” means \$[1,000]<sup>1</sup> per share of Designated Preferred Stock.

(e) “Minimum Amount” means \$*[Insert \$ amount equal to 25% of the aggregate value of the Designated Preferred Stock issued on the Original Issue Date]*.

(f) “Parity Stock” means any class or series of stock of the Issuer (other than Designated Preferred Stock) the terms of which do not expressly provide that such class or series will rank senior or junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer (in each case without regard to whether dividends accrue cumulatively or non-cumulatively). Without limiting the foregoing, Parity Stock shall include the Issuer’s *[Insert title(s) of existing classes or series of Parity Stock]*.

(g) “Signing Date” means *[Insert date of applicable securities purchase agreement]*.

Part. 4. Certain Voting Matters. *[To be inserted if the Charter provides for voting in proportion to liquidation preferences:* Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Designated Preferred Stock and any Voting Parity Stock has been cast or given on any matter on which the holders of shares of Designated Preferred Stock are entitled to vote shall be determined by the Issuer by reference to the specified liquidation amount of the shares voted or covered by the consent as if the Issuer were liquidated on the record date for such vote or consent, if any, or, in the absence of a record date, on the date for such vote or consent. For purposes of determining the voting rights of the holders of Designated Preferred Stock under Section 7 of the Standard Provisions forming part of this *[Certificate of Designations]*, each holder will be entitled to one vote for each \$1,000 of liquidation preference to which such holder’s shares are entitled.] *[To be inserted if the Charter does not provide for voting in proportion to liquidation preferences:* Holders of shares of Designated Preferred Stock will be entitled to one vote for each such share on any matter on which holders of Designated Preferred Stock are entitled to vote, including any action by written consent.]

*[Remainder of Page Intentionally Left Blank]*

---

<sup>1</sup> If Issuer desires to issue shares with a higher dollar amount liquidation preference, liquidation preference references will be modified accordingly. In such case (in accordance with Section 4.6 of the Securities Purchase Agreement), the issuer will be required to enter into a deposit agreement.

IN WITNESS WHEREOF, *[Insert name of Issuer]* has caused this [Certificate of Designations] to be signed by [●], its [●], this [●] day of [●].

*[Insert name of Issuer]*

By: \_\_\_\_\_

Name:

Title:



**STANDARD PROVISIONS**

Section 1. General Matters. Each share of Designated Preferred Stock shall be identical in all respects to every other share of Designated Preferred Stock. The Designated Preferred Stock shall be perpetual, subject to the provisions of Section 5 of these Standard Provisions that form a part of the Certificate of Designations. The Designated Preferred Stock shall rank equally with Parity Stock and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Issuer.

Section 2. Standard Definitions. As used herein with respect to Designated Preferred Stock:

(a) “Applicable Dividend Rate” means (i) during the period from the Original Issue Date to, but excluding, the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 5% per annum and (ii) from and after the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 9% per annum.

(b) “Appropriate Federal Banking Agency” means the “appropriate Federal banking agency” with respect to the Issuer as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

(c) “Business Combination” means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Issuer’s stockholders.

(d) “Business Day” means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(e) “Bylaws” means the bylaws of the Issuer, as they may be amended from time to time.

(f) “Certificate of Designations” means the Certificate of Designations or comparable instrument relating to the Designated Preferred Stock, of which these Standard Provisions form a part, as it may be amended from time to time.

(g) “Charter” means the Issuer’s certificate or articles of incorporation, articles of association, or similar organizational document.

(h) “Dividend Period” has the meaning set forth in Section 3(a).

(i) “Dividend Record Date” has the meaning set forth in Section 3(a).

(j) “Liquidation Preference” has the meaning set forth in Section 4(a).

(k) “Original Issue Date” means the date on which shares of Designated Preferred Stock are first issued.

(l) “Preferred Director” has the meaning set forth in Section 7(b).

(m) “Preferred Stock” means any and all series of preferred stock of the Issuer, including the Designated Preferred Stock.

(n) “Qualified Equity Offering” means the sale and issuance for cash by the Issuer to persons other than the Issuer or any of its subsidiaries after the Original Issue Date of shares of perpetual Preferred Stock, Common Stock or any combination of such stock, that, in each case, qualify as and may be included in Tier 1 capital of the Issuer at the time of issuance under the applicable risk-based capital guidelines of the Issuer’s Appropriate Federal Banking Agency (other than any such sales and issuances made pursuant to agreements or arrangements entered into, or pursuant to financing plans which were publicly announced, on or prior to November 17, 2008).

(o) “Standard Provisions” mean these Standard Provisions that form a part of the Certificate of Designations relating to the Designated Preferred Stock.

(p) “Successor Preferred Stock” has the meaning set forth in Section 5(a).

(q) “Voting Parity Stock” means, with regard to any matter as to which the holders of Designated Preferred Stock are entitled to vote as specified in Sections 7(a) and 7(b) of these Standard Provisions that form a part of the Certificate of Designations, any and all series of Parity Stock upon which like voting rights have been conferred and are exercisable with respect to such matter.

### Section 3. Dividends.

(a) Rate. Holders of Designated Preferred Stock shall be entitled to receive, on each share of Designated Preferred Stock if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors, but only out of assets legally available therefor, cumulative cash dividends with respect to each Dividend Period (as defined below) at a rate per annum equal to the Applicable Dividend Rate on (i) the Liquidation Amount per share of Designated Preferred Stock and (ii) the amount of accrued and unpaid dividends for any prior Dividend Period on such share of Designated Preferred Stock, if any. Such dividends shall begin to accrue and be cumulative from the Original Issue Date, shall compound on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable quarterly in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date to occur at least 20 calendar days after the Original Issue Date. In the event that any Dividend Payment Date would otherwise fall on a day that is not a Business Day, the dividend payment due on that date will be postponed to the next day that is a Business Day and no additional dividends will accrue as a result of that postponement. The period from and including any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a “Dividend Period”, provided that the initial

Dividend Period shall be the period from and including the Original Issue Date to, but excluding, the next Dividend Payment Date.

Dividends that are payable on Designated Preferred Stock in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of dividends payable on Designated Preferred Stock on any date prior to the end of a Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month.

Dividends that are payable on Designated Preferred Stock on any Dividend Payment Date will be payable to holders of record of Designated Preferred Stock as they appear on the stock register of the Issuer on the applicable record date, which shall be the 15th calendar day immediately preceding such Dividend Payment Date or such other record date fixed by the Board of Directors or any duly authorized committee of the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Holders of Designated Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on Designated Preferred Stock as specified in this Section 3 (subject to the other provisions of the Certificate of Designations).

(b) Priority of Dividends. So long as any share of Designated Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock, subject to the immediately following paragraph in the case of Parity Stock, and no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Issuer or any of its subsidiaries unless all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been or are contemporaneously declared and paid in full (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of Designated Preferred Stock on the applicable record date). The foregoing limitation shall not apply to (i) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice; (ii) the acquisition by the Issuer or any of its subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Issuer or any of its subsidiaries), including as trustees or custodians; and (iii) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case, solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period related to such Dividend Payment Date) in full upon Designated Preferred Stock and any shares of Parity Stock, all dividends declared on Designated Preferred Stock and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of Designated Preferred Stock (including, if applicable as provided in Section 3(a) above, dividends on such amount) and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) (subject to their having been declared by the Board of Directors or a duly authorized committee of the Board of Directors out of legally available funds and including, in the case of Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other. If the Board of Directors or a duly authorized committee of the Board of Directors determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Issuer will provide written notice to the holders of Designated Preferred Stock prior to such Dividend Payment Date.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of Designated Preferred Stock shall not be entitled to participate in any such dividends.

#### Section 4. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Issuer, whether voluntary or involuntary, holders of Designated Preferred Stock shall be entitled to receive for each share of Designated Preferred Stock, out of the assets of the Issuer or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Issuer, subject to the rights of any creditors of the Issuer, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Issuer ranking junior to Designated Preferred Stock as to such distribution, payment in full in an amount equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount), whether or not declared, to the date of payment (such amounts collectively, the "Liquidation Preference").

(b) Partial Payment. If in any distribution described in Section 4(a) above the assets of the Issuer or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as

to such distribution, holders of Designated Preferred Stock and the holders of such other stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as to such distribution has been paid in full, the holders of other stock of the Issuer shall be entitled to receive all remaining assets of the Issuer (or proceeds thereof) according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 4, the merger or consolidation of the Issuer with any other corporation or other entity, including a merger or consolidation in which the holders of Designated Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Issuer, shall not constitute a liquidation, dissolution or winding up of the Issuer.

#### Section 5. Redemption.

(a) Optional Redemption. Except as provided below, the Designated Preferred Stock may not be redeemed prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date. On or after the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, out of funds legally available therefor, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption.

Notwithstanding the foregoing, prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption; *provided that* (x) the Issuer (or any successor by Business Combination) has received aggregate gross proceeds of not less than the Minimum Amount (plus the "Minimum Amount" as defined in the relevant certificate of designations for each other outstanding series of preferred stock of such successor that was originally issued to the United States Department of the Treasury (the "Successor Preferred Stock") in connection with the Troubled Asset Relief Program Capital Purchase Program) from one or more Qualified Equity Offerings (including Qualified Equity Offerings of such successor), and (y) the aggregate

redemption price of the Designated Preferred Stock (and any Successor Preferred Stock) redeemed pursuant to this paragraph may not exceed the aggregate net cash proceeds received by the Issuer (or any successor by Business Combination) from such Qualified Equity Offerings (including Qualified Equity Offerings of such successor).

The redemption price for any shares of Designated Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Issuer or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 3 above.

(b) No Sinking Fund. The Designated Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Designated Preferred Stock will have no right to require redemption or repurchase of any shares of Designated Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of Designated Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Issuer. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Designated Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Designated Preferred Stock. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Designated Preferred Stock at such time and in any manner permitted by such facility. Each notice of redemption given to a holder shall state: (1) the redemption date; (2) the number of shares of Designated Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) Partial Redemption. In case of any redemption of part of the shares of Designated Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or in such other manner as the Board of Directors or a duly authorized committee thereof may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors or a duly authorized committee thereof shall have full power and authority to prescribe the terms and conditions upon which shares of Designated Preferred Stock shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption

have been deposited by the Issuer, in trust for the *pro rata* benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of Manhattan, The City of New York, and having a capital and surplus of at least \$500 million and selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Issuer, after which time the holders of the shares so called for redemption shall look only to the Issuer for payment of the redemption price of such shares.

(f) Status of Redeemed Shares. Shares of Designated Preferred Stock that are redeemed, repurchased or otherwise acquired by the Issuer shall revert to authorized but unissued shares of Preferred Stock (*provided* that any such cancelled shares of Designated Preferred Stock may be reissued only as shares of any series of Preferred Stock other than Designated Preferred Stock).

Section 6. Conversion. Holders of Designated Preferred Stock shares shall have no right to exchange or convert such shares into any other securities.

Section 7. Voting Rights.

(a) General. The holders of Designated Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) Preferred Stock Directors. Whenever, at any time or times, dividends payable on the shares of Designated Preferred Stock have not been paid for an aggregate of six quarterly Dividend Periods or more, whether or not consecutive, the authorized number of directors of the Issuer shall automatically be increased by two and the holders of the Designated Preferred Stock shall have the right, with holders of shares of any one or more other classes or series of Voting Parity Stock outstanding at the time, voting together as a class, to elect two directors (hereinafter the "Preferred Directors" and each a "Preferred Director") to fill such newly created directorships at the Issuer's next annual meeting of stockholders (or at a special meeting called for that purpose prior to such next annual meeting) and at each subsequent annual meeting of stockholders until all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been declared and paid in full at which time such right shall terminate with respect to the Designated Preferred Stock, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above mentioned; *provided* that it shall be a qualification for election for any Preferred Director that the election of such Preferred Director shall not cause the Issuer to violate any corporate governance requirements of any securities exchange or other trading facility on which securities of the Issuer may then be listed or traded that listed or traded companies must have a majority of independent directors. Upon any

termination of the right of the holders of shares of Designated Preferred Stock and Voting Parity Stock as a class to vote for directors as provided above, the Preferred Directors shall cease to be qualified as directors, the term of office of all Preferred Directors then in office shall terminate immediately and the authorized number of directors shall be reduced by the number of Preferred Directors elected pursuant hereto. Any Preferred Director may be removed at any time, with or without cause, and any vacancy created thereby may be filled, only by the affirmative vote of the holders a majority of the shares of Designated Preferred Stock at the time outstanding voting separately as a class together with the holders of shares of Voting Parity Stock, to the extent the voting rights of such holders described above are then exercisable. If the office of any Preferred Director becomes vacant for any reason other than removal from office as aforesaid, the remaining Preferred Director may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred.

(c) Class Voting Rights as to Particular Matters. So long as any shares of Designated Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter, the vote or consent of the holders of at least 66 2/3% of the shares of Designated Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of the Certificate of Designations for the Designated Preferred Stock or the Charter to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of the Issuer ranking senior to Designated Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Issuer;

(ii) Amendment of Designated Preferred Stock. Any amendment, alteration or repeal of any provision of the Certificate of Designations for the Designated Preferred Stock or the Charter (including, unless no vote on such merger or consolidation is required by Section 7(c)(iii) below, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Designated Preferred Stock; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving the Designated Preferred Stock, or of a merger or consolidation of the Issuer with another corporation or other entity, unless in each case (x) the shares of Designated Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Issuer is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions



thereof, of Designated Preferred Stock immediately prior to such consummation, taken as a whole;

*provided, however,* that for all purposes of this Section 7(c), any increase in the amount of the authorized Preferred Stock, including any increase in the authorized amount of Designated Preferred Stock necessary to satisfy preemptive or similar rights granted by the Issuer to other persons prior to the Signing Date, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to Designated Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Issuer will not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Designated Preferred Stock.

(d) Changes after Provision for Redemption. No vote or consent of the holders of Designated Preferred Stock shall be required pursuant to Section 7(c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Designated Preferred Stock shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been deposited in trust for such redemption, in each case pursuant to Section 5 above.

(e) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Designated Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules of the Board of Directors or any duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Charter, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which Designated Preferred Stock is listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Issuer and the transfer agent for Designated Preferred Stock may deem and treat the record holder of any share of Designated Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Issuer nor such transfer agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of Designated Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Charter or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any similar facility, such notices may be given to the holders of Designated Preferred Stock in any manner permitted by such facility.

Section 10. No Preemptive Rights. No share of Designated Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Issuer, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 11. Replacement Certificates. The Issuer shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Issuer. The Issuer shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Issuer of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Issuer.

Section 12. Other Rights. The shares of Designated Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Charter or as provided by applicable law.

ANNEX B

**FORM OF CERTIFICATE OF DESIGNATIONS  
FOR WARRANT PREFERRED STOCK**

[SEE ATTACHED]

FORM OF [CERTIFICATE OF DESIGNATIONS]

OF

FIXED RATE CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES [●]

OF

[●]

[*Insert name of Issuer*], a [corporation/bank/banking association] organized and existing under the laws of the [*Insert jurisdiction of organization*] (the “Issuer”), in accordance with the provisions of Section[s] [●] of the [*Insert applicable statute*] thereof, does hereby certify:

The board of directors of the Issuer (the “Board of Directors”) or an applicable committee of the Board of Directors, in accordance with the [[certificate of incorporation/articles of association] and bylaws] of the Issuer and applicable law, adopted the following resolution on [●] creating a series of [●] shares of Preferred Stock of the Issuer designated as “Fixed Rate Cumulative Perpetual Preferred Stock, Series [●]”.

**RESOLVED**, that pursuant to the provisions of the [[certificate of incorporation/articles of association] and the bylaws] of the Issuer and applicable law, a series of Preferred Stock, par value \$[●] per share, of the Issuer be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

Part 1. Designation and Number of Shares. There is hereby created out of the authorized and unissued shares of preferred stock of the Issuer a series of preferred stock designated as the “Fixed Rate Cumulative Perpetual Preferred Stock, Series [●]” (the “Designated Preferred Stock”). The authorized number of shares of Designated Preferred Stock shall be [●].

Part 2. Standard Provisions. The Standard Provisions contained in Schedule A attached hereto are incorporated herein by reference in their entirety and shall be deemed to be a part of this [Certificate of Designations] to the same extent as if such provisions had been set forth in full herein.

Part 3. Definitions. The following terms are used in this [Certificate of Designations] (including the Standard Provisions in Schedule A hereto) as defined below:

(a) “Common Stock” means the common stock, par value \$[●] per share, of the Issuer.

(b) “Dividend Payment Date” means February 15, May 15, August 15 and November 15 of each year.

(c) “Junior Stock” means the Common Stock, *[Insert titles of any existing Junior Stock]* and any other class or series of stock of the Issuer the terms of which expressly provide that it ranks junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer.

(d) “Liquidation Amount” means \$[1,000]<sup>1</sup> per share of Designated Preferred Stock.

(e) “Minimum Amount” means \$*[Insert \$ amount equal to 25% of the aggregate value of the Designated Preferred Stock issued on the Original Issue Date]*.

(f) “Parity Stock” means any class or series of stock of the Issuer (other than Designated Preferred Stock) the terms of which do not expressly provide that such class or series will rank senior or junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer (in each case without regard to whether dividends accrue cumulatively or non-cumulatively). Without limiting the foregoing, Parity Stock shall include the Issuer’s UST Preferred Stock [and] *[Insert title(s) of any other classes or series of Parity Stock]*.

(g) “Signing Date” means *[Insert date of applicable securities purchase agreement]*.

(h) “UST Preferred Stock” means the Issuer’s Fixed Rate Cumulative Perpetual Preferred Stock, Series [●].

Part. 4. Certain Voting Matters. *[To be inserted if the Charter provides for voting in proportion to liquidation preferences:* Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Designated Preferred Stock and any Voting Parity Stock has been cast or given on any matter on which the holders of shares of Designated Preferred Stock are entitled to vote shall be determined by the Issuer by reference to the specified liquidation amount of the shares voted or covered by the consent as if the Issuer were liquidated on the record date for such vote or consent, if any, or, in the absence of a record date, on the date for such vote or consent. For purposes of determining the voting rights of the holders of Designated Preferred Stock under Section 7 of the Standard Provisions forming part of this [Certificate of Designations], each holder will be entitled to one vote for each \$1,000 of liquidation preference to which such holder’s shares are entitled.] *[To be inserted if the Charter does not provide for voting in proportion to liquidation preferences:* Holders of shares of Designated Preferred Stock will be entitled to one vote for each such share on any matter on which holders of Designated Preferred Stock are entitled to vote, including any action by written consent.]

*[Remainder of Page Intentionally Left Blank]*

---

<sup>1</sup> If Issuer desires to issue shares with a higher dollar amount liquidation preference, liquidation preference references will be modified accordingly. In such case (in accordance with Section 4.6 of the Securities Purchase Agreement), the issuer will be required to enter into a deposit agreement.

IN WITNESS WHEREOF, *[Insert name of Issuer]* has caused this [Certificate of Designations] to be signed by [●], its [●], this [●] day of [●].

*[Insert name of Issuer]*

By: \_\_\_\_\_

Name:

Title:

**STANDARD PROVISIONS**

Section 1. General Matters. Each share of Designated Preferred Stock shall be identical in all respects to every other share of Designated Preferred Stock. The Designated Preferred Stock shall be perpetual, subject to the provisions of Section 5 of these Standard Provisions that form a part of the Certificate of Designations. The Designated Preferred Stock shall rank equally with Parity Stock and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Issuer.

Section 2. Standard Definitions. As used herein with respect to Designated Preferred Stock:

(a) “Appropriate Federal Banking Agency” means the “appropriate Federal banking agency” with respect to the Issuer as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

(b) “Business Combination” means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Issuer’s stockholders.

(c) “Business Day” means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(d) “Bylaws” means the bylaws of the Issuer, as they may be amended from time to time.

(e) “Certificate of Designations” means the Certificate of Designations or comparable instrument relating to the Designated Preferred Stock, of which these Standard Provisions form a part, as it may be amended from time to time.

(f) “Charter” means the Issuer’s certificate or articles of incorporation, articles of association, or similar organizational document.

(g) “Dividend Period” has the meaning set forth in Section 3(a).

(h) “Dividend Record Date” has the meaning set forth in Section 3(a).

(i) “Liquidation Preference” has the meaning set forth in Section 4(a).

(j) “Original Issue Date” means the date on which shares of Designated Preferred Stock are first issued.

(k) “Preferred Director” has the meaning set forth in Section 7(b).

(l) “Preferred Stock” means any and all series of preferred stock of the Issuer, including the Designated Preferred Stock.

(m) “Qualified Equity Offering” means the sale and issuance for cash by the Issuer to persons other than the Issuer or any of its subsidiaries after the Original Issue Date of shares of perpetual Preferred Stock, Common Stock or any combination of such stock, that, in each case, qualify as and may be included in Tier 1 capital of the Issuer at the time of issuance under the applicable risk-based capital guidelines of the Issuer’s Appropriate Federal Banking Agency (other than any such sales and issuances made pursuant to agreements or arrangements entered into, or pursuant to financing plans which were publicly announced, on or prior to November 17, 2008).

(n) “Standard Provisions” mean these Standard Provisions that form a part of the Certificate of Designations relating to the Designated Preferred Stock.

(o) “Successor Preferred Stock” has the meaning set forth in Section 5(a).

(p) “Voting Parity Stock” means, with regard to any matter as to which the holders of Designated Preferred Stock are entitled to vote as specified in Sections 7(a) and 7(b) of these Standard Provisions that form a part of the Certificate of Designations, any and all series of Parity Stock upon which like voting rights have been conferred and are exercisable with respect to such matter.

### Section 3. Dividends.

(a) Rate. Holders of Designated Preferred Stock shall be entitled to receive, on each share of Designated Preferred Stock if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors, but only out of assets legally available therefor, cumulative cash dividends with respect to each Dividend Period (as defined below) at a per annum rate of 9.0% on (i) the Liquidation Amount per share of Designated Preferred Stock and (ii) the amount of accrued and unpaid dividends for any prior Dividend Period on such share of Designated Preferred Stock, if any. Such dividends shall begin to accrue and be cumulative from the Original Issue Date, shall compound on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable quarterly in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date to occur at least 20 calendar days after the Original Issue Date. In the event that any Dividend Payment Date would otherwise fall on a day that is not a Business Day, the dividend payment due on that date will be postponed to the next day that is a Business Day and no additional dividends will accrue as a result of that postponement. The period from and including any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a “Dividend Period”, provided that the initial Dividend Period shall be the period from and including the Original Issue Date to, but excluding, the next Dividend Payment Date.

Dividends that are payable on Designated Preferred Stock in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of dividends payable on Designated Preferred Stock on any date prior to the end of a



Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month.

Dividends that are payable on Designated Preferred Stock on any Dividend Payment Date will be payable to holders of record of Designated Preferred Stock as they appear on the stock register of the Issuer on the applicable record date, which shall be the 15th calendar day immediately preceding such Dividend Payment Date or such other record date fixed by the Board of Directors or any duly authorized committee of the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Holders of Designated Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on Designated Preferred Stock as specified in this Section 3 (subject to the other provisions of the Certificate of Designations).

(b) Priority of Dividends. So long as any share of Designated Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock, subject to the immediately following paragraph in the case of Parity Stock, and no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Issuer or any of its subsidiaries unless all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been or are contemporaneously declared and paid in full (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of Designated Preferred Stock on the applicable record date). The foregoing limitation shall not apply to (i) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice; (ii) the acquisition by the Issuer or any of its subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Issuer or any of its subsidiaries), including as trustees or custodians; and (iii) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case, solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period related to such Dividend Payment Date) in full upon Designated Preferred Stock and any shares of Parity Stock, all dividends declared on Designated Preferred Stock and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend

payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of Designated Preferred Stock (including, if applicable as provided in Section 3(a) above, dividends on such amount) and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) (subject to their having been declared by the Board of Directors or a duly authorized committee of the Board of Directors out of legally available funds and including, in the case of Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other. If the Board of Directors or a duly authorized committee of the Board of Directors determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Issuer will provide written notice to the holders of Designated Preferred Stock prior to such Dividend Payment Date.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of Designated Preferred Stock shall not be entitled to participate in any such dividends.

#### Section 4. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Issuer, whether voluntary or involuntary, holders of Designated Preferred Stock shall be entitled to receive for each share of Designated Preferred Stock, out of the assets of the Issuer or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Issuer, subject to the rights of any creditors of the Issuer, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Issuer ranking junior to Designated Preferred Stock as to such distribution, payment in full in an amount equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount), whether or not declared, to the date of payment (such amounts collectively, the "Liquidation Preference").

(b) Partial Payment. If in any distribution described in Section 4(a) above the assets of the Issuer or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as to such distribution, holders of Designated Preferred Stock and the holders of such other stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as to such

distribution has been paid in full, the holders of other stock of the Issuer shall be entitled to receive all remaining assets of the Issuer (or proceeds thereof) according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 4, the merger or consolidation of the Issuer with any other corporation or other entity, including a merger or consolidation in which the holders of Designated Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Issuer, shall not constitute a liquidation, dissolution or winding up of the Issuer.

#### Section 5. Redemption.

(a) Optional Redemption. Except as provided below, the Designated Preferred Stock may not be redeemed prior to the later of (i) first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date; and (ii) the date on which all outstanding shares of UST Preferred Stock have been redeemed, repurchased or otherwise acquired by the Issuer. On or after the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, out of funds legally available therefor, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption.

Notwithstanding the foregoing, prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency and subject to the requirement that all outstanding shares of UST Preferred Stock shall previously have been redeemed, repurchased or otherwise acquired by the Issuer, may redeem, in whole or in part, at any time and from time to time, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption; *provided* that (x) the Issuer (or any successor by Business Combination) has received aggregate gross proceeds of not less than the Minimum Amount (plus the "Minimum Amount" as defined in the relevant certificate of designations for each other outstanding series of preferred stock of such successor that was originally issued to the United States Department of the Treasury (the "Successor Preferred Stock") in connection with the Troubled Asset Relief Program Capital Purchase Program) from one or more Qualified Equity Offerings (including Qualified Equity Offerings of such successor), and (y) the aggregate redemption price of the Designated Preferred Stock (and any Successor Preferred Stock) redeemed pursuant to this paragraph may not exceed the aggregate net cash proceeds received by the Issuer (or any

successor by Business Combination) from such Qualified Equity Offerings (including Qualified Equity Offerings of such successor).

The redemption price for any shares of Designated Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Issuer or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 3 above.

(b) No Sinking Fund. The Designated Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Designated Preferred Stock will have no right to require redemption or repurchase of any shares of Designated Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of Designated Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Issuer. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Designated Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Designated Preferred Stock. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Designated Preferred Stock at such time and in any manner permitted by such facility. Each notice of redemption given to a holder shall state: (1) the redemption date; (2) the number of shares of Designated Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) Partial Redemption. In case of any redemption of part of the shares of Designated Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or in such other manner as the Board of Directors or a duly authorized committee thereof may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors or a duly authorized committee thereof shall have full power and authority to prescribe the terms and conditions upon which shares of Designated Preferred Stock shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been deposited by the Issuer, in trust for the *pro rata* benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of

Manhattan, The City of New York, and having a capital and surplus of at least \$500 million and selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Issuer, after which time the holders of the shares so called for redemption shall look only to the Issuer for payment of the redemption price of such shares.

(f) Status of Redeemed Shares. Shares of Designated Preferred Stock that are redeemed, repurchased or otherwise acquired by the Issuer shall revert to authorized but unissued shares of Preferred Stock (*provided* that any such cancelled shares of Designated Preferred Stock may be reissued only as shares of any series of Preferred Stock other than Designated Preferred Stock).

Section 6. Conversion. Holders of Designated Preferred Stock shares shall have no right to exchange or convert such shares into any other securities.

Section 7. Voting Rights.

(a) General. The holders of Designated Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) Preferred Stock Directors. Whenever, at any time or times, dividends payable on the shares of Designated Preferred Stock have not been paid for an aggregate of six quarterly Dividend Periods or more, whether or not consecutive, the authorized number of directors of the Issuer shall automatically be increased by two and the holders of the Designated Preferred Stock shall have the right, with holders of shares of any one or more other classes or series of Voting Parity Stock outstanding at the time, voting together as a class, to elect two directors (hereinafter the "Preferred Directors" and each a "Preferred Director") to fill such newly created directorships at the Issuer's next annual meeting of stockholders (or at a special meeting called for that purpose prior to such next annual meeting) and at each subsequent annual meeting of stockholders until all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been declared and paid in full at which time such right shall terminate with respect to the Designated Preferred Stock; except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above mentioned; *provided* that it shall be a qualification for election for any Preferred Director that the election of such Preferred Director shall not cause the Issuer to violate any corporate governance requirements of any securities exchange or other trading facility on which securities of the Issuer may then be listed or traded that listed or traded companies must have a majority of independent directors. Upon any termination of the right of the holders of shares of Designated Preferred Stock and Voting Parity Stock as a class to vote for directors as provided above, the Preferred Directors shall cease to be

qualified as directors, the term of office of all Preferred Directors then in office shall terminate immediately and the authorized number of directors shall be reduced by the number of Preferred Directors elected pursuant hereto. Any Preferred Director may be removed at any time, with or without cause, and any vacancy created thereby may be filled, only by the affirmative vote of the holders a majority of the shares of Designated Preferred Stock at the time outstanding voting separately as a class together with the holders of shares of Voting Parity Stock, to the extent the voting rights of such holders described above are then exercisable. If the office of any Preferred Director becomes vacant for any reason other than removal from office as aforesaid, the remaining Preferred Director may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred.

(c) Class Voting Rights as to Particular Matters. So long as any shares of Designated Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter, the vote or consent of the holders of at least 66 2/3% of the shares of Designated Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of the Certificate of Designations for the Designated Preferred Stock or the Charter to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of the Issuer ranking senior to Designated Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Issuer;

(ii) Amendment of Designated Preferred Stock. Any amendment, alteration or repeal of any provision of the Certificate of Designations for the Designated Preferred Stock or the Charter (including, unless no vote on such merger or consolidation is required by Section 7(c)(iii) below, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Designated Preferred Stock; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving the Designated Preferred Stock, or of a merger or consolidation of the Issuer with another corporation or other entity, unless in each case (x) the shares of Designated Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Issuer is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of Designated Preferred Stock immediately prior to such consummation, taken as a whole;

*provided, however*, that for all purposes of this Section 7(c), any increase in the amount of the authorized Preferred Stock, including any increase in the authorized amount of Designated Preferred Stock necessary to satisfy preemptive or similar rights granted by the Issuer to other persons prior to the Signing Date, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to Designated Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Issuer will not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Designated Preferred Stock.

(d) Changes after Provision for Redemption. No vote or consent of the holders of Designated Preferred Stock shall be required pursuant to Section 7(c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Designated Preferred Stock shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been deposited in trust for such redemption, in each case pursuant to Section 5 above.

(e) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Designated Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules of the Board of Directors or any duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Charter, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which Designated Preferred Stock is listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Issuer and the transfer agent for Designated Preferred Stock may deem and treat the record holder of any share of Designated Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Issuer nor such transfer agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of Designated Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Charter or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any similar facility, such notices may be given to the holders of Designated Preferred Stock in any manner permitted by such facility.

Section 10. No Preemptive Rights. No share of Designated Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Issuer, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 11. Replacement Certificates. The Issuer shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Issuer. The Issuer shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Issuer of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Issuer.

Section 12. Other Rights. The shares of Designated Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Charter or as provided by applicable law.



**FORM OF WAIVER**

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

I acknowledge that this regulation may require modification of the compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements) that I have with my employer or in which I participate as they relate to the period the United States holds any equity or debt securities of my employer acquired through the TARP Capital Purchase Program.

This waiver includes all claims I may have under the laws of the United States or any state related to the requirements imposed by the aforementioned regulation, including without limitation a claim for any compensation or other payments I would otherwise receive, any challenge to the process by which this regulation was adopted and any tort or constitutional claim about the effect of these regulations on my employment relationship.

**FORM OF OPINION**

- (a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the state of its incorporation.
- (b) The Preferred Shares have been duly and validly authorized, and, when issued and delivered pursuant to the Agreement, the Preferred Shares will be duly and validly issued and fully paid and non-assessable, will not be issued in violation of any preemptive rights, and will rank *pari passu* with or senior to all other series or classes of Preferred Stock issued on the Closing Date with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Company.
- (c) The Warrant has been duly authorized and, when executed and delivered as contemplated by the Agreement, will constitute a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity.
- (d) The shares of Warrant Preferred Stock issuable upon exercise of the Warrant have been duly authorized and reserved for issuance upon exercise of the Warrant and when so issued in accordance with the terms of the Warrant will be validly issued, fully paid and non-assessable, and will rank *pari passu* with or senior to all other series or classes of Preferred Stock, whether or not issued or outstanding, with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Company.
- (e) The Company has the corporate power and authority to execute and deliver the Agreement and the Warrant and to carry out its obligations thereunder (which includes the issuance of the Preferred Shares, Warrant and Warrant Shares).
- (f) The execution, delivery and performance by the Company of the Agreement and the Warrant and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Company and its stockholders, and no further approval or authorization is required on the part of the Company.
- (g) The Agreement is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity; *provided, however*, such counsel need express no opinion with respect to Section 4.5(h) or the severability provisions of the Agreement insofar as Section 4.5(h) is concerned.

ANNEX E

**FORM OF WARRANT**

[SEE ATTACHED]



“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“*Exercise Price*” means the amount set forth in Item 2 of Schedule A hereto.

“*Expiration Time*” has the meaning set forth in Section 3.

“*Issue Date*” means the date set forth in Item 3 of Schedule A hereto.

“*Liquidation Amount*” means the amount set forth in Item 4 of Schedule A hereto.

“*Original Warrantholder*” means the United States Department of the Treasury. Any actions specified to be taken by the Original Warrantholder hereunder may only be taken by such Person and not by any other Warrantholder.

“*Person*” has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

“*Preferred Stock*” means the series of perpetual preferred stock set forth in Item 5 of Schedule A hereto.

“*Purchase Agreement*” means the Securities Purchase Agreement – Standard Terms incorporated into the Letter Agreement, dated as of the date set forth in Item 6 of Schedule A hereto, as amended from time to time, between the Company and the United States Department of the Treasury (the “*Letter Agreement*”), including all annexes and schedules thereto.

“*Regulatory Approvals*” with respect to the Warrantholder, means, to the extent applicable and required to permit the Warrantholder to exercise this Warrant for shares of Preferred Stock and to own such Preferred Stock without the Warrantholder being in violation of applicable law, rule or regulation, the receipt of any necessary approvals and authorizations of, filings and registrations with, notifications to, or expiration or termination of any applicable waiting period under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*Securities Act*” means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“*Shares*” has the meaning set forth in Section 2.

“*Warrantholder*” has the meaning set forth in Section 2.

“*Warrant*” means this Warrant, issued pursuant to the Purchase Agreement.

2. Number of Shares; Exercise Price. This certifies that, for value received, the United States Department of the Treasury or its permitted assigns (the “*Warrantholder*”) is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from the

Company, in whole or in part, after the receipt of all applicable Regulatory Approvals, if any, up to an aggregate of the number of fully paid and nonassessable shares of Preferred Stock set forth in Item 7 of Schedule A hereto (the “*Shares*”), at a purchase price per share of Preferred Stock equal to the Exercise Price.

3. Exercise of Warrant; Term. Subject to Section 2, to the extent permitted by applicable laws and regulations, the right to purchase the Shares represented by this Warrant is exercisable, in whole or in part by the Warrantholder, at any time or from time to time after the execution and delivery of this Warrant by the Company on the date hereof, but in no event later than 5:00 p.m., New York City time on the tenth anniversary of the Issue Date (the “*Expiration Time*”), by (A) the surrender of this Warrant and Notice of Exercise annexed hereto, duly completed and executed on behalf of the Warrantholder, at the principal executive office of the Company located at the address set forth in Item 8 of Schedule A hereto (or such other office or agency of the Company in the United States as it may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Company), and (B) payment of the Exercise Price for the Shares thereby purchased, by having the Company withhold, from the shares of Preferred Stock that would otherwise be delivered to the Warrantholder upon such exercise, shares of Preferred Stock issuable upon exercise of the Warrant with an aggregate Liquidation Amount equal in value to the aggregate Exercise Price as to which this Warrant is so exercised.

If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder will be entitled to receive from the Company within a reasonable time, and in any event not exceeding three business days, a new warrant in substantially identical form for the purchase of that number of Shares equal to the difference between the number of Shares subject to this Warrant and the number of Shares as to which this Warrant is so exercised. Notwithstanding anything in this Warrant to the contrary, the Warrantholder hereby acknowledges and agrees that its exercise of this Warrant for Shares is subject to the condition that the Warrantholder will have first received any applicable Regulatory Approvals.

4. Issuance of Shares; Authorization. Certificates for Shares issued upon exercise of this Warrant will be issued in such name or names as the Warrantholder may designate and will be delivered to such named Person or Persons within a reasonable time, not to exceed three business days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant. The Company hereby represents and warrants that any Shares issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges (other than liens or charges created by the Warrantholder, income and franchise taxes incurred in connection with the exercise of the Warrant or taxes in respect of any transfer occurring contemporaneously therewith). The Company agrees that the Shares so issued will be deemed to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Shares may not be actually delivered on such date. The Company will at all times reserve and keep available, out of its authorized but unissued preferred stock, solely for the purpose of providing for the exercise of this Warrant, the aggregate number of shares of Preferred Stock then issuable upon exercise of this Warrant at any

time. The Company will use reasonable best efforts to ensure that the Shares may be issued without violation of any applicable law or regulation or of any requirement of any securities exchange on which the Shares are listed or traded.

5. No Rights as Stockholders; Transfer Books. This Warrant does not entitle the Warrantholder to any voting rights or other rights as a stockholder of the Company prior to the date of exercise hereof. The Company will at no time close its transfer books against transfer of this Warrant in any manner which interferes with the timely exercise of this Warrant.

6. Charges, Taxes and Expenses. Issuance of certificates for Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company.

7. Transfer/Assignment.

(A) Subject to compliance with clause (B) of this Section 7, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of one or more transferees, upon surrender of this Warrant, duly endorsed, to the office or agency of the Company described in Section 3. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new warrants pursuant to this Section 7 shall be paid by the Company.

(B) The transfer of the Warrant and the Shares issued upon exercise of the Warrant are subject to the restrictions set forth in Section 4.4 of the Purchase Agreement. If and for so long as required by the Purchase Agreement, this Warrant shall contain the legends as set forth in Section 4.2(a) of the Purchase Agreement.

8. Exchange and Registry of Warrant. This Warrant is exchangeable, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Shares. The Company shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

9. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of a bond, indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.

10. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a business day, then such action may be taken or such right may be exercised on the next succeeding day that is a business day.

11. Rule 144 Information. The Company covenants that it will use its reasonable best efforts to timely file all reports and other documents required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations promulgated by the SEC thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Warrantholder, make publicly available such information as necessary to permit sales pursuant to Rule 144 under the Securities Act), and it will use reasonable best efforts to take such further action as any Warrantholder may reasonably request, in each case to the extent required from time to time to enable such holder to, if permitted by the terms of this Warrant and the Purchase Agreement, sell this Warrant without registration under the Securities Act within the limitation of the exemptions provided by (A) Rule 144 under the Securities Act, as such rule may be amended from time to time, or (B) any successor rule or regulation hereafter adopted by the SEC. Upon the written request of any Warrantholder, the Company will deliver to such Warrantholder a written statement that it has complied with such requirements.

12. Adjustments and Other Rights. For so long as the Original Warrantholder holds this Warrant or any portion thereof, if any event occurs that, in the good faith judgment of the Board of Directors of the Company, would require adjustment of the Exercise Price or number of Shares into which this Warrant is exercisable in order to fairly and adequately protect the purchase rights of the Warrants in accordance with the essential intent and principles of the Purchase Agreement and this Warrant, then the Board of Directors shall make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith opinion of the Board of Directors, to protect such purchase rights as aforesaid.

Whenever the Exercise Price or the number of Shares into which this Warrant is exercisable shall be adjusted as provided in this Section 12, the Company shall forthwith file at the principal office of the Company a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the number of Shares into which this Warrant shall be exercisable after such adjustment, and the Company shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each Warrantholder at the address appearing in the Company's records.

13. No Impairment. The Company will not, by amendment of its Charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholder.

14. Governing Law. This Warrant will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and



to be performed entirely within such State. Each of the Company and the Warrantholder agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia for any civil action, suit or proceeding arising out of or relating to this Warrant or the transactions contemplated hereby, and (b) that notice may be served upon the Company at the address in Section 17 below and upon the Warrantholder at the address for the Warrantholder set forth in the registry maintained by the Company pursuant to Section 8 hereof. To the extent permitted by applicable law, each of the Company and the Warrantholder hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to the Warrant or the transactions contemplated hereby or thereby.

15. Binding Effect. This Warrant shall be binding upon any successors or assigns of the Company.

16. Amendments. This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.

17. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second business day following the date of dispatch if delivered by a recognized next day courier service. All notices hereunder shall be delivered as set forth in Item 9 of Schedule A hereto, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

18. Entire Agreement. This Warrant, the forms attached hereto and Schedule A hereto (the terms of which are incorporated by reference herein), and the Letter Agreement (including all documents incorporated therein), contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

*[Remainder of page intentionally left blank]*

[Form of Notice of Exercise]

Date: \_\_\_\_\_

TO: [Company]

RE: Election to Purchase Preferred Stock

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase such number of shares of Preferred Stock covered by the Warrant such that after giving effect to an exercise pursuant to Section 3(B) of the Warrant, the undersigned will receive the net number of shares of Preferred Stock set forth below. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such shares of Preferred Stock in the manner set forth in Section 3(B) of the Warrant.

Number of Shares of Preferred Stock:<sup>1</sup> \_\_\_\_\_

The undersigned agrees that it is exercising the attached Warrant in full and that, upon receipt by the undersigned of the number of shares of Preferred Stock set forth above, such Warrant shall be deemed to be cancelled and surrendered to the Company.

Holder: \_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

---

1. Number of shares to be received by the undersigned upon exercise of the attached Warrant pursuant to Section 3(B) thereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by a duly authorized officer.

Dated: \_\_\_\_\_

**COMPANY:** \_\_\_\_\_

By: \_\_\_\_\_  
Name:  
Title:

**Attest:**

By: \_\_\_\_\_  
Name:  
Title:

**[Signature Page to Warrant]**

**SCHEDULE A**

Item 1

Name:

Corporate or other organizational form:

Jurisdiction of organization:

Item 2

Exercise Price:<sup>2</sup>

Item 3

Issue Date:

Item 4

Liquidation Amount:

Item 5

Series of Perpetual Preferred Stock:

Item 6

Date of Letter Agreement between the Company and the United States Department of the Treasury:

Item 7

Number of shares of Preferred Stock:<sup>3</sup>

Item 8

Company's address:

Item 9

Notice information:

---

<sup>2</sup> \$0.01 per share or such greater amount as the Charter may require as the par value of the Preferred Stock.

<sup>3</sup> The initial number of shares of Preferred Stock for which this Warrant is exercisable shall include the number of shares required to effect the cashless exercise pursuant to Section 3(B) of this Warrant (e.g., such number of shares of Preferred Stock having an aggregate Liquidation Amount equal in value to the aggregate Exercise Price) such that, following exercise of this Warrant and payment of the Exercise Price in accordance with such Section 3(B), the net number of shares of Preferred Stock delivered to the Warrantholder (and rounded to the nearest whole share) would have an aggregate Liquidation Amount equal to 5% of the aggregate amount invested by the United States Department of the Treasury on the investment date.

**SCHEDULE A**

**ADDITIONAL TERMS AND CONDITIONS**

**Company Information:**

Name of the Company: W.T.B. Financial Corporation

Corporate or other organizational form: Corporation

Jurisdiction of Organization: State of Delaware

Appropriate Federal Banking Agency: Federal Reserve Bank of San Francisco

**Notice Information:**

Mr. Larry V. Sorensen  
W.T.B. Financial Corporation  
717 W. Sprague  
Spokane, WA 99201

**Terms of the Purchase:**

Series of Preferred Stock Purchased: Fixed Rate Cumulative Perpetual Preferred Stock, Series C-1

Per Share Liquidation Preference of Preferred Stock: \$1,000

Number of Shares of Preferred Stock Purchased: 110,000

Dividend Payment Dates on the Preferred Stock: February 15, May 15, August 15,  
November 15

Series of Warrant Preferred Stock: Fixed Rate Cumulative Perpetual Preferred Stock, Series C-2

Number of Warrant Shares: 5,500.05500

Number of Net Warrant Shares (after net settlement): 5,500

Exercise Price of the Warrant: \$0.01

Purchase Price: \$110,000,000

**Closing:**

Location of Closing: New York, New York

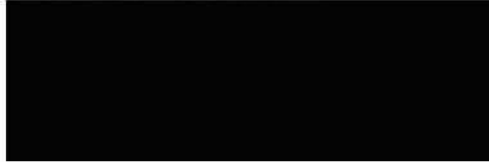
Time of Closing: 9:00 a.m. EST

Date of Closing: January 30, 2009

**Wire Information for Closing:**



**Contact for Confirmation of Wire Information:**



**SCHEDULE B**

**CAPITALIZATION**

Capitalization Date: 12/31/2008

**Common Stock**

Par value:	No par value	
Total Authorized:	Class A	25,000
	Class B	3,475,000
Outstanding:	Class A	25,000
	Class B	2,294,524
	Class B (held in Treasury)	180,476
Subject to warrants, options, convertible securities, etc.:	None	
Reserved for benefit plans and other issuances:	None	
Remaining authorized but unissued:	Class A	0
	Class B	1,000,000
Shares issued after Capitalization Date (other than pursuant to warrants, options, convertible securities, etc. as set forth above):	None	

**Preferred Stock<sup>(1)</sup>**

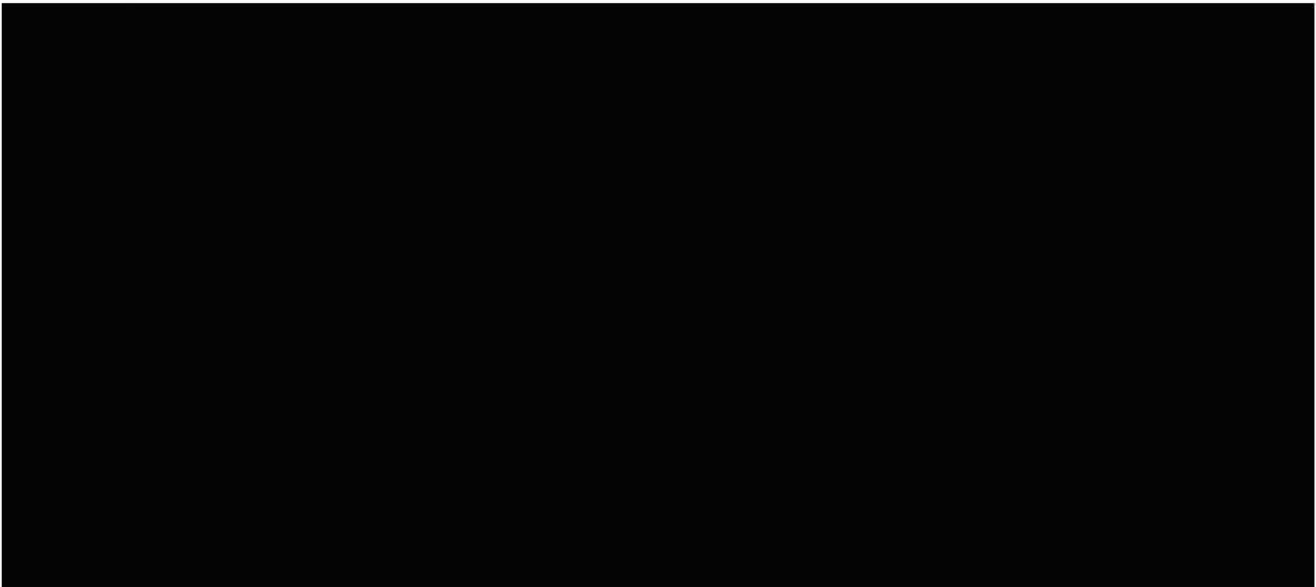
Par value:	None
Total Authorized:	None
Outstanding (by series):	None
Reserved for issuance:	None
Remaining authorized but unissued:	None

<sup>(1)</sup> As of 12/31/2008, the Company had 500,000 shares of authorized but unissued Class C stock.

**Holders of 5% or more of any class of capital stock**

**Primary Address**







**SCHEDULE C**

**LITIGATION**

List any exceptions to the representation and warranty in Section 2.2(l) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box: .

**SCHEDULE D**

**COMPLIANCE WITH LAWS**

List any exceptions to the representation and warranty in the second sentence of Section 2.2(m) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box: .

List any exceptions to the representation and warranty in the last sentence of Section 2.2(m) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box: .

**SCHEDULE E**

**REGULATORY AGREEMENTS**

List any exceptions to the representation and warranty in Section 2.2(s) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box: .

**SCHEDULE F**

**DISCLOSURE SCHEDULES**

List any information required pursuant to Section 2.2(h) of the Securities Purchase Agreement – Standard Terms.

See attached.

2007  
**Audited Financial STATEMENTS**

W.T.B. Financial Corporation 



# W.T.B. FINANCIAL CORPORATION

## Consolidated Financial Highlights

	(dollars in thousands, except per share data)						Five-Year Compound Growth Rate
	Years Ended December 31,						
	2007	2006	2005	2004	2003	2002	
<b>PERFORMANCE</b>							
Net interest revenue, fully tax-equivalent .....	\$ 149,662	\$ 144,240	\$ 124,715	\$ 101,868	\$ 92,818	\$ 88,841	11.0%
Fully tax-equivalent adjustment .....	2,562	2,738	3,022	3,178	2,854	2,457	0.8
Net interest revenue .....	147,100	141,502	121,693	98,690	89,964	86,384	11.2
Provision for loan losses .....	2,822	5,844	7,423	6,656	7,399	7,915	(18.6)
Net interest revenue after provision for loan losses .....	144,278	135,658	114,270	92,034	82,565	78,469	13.0
Noninterest revenue .....	32,407	26,612	26,633	25,129	25,295	27,104	3.6
Noninterest expense .....	99,693	93,060	87,567	78,255	74,958	72,865	6.5
Income before income taxes .....	76,992	69,210	53,336	38,908	32,902	32,708	18.7
Income taxes .....	26,073	22,734	17,109	11,729	9,825	9,914	21.3
Net income .....	<u>\$ 50,919</u>	<u>\$ 46,476</u>	<u>\$ 36,227</u>	<u>\$ 27,179</u>	<u>\$ 23,077</u>	<u>\$ 22,794</u>	17.4
<b>SELECTED YEAR-END DATA</b>							
Securities .....	\$ 621,978	\$ 432,473	\$ 377,709	\$ 318,675	\$ 254,962	\$ 189,588	26.8%
Total loans .....	2,913,048	2,742,379	2,365,200	2,008,840	1,769,584	1,629,943	12.3
Earning assets .....	3,542,665	3,192,426	2,770,443	2,342,104	2,044,941	1,896,875	13.3
Total assets .....	3,718,228	3,380,709	2,979,837	2,482,783	2,212,092	2,078,862	12.3
Deposits .....	2,935,727	2,709,287	2,446,305	2,057,281	1,850,879	1,696,861	11.6
Interest-bearing liabilities .....	2,783,419	2,419,602	2,091,221	1,740,094	1,559,214	1,457,584	13.8
Shareholders' equity .....	329,376	297,163	259,982	233,380	227,274	210,953	9.3
Full-time equivalent employees .....	718	689	670	643	628	615	3.1
<b>PER SHARE</b>							
Net income .....	\$ 21.61	\$ 19.61	\$ 15.22	\$ 11.40	\$ 9.68	\$ 9.54	17.8%
Cash dividends .....	3.44	3.18	2.94	8.70	2.48	2.26	8.8
Book value per share .....	140.24	125.49	109.17	97.78	95.34	88.41	9.7
<b>RATIOS</b>							
Return on average assets .....	1.44%	1.48%	1.33%	1.16%	1.11%	1.16%	
Return on average shareholders' equity .....	16.05	16.70	14.67	11.94	10.52	11.25	
Margin on average earning assets .....	4.45	4.85	4.85	4.60	4.78	4.84	
Efficiency ratio .....	54.76	54.47	57.86	61.62	63.46	62.84	
Net charge-offs to average loans .....	0.04	0.05	0.18	0.21	0.20	0.41	
Allowance for loan losses to loans on December 31 .....	1.59	1.67	1.74	1.87	1.97	1.90	
Average equity to average assets .....	8.98	8.86	9.04	9.70	10.59	10.33	
Total risk-based capital (to risk-weighted assets) .....	10.79	10.55	10.59	11.11	11.75	12.25	
Tier 1 capital (to risk-weighted assets) .....	9.54	9.30	9.34	9.85	10.50	11.00	
Leverage (Tier 1 capital to average assets) .....	9.06	8.89	8.99	9.33	10.35	10.10	
Cash dividends to net income .....	15.91	16.23	19.31	76.29	25.62	23.68	

# W.T.B. FINANCIAL CORPORATION

## Consolidated Statement of Income

	Years Ended December 31,		
	2007	2006	2005
<b>INTEREST REVENUE</b>			
Loans, including fees .....	\$ 229,653,697	\$ 206,566,619	\$ 155,015,462
Deposits with banks .....	22,130	7,915	2,431
Securities:			
Taxable .....	21,043,990	14,861,481	9,096,276
Tax-exempt .....	3,896,602	4,080,199	4,582,038
Federal funds sold .....	2,285,294	740,747	555,902
Other interest and dividend income .....	144,772	11,663	30,321
Total interest revenue .....	<u>257,046,485</u>	<u>226,268,624</u>	<u>169,282,430</u>
<b>INTEREST EXPENSE</b>			
Demand and savings deposits .....	36,745,124	26,336,567	15,371,503
Time deposits .....	55,180,863	43,495,690	27,004,923
Funds purchased .....	13,180,403	7,836,068	2,417,688
Federal Home Loan Bank borrowings .....	4,840,632	7,098,744	2,752,762
Other short-term borrowings .....			43,181
Total interest expense .....	<u>109,947,022</u>	<u>84,767,069</u>	<u>47,590,057</u>
Net interest revenue .....	147,099,463	141,501,555	121,692,373
Provision for loan losses .....	2,821,848	5,844,079	7,422,871
Net interest revenue after provision for loan losses .....	<u>144,277,615</u>	<u>135,657,476</u>	<u>114,269,502</u>
<b>NONINTEREST REVENUE</b>			
Fiduciary income .....	9,064,048	7,823,480	6,737,312
Other fees on loans .....	5,689,558	4,741,919	4,889,539
Service charges on deposits .....	8,567,076	6,623,826	8,624,493
Other service charges, commissions and fees .....	7,564,781	6,487,280	4,229,688
Nonbanking premises and other real estate, net .....	755,591	894,966	813,956
Securities gains (losses), net .....	(1,277)	(548,828)	33,757
Other income .....	767,801	589,601	1,304,653
Total noninterest revenue .....	<u>32,407,578</u>	<u>26,612,244</u>	<u>26,633,398</u>
<b>NONINTEREST EXPENSE</b>			
Salaries .....	49,331,735	45,577,538	42,669,646
Pension and employee benefits .....	9,484,332	9,568,397	9,742,332
Occupancy expense .....	6,234,474	5,694,848	5,776,816
Furniture and equipment expense .....	7,368,149	6,407,215	6,498,849
Outside account processing .....	7,677,864	6,116,239	5,739,545
Marketing and public relations .....	3,670,806	4,623,779	4,091,420
Professional fees .....	2,324,880	2,207,428	1,922,165
State revenue taxes .....	1,805,038	2,007,458	1,757,816
Other expense .....	11,796,105	10,857,392	9,368,130
Total noninterest expense .....	<u>99,693,383</u>	<u>93,060,294</u>	<u>87,566,719</u>
Income before income taxes .....	76,991,810	69,209,426	53,336,181
Income taxes .....	26,072,531	22,733,736	17,109,166
<b>NET INCOME</b> .....	<u>\$ 50,919,279</u>	<u>\$ 46,475,690</u>	<u>\$ 36,227,015</u>
<b>AVERAGE SHARES OF COMMON STOCK OUTSTANDING</b> .....	<u>2,356,381</u>	<u>2,370,580</u>	<u>2,379,882</u>
<b>EARNINGS PER SHARE (based on average shares outstanding)</b> .....	<u>\$21.61</u>	<u>\$19.61</u>	<u>\$15.22</u>

The accompanying notes are an integral part of the consolidated financial statements.

# W.T.B. FINANCIAL CORPORATION

## Consolidated Statement of Financial Condition

	December 31,	
	2007	2006
<b>ASSETS</b>		
Cash and due from banks.....	\$ 99,302,958	\$ 108,748,022
Federal funds sold.....	1,250,000	8,500,000
Interest-bearing deposits with banks.....	1,500,801	349,963
Securities available for sale, carried at fair value.....	621,977,795	432,473,033
Federal Home Loan Bank stock, at cost.....	11,663,000	11,663,000
Loans receivable:		
Held for sale.....	4,342,761	3,562,090
Held in portfolio.....	2,908,705,412	2,738,817,327
Total loans.....	2,913,048,173	2,742,379,417
Allowance for loan losses.....	(46,269,636)	(45,710,179)
	2,866,778,537	2,696,669,238
Bank premises and equipment, net.....	43,963,929	39,964,668
Nonbanking premises, net.....	3,434,173	3,716,688
Other real estate.....	142,964	60,800
Accrued income receivable.....	19,086,366	19,325,718
Other assets.....	49,127,699	59,237,553
Total assets.....	\$3,718,228,222	\$3,380,708,683
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing.....	\$ 568,565,069	\$ 630,026,051
Interest-bearing.....	2,367,162,034	2,079,260,983
Total deposits.....	2,935,727,103	2,709,287,034
Funds purchased.....	335,601,584	239,412,437
Federal Home Loan Bank borrowings.....	80,000,000	100,000,000
Other short-term borrowings.....	655,588	928,391
Accrued interest payable.....	12,235,732	12,366,495
Other liabilities.....	24,631,856	21,551,728
Total liabilities.....	3,388,851,863	3,083,546,085
<b>SHAREHOLDERS' EQUITY</b>		
Class A common stock (25,000 shares authorized, issued and outstanding; no par).....	250,000	250,000
Class B common stock (3,475,000 shares authorized and 2,475,000 shares issued; no par).....	4,750,000	4,750,000
Surplus.....	32,665,000	32,665,000
Undivided profits.....	312,511,031	268,738,338
	350,176,031	306,403,338
Less treasury stock, at cost (151,367 and 132,010 Class B shares in 2007 and 2006, respectively).....	(17,190,515)	(11,151,135)
	332,985,516	295,252,203
Accumulated other comprehensive income (loss).....	(3,609,157)	1,910,395
Total shareholders' equity.....	329,376,359	297,162,598
Total liabilities and shareholders' equity.....	\$3,718,228,222	\$3,380,708,683

The accompanying notes are an integral part of the consolidated financial statements.



# W.T.B. FINANCIAL CORPORATION

## Consolidated Statement of Changes in Shareholders' Equity

	Total Shareholders' Equity	Number of Shares Outstanding	Common Stock		Treasury Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits
			Class A	Class B				
<b>Balance, January 1, 2005</b> .....	\$ 233,380,039	2,386,819	\$ 250,000	\$ 4,750,000	\$ (6,218,230)	\$32,665,000	\$ 2,825,536	\$ 199,107,733
Net income, 2005.....	36,227,015							36,227,015
Net unrealized losses on securities available for sale, net of tax benefit of \$1,002,499 ...	(1,861,784)						(1,861,784)	
Reclassification adjustment for gains included in net income, net of tax expense of \$11,815 .....	(21,942)						(21,942)	
Comprehensive income, 2005....	34,343,289							
Cash dividends of \$2.94 per share.	(6,996,738)							(6,996,738)
Treasury stock acquired.....	(1,375,169)	(9,187)			(1,375,169)			
Treasury stock issued.....	630,476	3,900			89,700			540,776
<b>Balance, December 31, 2005</b> .....	<b>259,981,897</b>	<b>2,381,532</b>	<b>250,000</b>	<b>4,750,000</b>	<b>(7,503,699)</b>	<b>32,665,000</b>	<b>941,810</b>	<b>228,878,786</b>
Net income, 2006.....	46,475,690							46,475,690
Net unrealized gains on securities available for sale, net of tax expense of \$329,456 ....	611,847						611,847	
Reclassification adjustment for losses included in net income, net of tax benefit of \$192,090 .....	356,738						356,738	
Comprehensive income, 2006....	47,444,275							
Cash dividends of \$3.18 per share.	(7,540,606)							(7,540,606)
Treasury stock acquired.....	(3,749,329)	(17,576)			(3,749,329)			
Treasury stock issued.....	1,026,361	4,034			101,893			924,468
<b>Balance, December 31, 2006</b> .....	<b>297,162,598</b>	<b>2,367,990</b>	<b>250,000</b>	<b>4,750,000</b>	<b>(11,151,135)</b>	<b>32,665,000</b>	<b>1,910,395</b>	<b>268,738,338</b>
Net income, 2007.....	50,919,279							50,919,279
Net unrealized gains on securities available for sale, net of tax expense of \$1,341,906 .	2,492,111						2,492,111	
Reclassification adjustment for losses included in net income, net of tax benefit of \$447 .....	830						830	
Comprehensive income, 2007....	53,412,220							
Adjustment to initially apply SFAS No. 158, net of tax benefit of \$4,314,419 .....	(8,012,493)						(8,012,493)	
Cash dividends of \$3.44 per share.	(8,102,969)							(8,102,969)
Treasury stock acquired.....	(6,208,773)	(23,535)			(6,208,773)			
Treasury stock issued.....	1,125,776	4,178			169,393			956,383
<b>Balance, December 31, 2007</b> .....	<b>\$ 329,376,359</b>	<b>2,348,633</b>	<b>\$ 250,000</b>	<b>\$ 4,750,000</b>	<b>\$ (17,190,515)</b>	<b>\$32,665,000</b>	<b>\$ (3,609,157)</b>	<b>\$312,511,031</b>

The accompanying notes are an integral part of the consolidated financial statements.

# W.T.B. FINANCIAL CORPORATION

## Consolidated Statement of Cash Flows

	Years Ended December 31,		
	2007	2006	2005
<b>Cash flows from operating activities:</b>			
Net income.....	\$ 50,919,279	\$ 46,475,690	\$ 36,227,015
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation.....	6,545,117	5,709,329	6,014,913
Net premium amortization of securities.....	2,343,576	3,034,061	4,446,363
Net mortgage servicing rights.....	128,229	379,255	(130,719)
Provision for loan losses.....	2,821,848	5,844,079	7,422,871
Deferred income tax (benefit).....	(2,449,117)	(2,205,966)	(317,702)
Securities (gains) losses, net.....	1,277	548,828	(33,757)
Origination of loans held for sale.....	(74,881,547)	(60,814,351)	(84,694,959)
Proceeds from sales of loans held for sale.....	74,310,838	62,249,744	82,854,832
Decrease (increase) in accrued income.....	239,352	(3,931,383)	(4,201,509)
Increase in cash surrender value of life insurance.....	(1,662,242)	(1,702,708)	(1,500,000)
Decrease (increase) in other assets.....	5,031,133	(235,008)	(7,538,443)
Increase in accrued expenses and other liabilities.....	1,949,365	5,795,100	7,630,903
Other, net.....	(663,725)	(320,889)	(1,242,098)
Net cash provided by operating activities.....	<u>64,633,383</u>	<u>60,825,781</u>	<u>44,937,710</u>
<b>Cash flows from investing activities:</b>			
Net (increase) decrease in interest-bearing deposits with banks.....	(1,150,838)	(329,270)	4,191
Securities available for sale:			
Payments for purchases.....	(355,684,163)	(167,637,802)	(160,497,362)
Proceeds from sales and calls.....	1,665,000	41,028,026	35,640,437
Proceeds from maturities.....	166,004,840	69,752,596	55,561,128
Net increase in loans held in portfolio.....	(171,300,140)	(379,679,602)	(358,167,956)
Purchases of premises and equipment.....	(10,903,996)	(8,326,263)	(7,254,746)
Proceeds from sales of premises, equipment and other real estate.....	825,224	462,907	3,222,681
Other, net.....	45,179	(12,542)	(490,013)
Net cash used in investing activities.....	<u>(370,498,894)</u>	<u>(444,741,950)</u>	<u>(431,981,640)</u>
<b>Cash flows from financing activities:</b>			
Net increase in deposits.....	226,440,069	262,981,654	389,023,959
Net increase in funds purchased.....	96,189,147	108,478,461	56,501,485
Net increase (decrease) in Federal Home Loan Bank advances.....	(20,000,000)	(63,900,000)	57,000,000
Proceeds from Federal Home Loan Bank notes.....	70,000,000	490,000,000	370,000,000
Repayments of Federal Home Loan Bank notes.....	(70,000,000)	(440,000,000)	(390,000,000)
Net increase (decrease) in other short-term borrowings.....	(272,803)	335,637	(19,704,219)
Dividends paid.....	(8,102,969)	(7,540,606)	(6,996,738)
Treasury stock transactions, net.....	(5,082,997)	(2,722,968)	(744,693)
Net cash provided by financing activities.....	<u>289,170,447</u>	<u>347,632,178</u>	<u>455,079,794</u>
Increase (decrease) in cash and cash equivalents.....	(16,695,064)	(36,283,991)	68,035,864
Cash and cash equivalents at beginning of year.....	117,248,022	153,532,013	85,496,149
Cash and cash equivalents at end of year.....	<u>\$ 100,552,958</u>	<u>\$ 117,248,022</u>	<u>\$ 153,532,013</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid for interest.....	\$ 110,399,708	\$ 80,910,084	\$ 43,269,113
Cash paid for income taxes.....	28,395,100	25,176,100	16,171,000
Noncash investing activity, transfer from loans to other real estate.....	6,701	78,620	141,550

The accompanying notes are an integral part of the consolidated financial statements.

# W.T.B. FINANCIAL CORPORATION

## Notes to Consolidated Financial Statements

### Note 1: Summary of Significant Accounting Policies

W.T.B. Financial Corporation (W.T.B.) is a bank holding company headquartered in Spokane, Washington and, through its subsidiary, Washington Trust Bank (the Bank), is engaged in the business of financial services in Washington, Idaho, Oregon, Utah and Arizona. The Bank was originally chartered in 1902 and provides a wide range of banking, fiduciary, asset management, mortgage banking, and other financial services to corporate and individual customers.

The consolidated financial statements of W.T.B. include the accounts of W.T.B. and its subsidiary. Intercompany transactions and balances have been eliminated in consolidation. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### Cash Equivalents

Cash equivalents include amounts due from banks, federal funds sold, and securities purchased under resale agreements. Generally, federal funds sold and securities purchased under resale agreements are for periods of one week or less.

### Securities Available for Sale

W.T.B. has designated all securities as available for sale, including those used in asset/liability or liquidity management. Securities available for sale are carried at fair value, with the unrealized gains and losses, net of tax, reported as a component of other comprehensive income in shareholders' equity. Gains and losses realized on the sale of securities are computed on the specific-identification method and are included in noninterest revenue. Interest and dividends on securities are included in interest revenue. Premiums and discounts are recognized in interest revenue using the interest method over the terms of the securities.

### Federal Home Loan Bank Stock

The Bank is a member of the Federal Home Loan Bank (FHLB) system and as a member is required to maintain a minimum level of investment in FHLB stock based on specific percentages of its outstanding FHLB borrowings. The Bank's investment in FHLB stock is carried at par value (\$100 per share), which approximates its fair value. The Bank may request redemption at par value of any stock in excess of the amount the Bank is required to hold. Stock redemptions are at the discretion of the FHLB.

### Loans

Loans held in portfolio are carried at the principal amount outstanding, net of unearned income. Loans held for sale are carried at the lower of aggregate cost or market.

Interest income with respect to loans is accrued on the principal amount outstanding. Loan origination fees are capitalized and recognized as an adjustment to the yield of the related loan. The accrual of interest on loans is discontinued when it is determined that the collection of interest or principal is doubtful or, generally, when a default of interest or principal has existed for 90 days or more, unless such loan is well secured and in the process of collection. When interest accrual is discontinued, interest credited to income in the current year is reversed, and interest accrued in prior years is charged against the allowance for loan losses. Interest payments received on nonaccrual loans are recorded as reductions of principal if principal repayment is doubtful. Nonaccrual loans that are current as to interest and principal or that are well secured and in the process of collection are returned to accrual status.

### Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for known and inherent losses in the portfolio. Management's determination of the allowance is based on an evaluation of the loan portfolio, impaired loans, past loan loss experience, economic conditions, volume, growth and composition of the loan portfolio, and other risks inherent in the portfolio. Management applies risk factors to categories of loans and individually reviews all impaired loans. Management uses risk grades for loans in the commercial and agricultural, real estate secured, and consumer categories. For homogenous consumer portfolios, management relies heavily on statistical analysis, past loan loss experience, and current industry trends to estimate losses. Management evaluates the adequacy of the allowance at least quarterly, reviewing the relevant internal and external factors that affect credit quality.

### Mortgage Servicing Rights

Mortgage servicing rights are carried at original capitalized value, net of accumulated amortization and impairment. The original capitalized value is determined using discounted cash flows based on the then-current market interest rates and current prepayment assumptions. Mortgage servicing rights are amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows based on current market interest rates and current prepayment assumptions. For purposes of measuring impairment, the rights are stratified based on predominant risk characteristics of the underlying loans, including loan type, size, note rate, origination date and term. Subsequent loan prepayments and changes in prepayment assumptions in excess of those forecasted can adversely impact the carrying value of the servicing assets. The amount of impairment recognized is the amount by which the capitalized mortgage servicing rights for a stratum exceed their fair value.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

# W.T.B. FINANCIAL CORPORATION

## **Note 1: Summary of Significant Accounting Policies (continued)**

### **Derivatives**

Derivative financial instruments are used to meet the ongoing credit needs of customers and the market exposure of interest rate risk. All derivative instruments are recognized as either assets or liabilities in the consolidated statement of financial condition at fair value. Changes in the fair value of a derivative are recorded in the consolidated statement of income. At December 31, 2007 and 2006, the estimated fair values of W.T.B.'s interest rate swaps were \$(875,819) and \$(80,837), respectively. Interest rate swap gains (losses) included in interest revenue on loans were \$27,100, \$991 and \$(3,171) for 2007, 2006 and 2005, respectively.

W.T.B.'s pipeline of locked residential mortgage loan commitments and forward sales contracts to investors are considered derivatives. W.T.B. utilizes forward sales contracts to hedge its risk of changes in the fair value, due to changes in interest rates, of both its locked residential mortgage loan commitments and its residential loans held for sale. The estimated fair values of these derivatives are determined by the changes in the market value of the related loans, caused by interest rate changes, from the commitment date or contract date to the valuation date. At December 31, 2007, the estimated fair value of rate locks was \$2,207 and the estimated fair value of forward sales agreements was \$(6,668). At December 31, 2006, the estimated fair value of rate locks was \$8,016 and the estimated fair value of forward sales agreements was \$(2,838).

### **Comprehensive Income**

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and unrecognized gains and losses on pension plans, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income. Gains and losses on available-for-sale securities are reclassified to net income as the gains or losses are realized upon sale of the securities. Other-than-temporary impairment charges, if any, are reclassified to net income at the time of the charge.

### **Premises and Equipment**

Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on both the straight-line and accelerated methods over the estimated useful lives of the assets or the terms of the associated operating leases. Gains or losses on disposition are reflected in current income. Normal costs of maintenance and repairs are treated as current expenses.

### **Other Real Estate**

Other real estate acquired through, or in lieu of, loan foreclosure is recorded at the lower of net realizable value of the property or the outstanding loan balance at the time of foreclosure. A provision to the valuation allowance on other real estate is made for subsequent declines in the fair value on a specific property basis.

### **Advertising Costs**

W.T.B. expenses advertising costs, included in marketing and public relations expense, as incurred. Advertising expenses were \$1,285,784, \$1,308,875 and \$1,817,475 for 2007, 2006 and 2005, respectively.

### **Income Taxes**

The liability method is used in accounting for income taxes, whereby deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. W.T.B. reports accrued interest related to unrecognized tax benefits and penalties, if any, as income tax expense.

### **Common Stock**

At December 31, 2007 and 2006, 25,000 shares of Class A voting common stock were outstanding. Class B nonvoting common stock shares outstanding were 2,323,633 and 2,342,990 at December 31, 2007 and 2006, respectively. Authorized Class C shares totaling 500,000 remain unissued, with terms to be determined upon issuance.

### **Reclassifications**

Certain 2006 and 2005 amounts have been reclassified to conform with the 2007 presentation. These reclassifications had no effect on retained earnings or net income as previously reported and the effect of these reclassifications is not considered material.

### **Recent Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. This Statement does not require any new fair value measurements, but rather, it provides enhanced guidance to other pronouncements that require or permit assets or liabilities to be measured at fair value. This Statement is effective for fiscal years beginning after November 15, 2007, with earlier adoption permitted. The adoption of SFAS No. 157 is not expected to have a material effect on W.T.B.'s consolidated financial position or results of operations.

# W.T.B. FINANCIAL CORPORATION

## Note 2: Securities Available for Sale

All securities were designated as available for sale at December 31, 2007 and 2006. The amortized costs and fair values were as follows:

	2007				2006			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies.....	\$ 37,617,960	\$ 285	\$ 205,139	\$ 37,413,106	\$ 56,474,164		\$ 1,337,776	\$ 55,136,388
States and political subdivisions.....	77,564,626	2,961,055	1,323	80,524,358	79,611,014	\$ 3,351,703	2,721	82,959,996
Mortgage-backed securities.....	500,020,847	5,422,280	1,402,796	504,040,331	293,448,785	1,740,973	813,109	294,376,649
	<u>\$615,203,433</u>	<u>\$ 8,383,620</u>	<u>\$ 1,609,258</u>	<u>\$621,977,795</u>	<u>\$429,533,963</u>	<u>\$ 5,092,676</u>	<u>\$ 2,153,606</u>	<u>\$432,473,033</u>

The following table shows the gross unrealized losses and fair value, aggregated by category and the length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2007. These securities had no deterioration in their credit ratings during 2007 or 2006. All unrealized losses were caused by interest rate changes and, in the opinion of W.T.B.'s management, the unrealized losses are temporary in nature.

	2007					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and federal agencies.....	\$ 1,184,250	\$ 105	\$ 30,931,250	\$ 205,034	\$ 32,115,500	\$ 205,139
States and political subdivisions.....	276,487	841	219,518	482	496,005	1,323
Mortgage-backed securities.....	111,131,261	1,193,428	21,708,581	209,368	132,839,842	1,402,796
	<u>\$112,591,998</u>	<u>\$ 1,194,374</u>	<u>\$ 52,859,349</u>	<u>\$ 414,884</u>	<u>\$165,451,347</u>	<u>\$ 1,609,258</u>

Securities with fair values of \$444,592,119 and \$400,332,159 at December 31, 2007 and 2006, respectively, were pledged to secure funds on deposits, customer repurchase agreement products, additional borrowings or for other purposes.

Proceeds from sales of available-for-sale securities in 2007 were \$1,665,000, resulting in gross gains of \$16,650 and gross losses of \$17,927.

Proceeds from sales of available-for-sale securities in 2006 were \$41,028,026, resulting in gross gains of \$62,958 and gross losses of \$611,786.

Proceeds from sales and calls of available-for-sale securities in 2005 were \$35,640,437, resulting in gross gains of \$49,904 and gross losses of \$16,147.

The amortized costs and fair values of securities at December 31, 2007 are shown below by maturity. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings, based on the expected weighted-average lives using current prepayment assumptions.

	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less.....	\$ 189,158,503	\$ 189,964,015
Due after one year through five years.....	370,860,606	375,147,276
Due after five years through ten years....	51,380,377	52,807,994
Due after ten years.....	3,803,947	4,058,510
	<u>\$ 615,203,433</u>	<u>\$ 621,977,795</u>

# W.T.B. FINANCIAL CORPORATION

### Note 3: Federal Funds Sold

The following table summarizes federal funds sold (dollars in thousands):

	2007	2006	2005
December 31:			
Amount.....	\$ 1,250	\$ 8,500	\$ 17,300
Rate .....	3.90%	4.84%	4.19%
Average for the year:			
Amount.....	\$ 44,425	\$ 15,047	\$ 17,216
Rate .....	5.14%	4.92%	3.23%
Maximum outstanding at any month-end.....	\$152,420	\$ 49,600	\$ 42,000

### Note 4: Loans and Allowance for Loan Losses

At December 31 loans were as follows:

	2007	2006
Commercial and agricultural .....	\$ 874,004,241	\$ 944,773,931
Real estate secured:		
Commercial .....	674,653,287	596,846,353
Construction.....	691,503,964	614,706,823
Residential.....	588,979,067	507,427,239
Consumer .....	83,907,614	78,625,071
	<u>2,913,048,173</u>	<u>2,742,379,417</u>
Allowance for loan losses .....	(46,269,636)	(45,710,179)
	<u>\$2,866,778,537</u>	<u>\$2,696,669,238</u>

Loans are presented net of unearned income of \$8,128,562 and \$9,286,706 at December 31, 2007 and 2006, respectively. Residential real estate secured loans of \$4,342,761 and \$3,562,090 at December 31, 2007 and 2006, respectively, were held for sale. Real estate secured loans of \$96,385,542 and \$120,481,928 were pledged at December 31, 2007 and 2006, respectively, for Federal Home Loan Bank (FHLB) notes.

A summary of changes in the allowance for loan losses for the years ended December 31 follows:

	2007	2006	2005
Balance at beginning of year ...	\$45,710,179	\$41,084,194	\$37,538,943
Charge-offs:			
Commercial and agricultural ...	(1,791,073)	(3,817,179)	(5,684,592)
Real estate secured.....	(631,325)	(241,744)	(765,969)
Consumer .....	(978,690)	(693,413)	(985,327)
	<u>(3,401,088)</u>	<u>(4,752,336)</u>	<u>(7,435,888)</u>
Recoveries:			
Commercial and agricultural ...	1,256,214	2,479,007	2,160,008
Real estate secured.....	354,465	603,408	967,382
Consumer .....	528,018	451,827	430,878
	<u>2,138,697</u>	<u>3,534,242</u>	<u>3,558,268</u>
Net charge-offs.....	(1,262,391)	(1,218,094)	(3,877,620)
Provision for loan losses .....	2,821,848	5,844,079	7,422,871
Adjustment to reclassify the allowance for credit losses on off-balance sheet credit exposures to other liabilities .....	(1,000,000)		
Balance at end of year.....	<u>\$ 46,269,636</u>	<u>\$45,710,179</u>	<u>\$41,084,194</u>

Loans considered impaired under SFAS No. 114 were as follows:

	2007	2006	2005
December 31:			
Impaired loans without a valuation allowance.....	\$ 548,893	\$ 937,020	\$ 2,739,357
Impaired loans with a valuation allowance.....	4,242,846	1,667,323	5,304,042
Total impaired loans.....	<u>\$ 4,791,739</u>	<u>\$ 2,604,343</u>	<u>\$ 8,043,399</u>
Allowance on impaired loans .....	\$ 1,062,997	\$ 644,909	\$ 3,327,729
Nonaccrual loans .....	\$ 4,791,739	\$ 2,604,343	\$ 8,043,399
Loans past due 90 days or more and still accruing .....	\$ 850,536	\$ 228,603	\$ 4,666,880

For the years ended

December 31:			
Average impaired loans.....	\$ 3,830,379	\$ 5,098,903	\$ 9,692,639
Cash-basis interest income...\$	272,629	349,286	476,053

The allowance for impaired loans is included in the allowance for loan losses. All nonaccrual loans were impaired at each year-end.

### Note 5: Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated statement of financial condition. The unpaid principal balances of mortgage loans serviced for others at December 31, 2007, 2006 and 2005 were \$374,353,178, \$378,570,050 and \$395,896,779, respectively. Custodial escrow balances maintained in connection with the loan servicing, and included in demand deposits, were \$1,664,103 and \$1,740,829 at December 31, 2007 and 2006, respectively. The balances of loans serviced for others related to servicing rights that have been capitalized at December 31, 2007 and 2006 were \$369,503,318 and \$372,160,631, respectively.

A summary of the carrying values and fair values of mortgage servicing rights, included in other assets, at December 31 follows:

	2007	2006
Unamortized cost.....	\$ 2,298,758	\$ 2,485,777
Valuation allowance.....	(518,602)	(577,392)
Carrying value .....	<u>\$ 1,780,156</u>	<u>\$ 1,908,385</u>
Fair value .....	<u>\$ 3,306,531</u>	<u>\$ 3,562,469</u>

# W.T.B. FINANCIAL CORPORATION

## Note 5: Loan Servicing (continued)

Loans sold with servicing retained were \$53,113,834, \$46,097,389 and \$68,425,413 in 2007, 2006 and 2005, respectively. Following is an analysis of the activity for mortgage servicing rights and the related valuation allowance for the years ended December 31:

	2007	2006	2005
<b>Unamortized cost:</b>			
Balance at beginning of year .....	\$ 2,485,777	\$ 2,860,596	\$ 3,152,774
Mortgage servicing rights created .....	477,649	426,216	675,253
Amortization .....	(664,668)	(801,035)	(967,431)
Balance at end of year .....	<u>\$ 2,298,758</u>	<u>\$ 2,485,777</u>	<u>\$ 2,860,596</u>
	2007	2006	2005
<b>Valuation allowance:</b>			
Balance at beginning of year .....	\$ (577,392)	\$ (572,956)	\$ (995,853)
Additions .....	(120,572)	(206,329)	(79,226)
Reductions .....	179,362	201,893	502,123
Balance at end of year .....	<u>\$ (518,602)</u>	<u>\$ (577,392)</u>	<u>\$ (572,956)</u>

At December 31, 2007, the key economic assumptions of the current fair value of mortgage servicing rights were as follows:

	2007
Prepayment speed assumption (constant prepayment rate) .....	17.09 %
Discount rate .....	9.54%

As of December 31, 2007, the estimated future amortization expense for mortgage servicing rights was:

Years ending December 31,	
2008 .....	\$ 546,660
2009 .....	424,384
2010 .....	322,337
2011 .....	241,857
2012 .....	183,852

The projected amortization expense of the servicing asset is an estimate and is subject to change. The amortization expense for future periods was calculated by applying the same quantitative factors, such as estimated prepayment assumptions that were used to determine the amortization expense for December 31, 2007. These factors are subject to significant fluctuations. Any projection of servicing asset amortization in future periods is limited by the conditions that existed at the time the calculations were performed, and may not be indicative of actual amortization expense that will be recorded in future periods.

## Note 6: Premises and Equipment

A summary of bank premises and equipment at December 31 follows:

	2007	2006
Land .....	\$ 14,765,676	\$ 14,096,222
Buildings .....	41,977,942	38,569,150
Furniture and equipment .....	42,608,161	38,383,173
	<u>99,351,779</u>	<u>91,048,545</u>
Less accumulated depreciation .....	(55,387,850)	(51,083,877)
	<u>\$ 43,963,929</u>	<u>\$ 39,964,668</u>

Depreciation on bank premises and equipment was charged to occupancy expense or furniture and equipment expense in the amounts of \$6,224,435, \$5,390,788 and \$5,677,106 in 2007, 2006 and 2005, respectively.

W.T.B. also owns, through its subsidiary, properties that are operated as nonbanking premises, including portions of the Washington Trust Financial Center Building. These properties are stated at cost, less accumulated depreciation. The costs associated with the portions used by W.T.B. were included in bank premises and equipment. Costs for nonbanking premises are summarized at December 31 as follows:

	2007	2006
Land .....	\$ 663,448	\$ 663,448
Buildings .....	8,424,163	8,387,323
Furniture and equipment .....	322,200	322,200
	9,409,811	9,372,971
Less accumulated depreciation .....	(5,975,638)	(5,656,283)
	<u>\$ 3,434,173</u>	<u>\$ 3,716,688</u>

Depreciation on nonbanking premises of \$320,682, \$318,541 and \$337,807 in 2007, 2006 and 2005, respectively, was included in non-banking premises revenue, net of expenses.

## Note 7: Other Assets

At December 31 other assets were as follows:

	2007	2006
Cash surrender value of life insurance .....	\$ 22,997,985	\$ 21,335,743
Net deferred taxes .....	19,324,847	13,860,651
Pension asset .....	3,467,189	17,664,578
Mortgage servicing rights .....	1,780,156	1,908,385
Prepaid expenses and other .....	1,557,522	4,468,196
Total other assets .....	<u>\$ 49,127,699</u>	<u>\$ 59,237,553</u>

# W.T.B. FINANCIAL CORPORATION

## Note 8: Deposits

At December 31 deposits were as follows:

	2007	2006
Noninterest-bearing demand.....	\$ 568,565,069	\$ 630,026,051
Interest-bearing:		
Demand .....	225,422,271	222,425,428
Savings .....	983,936,781	839,436,261
Time deposits .....	1,157,802,982	1,017,399,294
Total interest-bearing.....	2,367,162,034	2,079,260,983
	<u>\$ 2,935,727,103</u>	<u>\$ 2,709,287,034</u>

Included in time deposits at December 31, 2007 and 2006 were \$755,473,589 and \$687,863,041, respectively, of time deposits of \$100,000 and over. Included in interest expense on time deposits during 2007, 2006 and 2005 were \$36,887,404, \$31,057,197 and \$18,181,258, respectively, for time deposits of \$100,000 and over.

At December 31, 2007, the scheduled maturities of time deposits were as follows:

2008.....	\$ 718,691,023
2009.....	378,098,524
2010.....	29,079,732
2011.....	13,832,395
2012 and thereafter .....	18,101,308
	<u>\$ 1,157,802,982</u>

## Note 9: Funds Purchased

Funds purchased represent purchases of federal funds and securities sold under agreements to repurchase on behalf of the Bank and the Bank's customers. Funds purchased generally mature within one to 30 days. At December 31, 2007, repurchase agreements were \$335,601,584 and were secured by pledged securities with fair values of \$361,291,304. At December 31, 2006, repurchase agreements were \$239,412,437 and were secured by pledged securities with fair values of \$323,207,886. The following table summarizes funds purchased (dollars in thousands):

	2007	2006	2005
December 31:			
Amount.....	\$ 335,602	\$ 239,412	\$ 130,934
Rate .....	4.49%	4.86%	3.43%
Average for the year:			
Amount.....	\$ 268,707	\$ 169,212	\$ 97,942
Rate .....	4.91%	4.63%	2.47%
Maximum outstanding at any month-end.....	\$ 335,602	\$ 239,412	\$ 130,934

## Note 10: FHLB Borrowings

FHLB borrowings consist of FHLB notes and FHLB advances. At December 31 FHLB borrowings were as follows:

	2007	2006
FHLB advances .....		\$ 20,000,000
FHLB notes .....	\$ 80,000,000	80,000,000
	<u>\$ 80,000,000</u>	<u>\$ 100,000,000</u>

FHLB advances are generally repaid within one day to one year from the transaction date. At December 31, 2007, FHLB notes were scheduled to mature as follows:

	Amount	Interest Rates
Due in 2009 .....	\$ 60,000,000	4.18-4.52%
Due in 2011 .....	20,000,000	4.47%
	<u>\$ 80,000,000</u>	

The following table summarizes FHLB advances (dollars in thousands):

	2007	2006	2005
December 31:			
Amount.....		\$ 20,000	\$ 83,900
Rate .....		5.63%	4.33%
Average for the year:			
Amount.....	\$ 6,654	\$ 30,572	\$ 52,190
Rate .....	5.44%	5.05%	3.28%
Maximum outstanding at any month-end.....	\$ 12,900	\$ 102,000	\$ 105,000

The Bank has established a borrowing line with the FHLB to borrow up to the lesser of 25% of total assets or adjusted qualifying collateral which would give it a maximum total credit line of \$375,580,888 at December 31, 2007.

## Note 11: Other Short-term Borrowings

Other short-term borrowings consist of Treasury tax and loan notes. The Treasury tax and loan notes outstanding were \$655,588 and \$928,391 at December 31, 2007 and 2006, respectively. Treasury tax and loan notes were generally repaid within one to two days during 2007 and 2006 without interest. During 2005 Treasury tax and loan notes were generally repaid within one day to one year from the transaction date.

The following table summarizes other short-term borrowings (dollars in thousands):

	2007	2006	2005
December 31:			
Amount.....	\$ 656	\$ 928	\$ 593
Rate .....	0.00%	0.00%	1.97%
Average for the year:			
Amount.....	\$ 271	\$ 282	\$ 2,196
Rate .....	0.00%	0.00%	1.96%
Maximum outstanding at any month-end.....	\$ 656	\$ 928	\$ 20,332



# W.T.B. FINANCIAL CORPORATION

## Note 12: Pension and Employee Benefit Plans

W.T.B. maintains a qualified defined benefit pension plan for employees hired before January 1, 2004. Benefits under the plan are based on the number of years of service and the employee's career average compensation during such years. W.T.B. has updated past service benefits from time to time in the past, but is not obligated to make any such updates in the future. The funding policy is to contribute annually an amount not less than the minimum required to be funded under ERISA, nor more than the maximum amount that is currently deductible for federal income tax purposes.

On December 31, 2007, W.T.B. adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans", an amendment of SFAS No. 87, 88, 106, and 132(R). This statement requires the recognition of the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability on the balance sheet, and recognition of changes in that funded status in the year in which the changes occur through other comprehensive income. Amounts recognized in accumulated other comprehensive income for the year of adoption ended December 31, 2007, consisted of accumulated net loss and prior service cost of \$12,252,808 and \$74,104, respectively, net of tax benefit of \$4,314,419, for a net reduction of other comprehensive income of \$8,012,493. The following table provides the incremental effect of adopting SFAS No. 158 on individual line items in the consolidated statement of financial condition at December 31, 2007 (dollars in thousands):

	Before		After
	Adoption of SFAS 158	Adjustments	Adoption of SFAS 158
Other assets .....	\$ 57,140	\$ (8,012)	\$ 49,128
Total assets .....	3,725,918	(8,012)	3,717,906
Accumulated other comprehensive income (loss) .....	4,403	(8,012)	(3,609)
Total shareholders' equity .....	337,388	(8,012)	329,376
Total liabilities and shareholders' equity .....	3,725,918	(8,012)	3,717,906

W.T.B. uses a December 31 measurement date for the plan. The following table provides a reconciliation of the changes in the plan's benefit obligation and fair value of assets over the two-year period ended December 31, 2007, and a statement of the funded status at December 31 of both years:

	2007	2006
Accumulated benefit obligation at end of year .....	\$ 49,913,349	\$ 46,925,557
Change in projected benefit obligation:		
Benefit obligation at beginning of year.....	\$ 52,792,851	\$ 54,393,469
Service cost - benefits earned during the period .....	1,833,456	1,947,861
Interest cost .....	3,076,943	2,824,592
Change in assumptions .....	(635,062)	(3,603,603)
Actuarial (gain) loss .....	1,168,339	(411,423)
Benefits paid .....	(2,603,528)	(2,358,045)
Benefit obligation at end of year .....	55,632,999	52,792,851
Change in plan assets:		
Fair value of plan assets at beginning of year .....	57,154,474	52,258,624
Actual return on plan assets .....	4,549,241	5,183,949
Employer contribution .....		2,069,946
Benefits paid .....	(2,603,528)	(2,358,045)
Fair value of plan assets at end of year .....	59,100,187	57,154,474
Funded status:		
Funded status at end of year .....	3,467,188	4,361,623
Unrecognized net loss .....	Not applicable	13,217,714
Unrecognized prior service cost .....	Not applicable	85,241
Amount included in other assets .....	\$ 3,467,188	\$ 17,664,578

	2007	2006	2005
Assumptions used in computing the present value of the accumulated benefit obligation and the projected benefit obligation at year-end:			
Discount rate .....	6.00%	5.75%	5.50%
Rates of increase in compensation .....	5.00%	5.00%	5.00%
Expected long-term rate of return on assets used in computing the net pension expense determined at beginning of year .....	7.00%	8.00%	8.00%

# W.T.B. FINANCIAL CORPORATION

**Note 12: Pension and Employee Benefit Plans (continued)**

W.T.B.'s assumption for expected long-term return on plan assets is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term horizon. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling, and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (a) historical real returns for the asset classes covered by the investment policy, and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

Net periodic pension cost for 2007, 2006 and 2005 included the following components:

	2007	2006	2005
Service cost .....	\$ 1,833,456	\$ 1,947,861	\$ 2,371,593
Interest cost .....	3,076,943	2,824,592	2,775,926
Expected return on plan assets .....	(3,921,043)	(4,105,890)	(3,648,850)
Amortization of net loss .....	869,985	1,073,257	758,619
Amortization of prior service cost ..	11,137	14,227	40,482
Net periodic pension cost .....	<u>\$ 1,870,478</u>	<u>\$ 1,754,047</u>	<u>\$ 2,297,770</u>

The unrecognized prior service cost is attributable to plan amendments that updated past service benefits. The estimated net loss and amortization of prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year are \$589,479 and \$8,037, respectively.

W.T.B.'s pension plan asset allocations at December 31, 2007 and 2006, by asset category, were as follows:

Plan assets at December 31, Asset category:	2007	2006
Equity securities .....	64%	61%
Debt securities .....	33%	37%
Cash equivalents .....	3%	2%
Total .....	<u>100%</u>	<u>100%</u>

W.T.B.'s target asset allocation for 2008, by asset category, is as follows:

Asset category:	
Equity securities .....	60%
Debt securities .....	40%
Total .....	<u>100%</u>

W.T.B.'s investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories.

The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is periodically reviewed by W.T.B.'s Retirement Benefits Committee. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

W.T.B. does not expect to contribute to its pension plan in 2008. The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2008 .....	\$ 2,476,089
2009 .....	2,601,744
2010 .....	2,731,458
2011 .....	2,940,832
2012 .....	3,194,700
Years 2013 through 2017 .....	19,505,311

W.T.B. maintains a defined contribution retirement plan for employees hired after December 31, 2003. W.T.B. will make an annual contribution equal to at least three percent of eligible compensation into the plan for employees meeting certain eligibility requirements. The defined contribution expense for 2007, 2006 and 2005 was \$271,435, \$199,829 and \$60,000, respectively.

W.T.B. sponsors an employee savings plan. This plan allows qualified employees, at their option, to make contributions of up to certain percentages of pre-tax base salary through salary deductions under Section 401(k) of the Internal Revenue Code. W.T.B. matches a portion of these contributions. Matching contribution expense for 2007, 2006 and 2005 was \$1,038,311, \$900,712 and \$837,686, respectively. Contributions are invested, at the employees' directions, among a variety of investment alternatives.

W.T.B. has a non-qualified deferred compensation "phantom stock" plan for executive officers. The values of the phantom stock awards are indexed to W.T.B.'s book value per share. The stock awards, phantom stock dividend payments and the increase in value of the prior years' stock awards are expensed as compensation. Related compensation expense for 2007, 2006 and 2005 was \$1,321,948, \$1,148,807 and \$935,233, respectively. A summary of changes in the indexed shares follows:

	Number of Shares	Total Share Value
Balance, January 1, 2005 .....	27,596	\$ 2,698,208
Granted .....	5,222	570,000
Increase in value .....		287,700
Converted to payout .....	(2,337)	(228,457)
Balance, December 31, 2005 .....	30,481	3,327,451
Granted .....	5,459	685,000
Increase in value .....		388,171
Converted to payout .....	(6,696)	(731,006)
Balance, December 31, 2006 .....	29,244	3,669,616
Granted .....	5,636	790,000
Increase in value .....		431,349
Balance, December 31, 2007 .....	<u>34,880</u>	<u>\$ 4,890,965</u>

# W.T.B. FINANCIAL CORPORATION

**Note 12: Pension and Employee Benefit Plans (continued)**

W.T.B. offers medical, dental and vision plans to its employees. W.T.B. self insured dental and vision plans in 2005, began self insuring one of its medical plans in 2005, and self insured all of these plans in 2006 and 2007. W.T.B. contracts with third-parties to act as claims administrators. Funding for benefits is derived from employer and employee contributions. W.T.B. limits its potential losses through insurance policies with stop-loss carriers. Medical, dental and vision plan expenses were \$2,869,310, \$3,344,251 and \$2,947,451 for 2007, 2006 and 2005, respectively. Self insurance reserves were \$337,988 and \$516,781 for 2007 and 2006, respectively, and were included in other liabilities.

**Note 13: Income Taxes**

The current and deferred portions of income taxes for the years ended December 31 were as follows:

	2007	2006	2005
<b>Current:</b>			
Federal.....	\$27,154,491	\$23,955,278	\$16,640,544
State.....	1,367,157	984,424	786,324
	<u>28,521,648</u>	<u>24,939,702</u>	<u>17,426,868</u>
<b>Deferred (benefit):</b>			
Federal.....	(2,342,761)	(2,113,209)	(314,311)
State.....	(106,356)	(92,757)	(3,391)
	<u>(2,449,117)</u>	<u>(2,205,966)</u>	<u>(317,702)</u>
	<u>\$26,072,531</u>	<u>\$22,733,736</u>	<u>\$17,109,166</u>

Income taxes on income before income taxes differ from the statutory rate of 35% for the following reasons:

	2007	2006	2005
Federal income taxes at statutory rate.....	\$26,947,136	\$24,223,299	\$18,667,663
State income taxes, net of federal tax benefit.....	819,520	579,584	508,906
Decrease in income taxes due to tax-exempt interest on securities and loans of states and political subdivisions.....	(2,151,915)	(2,219,260)	(2,258,508)
Nondeductible interest expense from carrying tax-exempt assets.....	486,658	439,203	290,916
Other nondeductible expenses and amortization of intangibles.....	357,784	239,508	107,576
Other.....	(386,652)	(528,598)	(207,387)
	<u>\$26,072,531</u>	<u>\$22,733,736</u>	<u>\$17,109,166</u>

Included in income taxes are taxes (benefits) on net securities gains (losses) of \$(447), \$(192,090) and \$11,815 for the years ended December 31, 2007, 2006 and 2005, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. No valuation allowances for deferred tax assets were necessary at December 31, 2007 or 2006. Significant components of the deferred assets and liabilities at December 31 were as follows:

	2007	2006
<b>Deferred tax assets:</b>		
Allowance for loan losses.....	\$16,957,128	\$16,754,900
Allowance for off-balance sheet credit exposures.....	366,485	
Deferred compensation.....	5,488,069	5,050,820
Financial-over-tax depreciation.....	2,734,644	2,251,438
Commitment fees.....	248,787	274,962
Other real estate.....	64,824	80,218
Interest on nonaccrual loans.....	283,369	60,216
Other.....	321,952	171,734
Total deferred tax assets.....	<u>26,465,258</u>	<u>24,644,288</u>
<b>Deferred tax liabilities:</b>		
Unrealized gains on securities available for sale.....	2,371,027	1,028,674
Pension benefits.....	1,473,884	6,474,887
FHLB stock dividends.....	1,787,091	1,787,390
Mortgage servicing.....	652,400	699,512
Prepaid expenses.....	340,766	434,128
Discount accretion.....	114,947	100,424
State income tax.....	283,490	246,760
Other.....	116,806	11,862
Total deferred tax liabilities.....	<u>7,140,411</u>	<u>10,783,637</u>
Net deferred tax assets.....	<u>\$19,324,847</u>	<u>\$13,860,651</u>

W.T.B. files income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, W.T.B. is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2004.

W.T.B. adopted the provisions of the FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes", on January 1, 2007. As a result of the adoption, no liabilities were necessary for unrecognized tax benefits at January 1, 2007 or December 31, 2007.

# W.T.B. FINANCIAL CORPORATION

## Note 14: Financial Instruments

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. The Bank's financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit.

All these transactions may involve, in varying degrees, elements of credit and interest rate risk in excess of the amount recognized, if any, in the consolidated statement of financial condition. The Bank's exposure to credit losses in the event of nonperformance by the other parties to financial instruments for commitments to extend credit, standby letters of credit, and commercial letters of credit is represented by the contractual amounts of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as used in the lending process.

Commitments to extend credit are agreements to lend to customers as long as there are no violations of any conditions established in the commitment contracts. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates customers' creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral varies but may include accounts receivable; inventory; property, plant and equipment; residential real estate; and income producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of commercial customers to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers.

Through commercial letters of credit, the Bank guarantees customers' trade transactions to third parties, generally to finance commercial contracts for the shipment of goods. The Bank's credit risk in these transactions is limited, since the contracts are supported by the merchandise being shipped and are generally of short duration.

The Bank grants commercial and agricultural, real estate, and consumer loans to customers, mainly in Washington, Idaho, Oregon, and Utah, secured by business and personal property. The loans are expected to be repaid from cash flow or proceeds from the sale of selected assets of the borrowers. Although the loan portfolio is diversified, a substantial portion of the debtors' abilities to honor their contracts is dependent upon the economic conditions in Washington, Idaho, Oregon, and Utah. The Bank has no significant exposure from highly leveraged transactions and has no foreign credits in its loan portfolio.

Following is a summary of the exposure to off-balance sheet risk at December 31 (dollars in thousands):

	2007	2006
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit .....	\$ 1,573,410	\$ 1,348,721
Standby letters of credit .....	103,877	119,196
Commercial letters of credit .....	347	1,472

An allowance for credit losses on off-balance sheet credit exposures is maintained at a level management considers to be adequate. As of December 31, 2007, the balance of the allowance was \$1,000,000.

# W.T.B. FINANCIAL CORPORATION

## Note 15: Fair Values of Financial Instruments

SFAS No. 107, as amended by SFAS No. 119, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate those values. In cases where quoted market prices are not available, fair values are based on estimates using present values or other valuation techniques. Results from those techniques are significantly affected by the assumptions used, including the discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. The Statements exclude nonfinancial instruments from their disclosure requirements. Specifically, land and buildings are not disclosed at fair value, nor is the value derived from retaining customer deposit relationships, commonly referred to as a customer deposit base intangible. Accordingly, the aggregate fair value amounts presented are not intended to represent the fair value of W.T.B.'s shareholders' equity.

The following methods and assumptions were used by W.T.B. in estimating its fair value disclosures for each class of financial instrument:

**Cash and cash equivalents:** The carrying amounts reported in the statement of financial condition for cash and short-term instruments approximate those assets' fair values.

**Securities:** Fair values for securities are based on quoted market prices.

**FHLB stock:** The fair value is based upon the redemption value of the stock which equates to its carrying value.

**Loans:** For variable-rate loans that repriced frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values of fixed-rate loans are estimated using discounted cash flow analyses and interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued income receivable approximates its fair value. The fair values of lending commitments at year-end are estimated to approximate the remaining unamortized fees.

**Deposits:** The fair values disclosed for interest- and noninterest-bearing demand deposits and savings are equal to the amounts payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts for variable-rate time deposits approximate their fair values at the reporting date. Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently offered on such deposits to a schedule of aggregated expected monthly maturities. The carrying amount of accrued interest payable approximates its fair value.

**Funds purchased and other short-term borrowings:** The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings approximate their fair values.

**FHLB borrowings:** The fair value of FHLB advances and other borrowings is estimated by discounting the estimated future cash flows using rates currently available to the Bank for debt with similar remaining maturities.

The carrying amounts and estimated fair values of each class of financial instruments at December 31 were as follows (dollars in thousands):

	2007	
	Carrying Amount	Fair Value
<b>Financial assets:</b>		
Cash and due from banks, federal funds sold and interest-bearing deposits		
with banks.....	\$ 102,054	\$ 102,054
Securities available for sale.....	621,978	621,978
Federal Home Loan Bank stock.....	11,663	11,663
Loans held for sale .....	4,343	4,343
Loans held in portfolio .....	2,908,705	
Less: allowance for loan losses.....	(46,270)	
Loans, net of allowance.....	2,862,435	2,915,733
Accrued income receivable .....	19,086	19,086
<b>Financial liabilities:</b>		
Demand and savings deposits .....	1,777,924	1,777,924
Time deposits .....	1,157,803	1,163,959
Funds purchased.....	335,602	335,602
Federal Home Loan Bank borrowings.....	80,000	80,019
Other short-term borrowings.....	656	656
Accrued interest payable .....	12,236	12,236
Commitments to extend credit.....	(679)	(679)
Interest rate swaps .....	876	876
<b>2006</b>		
	Carrying Amount	Fair Value
<b>Financial assets:</b>		
Cash and due from banks, federal funds sold and interest-bearing deposits		
with banks.....	\$ 117,248	\$ 117,248
Securities available for sale.....	432,473	432,473
Federal Home Loan Bank stock.....	11,663	11,663
Loans held for sale .....	3,562	3,562
Loans held in portfolio .....	2,738,817	
Less: allowance for loan losses.....	(45,710)	
Loans, net of allowance.....	2,693,107	2,728,445
Accrued income receivable.....	19,326	19,326
<b>Financial liabilities:</b>		
Demand and savings deposits .....	1,691,888	1,691,888
Time deposits .....	1,017,399	1,013,603
Funds purchased.....	239,412	239,412
Federal Home Loan Bank borrowings.....	100,000	99,646
Other short-term borrowings.....	928	928
Accrued interest payable .....	12,366	12,366
Commitments to extend credit.....	(750)	(750)
Interest rate swaps .....	81	81

# W.T.B. FINANCIAL CORPORATION

## Note 16: Contingencies and Commitments

During the normal course of business, W.T.B. and the Bank are involved as defendants in various legal matters. In the opinion of W.T.B.'s management, the potential liability, if any, upon resolution of all litigation currently pending would not have a material adverse effect on W.T.B.'s financial position or results of operations.

W.T.B. has various operating leases covering the use of certain premises and equipment. The lease expense under such arrangements amounted to \$1,661,838, \$1,458,081 and \$1,298,788 for the years ended December 31, 2007, 2006 and 2005, respectively. All leases expire prior to the year 2018. Certain leases contain renewal clauses of up to 25 years and rent escalation clauses based on CPI or other factors contained in the lease agreement.

A summary of minimum lease commitments follows:

Years ending December 31,	
2008.....	\$ 1,528,639
2009.....	1,502,845
2010.....	1,026,781
2011.....	693,528
2012.....	630,240
2013 and thereafter.....	769,280
Total minimum lease payments.....	<u>\$ 6,151,313</u>

## Note 17: Parent Company Statements

W.T.B.'s parent company statements are presented using the equity method of accounting; therefore, accounts of its subsidiary have not been included. Intercompany transactions and balances have not been eliminated. The condensed parent company statements follow (dollars in thousands):

Statement of Income	Years Ended December 31,		
	2007	2006	2005
<b>Revenue</b>			
Dividends from banking subsidiary.....	\$ 20,200	\$ 13,350	\$ 10,600
Other.....	458	506	331
Total revenue.....	20,658	13,856	10,931
<b>Expense</b>			
Salaries and employee benefits.....	2,748	2,729	2,103
Other.....	2,069	1,653	1,718
Total expense.....	4,817	4,382	3,821
Income before income tax benefit and equity in undistributed net income of subsidiary.....	15,841	9,474	7,110
Income tax benefit.....	(1,547)	(1,534)	(1,057)
Income before equity in undistributed net income of subsidiary.....	17,388	11,008	8,167
Equity in undistributed net income of banking subsidiary.....	33,531	35,468	28,060
Net Income.....	\$ 50,919	\$ 46,476	\$ 36,227

## Statement of Financial Condition

	December 31,	
	2007	2006
<b>Assets</b>		
Cash.....	\$ 5,145	\$ 3,696
U.S. Treasury securities available for sale, carried at fair value.....	296	294
Equity in underlying net book value of bank subsidiary.....	320,130	292,119
Premises and equipment, net.....	3,629	1,086
Other assets.....	1,739	1,375
Total assets.....	\$330,939	\$298,570
<b>Liabilities</b>		
Other liabilities.....	\$ 1,563	\$ 1,407
<b>Shareholders' Equity</b> .....	329,376	297,163
Total liabilities and shareholders' equity.....	\$330,939	\$298,570

## Statement of Cash Flows

	Years Ended December 31,		
	2007	2006	2005
<b>Cash flows from operating activities:</b>			
Net income.....	\$ 50,919	\$ 46,476	\$ 36,227
Adjustments to reconcile net income to cash provided by operating activities:			
Undistributed net income of subsidiary ...	(33,531)	(35,468)	(28,060)
Depreciation.....	733	363	409
Write-down of other assets.....			111
Deferred income tax (benefit).....	(57)	(59)	15
Other, net.....	157	(129)	540
Net cash provided by operating activities....	18,221	11,183	9,242
<b>Cash flows from investing activities:</b>			
Purchase of securities.....	(588)	(293)	(295)
Proceeds from maturities of securities.....	600	300	300
Purchases of equipment.....	(3,905)	(296)	(369)
Proceeds from sales of equipment.....	629	228	189
Purchase of other assets.....	(342)	(175)	(490)
Proceeds from sales of other assets.....	20	161	
Net cash used in investing activities.....	(3,586)	(75)	(665)
<b>Cash flows from financing activities:</b>			
Dividends paid.....	(8,103)	(7,541)	(6,997)
Treasury stock transactions, net.....	(5,083)	(2,723)	(745)
Net cash used in financing activities.....	(13,186)	(10,264)	(7,742)
Increase in cash.....	1,449	844	835
Cash at beginning of year.....	3,696	2,852	2,017
Cash at end of year.....	\$ 5,145	\$ 3,696	\$ 2,852

# W.T.B. FINANCIAL CORPORATION

## Note 18: Related Parties and Regulatory Matters

In the ordinary course of business, W.T.B. and its subsidiary make loans and enter into other transactions with certain related parties, its directors and entities having a specified relationship with the directors. Such transactions are made on substantially the same terms and conditions as transactions with other customers. Total deposits from these related parties were approximately \$6 million and \$7 million at December 31, 2007 and 2006, respectively. Related party loan amounts for the years ended December 31, 2007 and 2006 were as follows:

	2007	2006
Balance at beginning of year .....	\$ 13,682,487	\$ 9,540,356
New loans and advances .....	4,409,058	9,199,988
Repayments .....	(7,867,788)	(5,069,470)
Other .....	25,073	11,613
Balance at end of year .....	<u>\$ 10,248,830</u>	<u>\$ 13,682,487</u>

Under current federal regulations, W.T.B. is limited in the amount that may be borrowed from Washington Trust Bank. At December 31, 2007, a maximum of approximately \$4 million could be loaned to W.T.B. No such loans have been made.

The ability of W.T.B. to continue to pay dividends is substantially dependent upon the receipt of dividends from its subsidiary. At December 31, 2007, undistributed earnings of Washington Trust Bank available for payments of dividends without prior approval of the regulatory authorities were approximately \$89 million. Federal Reserve Board regulations require depository institutions to maintain certain minimum reserve balances in the form of cash and deposits with the Federal Reserve Bank. These reserves averaged approximately \$26 million in 2007.

W.T.B. is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on W.T.B.'s financial position or results of operations.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, W.T.B. must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. W.T.B.'s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require W.T.B. to maintain minimum amounts and ratios of total capital and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2007 and 2006, that W.T.B. met all capital adequacy requirements to which it is subject.

At December 31, 2007, the most recent notification from the Federal Deposit Insurance Corporation categorized Washington Trust Bank as well capitalized under the regulatory framework for prompt corrective action. There have been no conditions or events since that notification that management believes have changed the institution's category. To be categorized as well capitalized, a bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. The capital amounts and ratios at December 31 were as follows (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>At December 31, 2007</b>						
Total risk-based capital (to risk-weighted assets):						
W.T.B. Financial Corporation .....	≥ \$376,590	≥ 10.79%	≥ \$279,138	≥ 8.00%	≥ \$348,922	≥ 10.00%
Washington Trust Bank .....	≥ 367,343	≥ 10.54%	≥ 278,775	≥ 8.00%	≥ 348,469	≥ 10.00%
Tier 1 capital (to risk-weighted assets):						
W.T.B. Financial Corporation .....	≥ 332,986	≥ 9.54%	≥ 139,569	≥ 4.00%	≥ 209,353	≥ 6.00%
Washington Trust Bank .....	≥ 323,739	≥ 9.29%	≥ 139,387	≥ 4.00%	≥ 209,081	≥ 6.00%
Tier 1 capital (to average assets):						
W.T.B. Financial Corporation .....	≥ 332,986	≥ 9.06%	≥ 147,091	≥ 4.00%	≥ 183,864	≥ 5.00%
Washington Trust Bank .....	≥ 323,739	≥ 8.82%	≥ 146,805	≥ 4.00%	≥ 183,506	≥ 5.00%
<b>At December 31, 2006</b>						
Total risk-based capital (to risk-weighted assets):						
W.T.B. Financial Corporation .....	≥ \$335,002	≥ 10.55%	≥ \$254,058	≥ 8.00%	≥ \$317,572	≥ 10.00%
Washington Trust Bank .....	≥ 329,959	≥ 10.40%	≥ 253,922	≥ 8.00%	≥ 317,402	≥ 10.00%
Tier 1 capital (to risk-weighted assets):						
W.T.B. Financial Corporation .....	≥ 295,252	≥ 9.30%	≥ 127,029	≥ 4.00%	≥ 190,543	≥ 6.00%
Washington Trust Bank .....	≥ 290,209	≥ 9.14%	≥ 126,961	≥ 4.00%	≥ 190,441	≥ 6.00%
Tier 1 capital (to average assets):						
W.T.B. Financial Corporation .....	≥ 295,252	≥ 8.89%	≥ 132,880	≥ 4.00%	≥ 166,100	≥ 5.00%
Washington Trust Bank .....	≥ 290,209	≥ 8.75%	≥ 132,701	≥ 4.00%	≥ 165,876	≥ 5.00%

# W.T.B. FINANCIAL CORPORATION

---

## Independent Auditors' Report

To the Board of Directors  
W.T.B. Financial Corporation  
Spokane, Washington

We have audited the accompanying consolidated statements of financial condition of W.T.B. Financial Corporation and subsidiary as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of W.T.B. Financial Corporation and subsidiary as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Consolidated Financial Highlights on page 1 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*Moss Adams LLP*

Spokane, Washington  
March 10, 2008



# W.T.B. FINANCIAL CORPORATION

## Directors and Officers

### W.T.B. Financial Corporation

#### BOARD OF DIRECTORS

Peter F. Stanton, Chairman of the Board,  
President and Chief Executive Officer  
Chairman of the Board and  
Chief Executive Officer, Washington Trust Bank

Harold L. Damiano  
Retired Chairman, North Idaho Region, Washington Trust Bank

John E. (Jack) Heath, Vice President and Chief Operating Officer  
President and Chief Operating Officer, Washington Trust Bank

Thomas L. Perko  
Retired President, W.T.B. Financial Corporation  
Retired President, Washington Trust Bank

Thomas B. Tilford  
Director, Hogan Entrepreneurial Leadership Program,  
Gonzaga University

#### ADMINISTRATION

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

John E. (Jack) Heath ..... Vice President and Chief Operating Officer

Richard W. Boutz ..... Senior Vice President,  
Chief Financial Officer, Treasurer and Assistant Secretary

Albert G. Buss ..... Senior Vice President,  
General Auditor and Secretary

### Washington Trust Bank

#### BOARD OF DIRECTORS

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

John E. (Jack) Heath, President and Chief Operating Officer

Steven M. Helmbrecht  
Senior Vice President and Chief Financial Officer, Itron, Inc.

Molly J. Scammell Hurley  
Retired Officer, Washington Trust Bank

Duane Jacklin  
Managing Partner, Riverbend Commerce Park

Thomas L. Perko  
Retired President, W.T.B. Financial Corporation  
Retired President, Washington Trust Bank

Thomas B. Tilford  
Director, Hogan Entrepreneurial Leadership Program,  
Gonzaga University

Nancy Sue Wallace  
Personal Investments

Parker G. Woodall  
Retired President, North Idaho Region, Washington Trust Bank

### Washington Trust Bank

#### ADMINISTRATION

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

John E. (Jack) Heath ..... President and Chief Operating Officer

Albert G. Buss ..... Senior Vice President,  
General Auditor and Secretary

#### COMMERCIAL BANKING

J. Jay Lewis ..... Senior Vice President

Scott H. Luttinen ..... President, Western Washington Region

Linda A. Williams ..... President, Oregon Region

David J. Terrell ..... President, Southern Idaho Region

#### CREDIT ADMINISTRATION

Paul M. Koenigs ..... Senior Vice President and  
Chief Credit Officer

#### FINANCE

Richard W. Boutz ..... Senior Vice President,  
Chief Financial Officer, Treasurer and Assistant Secretary

#### HUMAN RESOURCES

Catherine J. Bruya ..... Senior Vice President

#### INFORMATION TECHNOLOGY AND OPERATIONS

James E. Brockett ..... Senior Vice President and  
Chief Information Officer

#### RETAIL BANKING

Susan K. Glover ..... Senior Vice President

#### STRATEGIC PLANNING AND PRODUCT DEVELOPMENT

Teri L. VanNoy ..... Senior Vice President

#### WEALTH MANAGEMENT AND ADVISORY SERVICES

Robert A. Blume ..... Senior Vice President

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

W.T.B. Financial Corporation  
P.O. Box 2127  
Spokane, Washington 99210-2127

Visit Washington Trust Bank's Web site at  
[www.watrust.com](http://www.watrust.com)

**wastrust.com**

INV 221150  
©2007 WASHINGTON TRUST BANK

**W.T.B. Financial Corporation** 

# W.T.B. FINANCIAL CORPORATION

## Consolidated Financial Highlights

	(dollars in thousands, except per share data)						Five-Year Compound Growth Rate
	Years Ended December 31,						
	2006	2005	2004	2003	2002	2001	
<b>PERFORMANCE</b>							
Net interest revenue, fully tax-equivalent .....	\$ 144,240	\$ 124,715	\$ 101,868	\$ 92,818	\$ 88,841	\$ 78,716	12.9%
Fully tax-equivalent adjustment .....	2,738	3,022	3,178	2,854	2,457	2,284	3.7
Net interest revenue .....	141,502	121,693	98,690	89,964	86,384	76,432	13.1
Provision for loan losses .....	5,844	7,423	6,656	7,399	7,915	8,010	(6.1)
Net interest revenue after provision for loan losses .....	135,658	114,270	92,034	82,565	78,469	68,422	14.7
Noninterest revenue .....	26,612	26,633	25,129	25,295	27,104	26,256	0.3
Noninterest expense .....	93,060	87,567	78,255	74,958	72,865	66,658	6.9
Income before income taxes .....	69,210	53,336	38,908	32,902	32,708	28,020	19.8
Income taxes .....	22,734	17,109	11,729	9,825	9,914	7,761	24.0
Net income .....	\$ 46,476	\$ 36,227	\$ 27,179	\$ 23,077	\$ 22,794	\$ 20,259	18.1
<b>SELECTED YEAR-END DATA</b>							
Securities .....	\$ 432,473	\$ 377,709	\$ 318,675	\$ 254,962	\$ 189,588	\$ 215,232	15.0%
Total loans .....	2,742,379	2,365,200	2,008,840	1,769,584	1,629,943	1,541,369	12.2
Earning assets .....	3,192,426	2,770,443	2,342,104	2,044,941	1,896,875	1,765,581	12.5
Total assets .....	3,380,709	2,979,837	2,482,783	2,212,092	2,078,862	1,899,225	12.2
Deposits .....	2,709,287	2,446,305	2,057,281	1,850,879	1,696,861	1,447,032	13.4
Interest-bearing liabilities .....	2,419,602	2,091,221	1,740,094	1,559,214	1,457,584	1,388,124	11.8
Shareholders' equity .....	297,163	259,982	233,380	227,274	210,953	191,695	9.2
Full-time equivalent employees .....	689	670	643	628	615	609	2.5
<b>PER SHARE</b>							
Net income .....	\$ 19.61	\$ 15.22	\$ 11.40	\$ 9.68	\$ 9.54	\$ 8.47	18.3%
Cash dividends .....	3.18	2.94	8.70	2.48	2.26	2.10	8.7
Book value per share .....	125.49	109.17	97.78	95.34	88.41	80.18	9.4
<b>RATIOS</b>							
Return on average assets .....	1.48%	1.33%	1.16%	1.11%	1.16%	1.08%	
Return on average shareholders' equity .....	16.70	14.67	11.94	10.52	11.25	10.96	
Margin on average earning assets .....	4.85	4.85	4.60	4.78	4.84	4.50	
Efficiency ratio .....	54.47	57.86	61.62	63.46	62.84	63.50	
Net charge-offs to average loans .....	0.05	0.18	0.21	0.20	0.41	0.29	
Allowance for loan losses to loans on December 31 .....	1.67	1.74	1.87	1.97	1.90	1.91	
Average equity to average assets .....	8.86	9.04	9.70	10.59	10.33	9.82	
Total risk-based capital (to risk-weighted assets) .....	10.55	10.59	11.11	11.75	12.25	12.20	
Tier 1 capital (to risk-weighted assets) .....	9.30	9.34	9.85	10.50	11.00	10.94	
Leverage (Tier 1 capital to average assets) .....	8.89	8.99	9.33	10.35	10.10	9.90	
Cash dividends to net income .....	16.23	19.31	76.29	25.62	23.68	24.78	

# W.T.B. FINANCIAL CORPORATION

## Consolidated Statement of Income

	Years Ended December 31,		
	2006	2005	2004
<b>INTEREST REVENUE</b>			
Loans, including fees .....	\$ 206,566,619	\$ 155,015,462	\$ 113,303,838
Deposits with banks .....	7,915	2,431	3,481
Securities:			
Taxable .....	14,861,481	9,096,276	6,873,827
Tax-exempt .....	4,080,199	4,582,038	4,701,046
Federal funds sold .....	740,747	555,902	107,603
Other interest and dividend income .....	11,663	30,321	202,898
Total interest revenue .....	<u>226,268,624</u>	<u>169,282,430</u>	<u>125,192,693</u>
<b>INTEREST EXPENSE</b>			
Demand and savings deposits .....	26,336,567	15,371,503	8,738,999
Time deposits .....	43,495,690	27,004,923	15,637,446
Funds purchased .....	7,836,068	2,417,688	688,278
Federal Home Loan Bank borrowings .....	7,098,744	2,752,762	1,365,284
Other short-term borrowings .....		43,181	73,026
Total interest expense .....	<u>84,767,069</u>	<u>47,590,057</u>	<u>26,503,033</u>
Net interest revenue .....	141,501,555	121,692,373	98,689,660
Provision for loan losses .....	5,844,079	7,422,871	6,655,730
Net interest revenue after provision for loan losses .....	<u>135,657,476</u>	<u>114,269,502</u>	<u>92,033,930</u>
<b>NONINTEREST REVENUE</b>			
Fiduciary income .....	7,823,480	6,737,312	5,881,415
Other fees on loans .....	4,741,919	4,889,539	4,853,091
Service charges on deposits .....	6,623,826	8,624,493	8,715,438
Other service charges, commissions and fees .....	6,487,280	4,229,688	3,785,546
Nonbanking premises and other real estate, net .....	894,966	813,956	767,909
Securities gains (losses), net .....	(548,828)	33,757	646,112
Other income .....	589,601	1,304,653	480,178
Total noninterest revenue .....	<u>26,612,244</u>	<u>26,633,398</u>	<u>25,129,689</u>
<b>NONINTEREST EXPENSE</b>			
Salaries .....	45,577,538	42,669,646	37,317,061
Pension and employee benefits .....	9,568,397	9,742,332	8,962,773
Occupancy expense .....	5,694,848	5,776,816	5,350,225
Furniture and equipment expense .....	6,407,215	6,498,849	6,506,283
Outside account processing .....	6,116,239	5,739,545	4,879,850
Marketing and public relations .....	4,623,779	4,091,420	3,247,339
Professional fees .....	2,207,428	1,922,165	2,162,846
State revenue taxes .....	2,007,458	1,757,816	1,494,285
Other expense .....	10,857,392	9,368,130	8,334,800
Total noninterest expense .....	<u>93,060,294</u>	<u>87,566,719</u>	<u>78,255,462</u>
Income before income taxes .....	69,209,426	53,336,181	38,908,157
Income taxes .....	22,733,736	17,109,166	11,728,734
<b>NET INCOME</b> .....	<u>\$ 46,475,690</u>	<u>\$ 36,227,015</u>	<u>\$ 27,179,423</u>
<b>AVERAGE SHARES OF COMMON STOCK OUTSTANDING</b> .....	<u>2,370,580</u>	<u>2,379,882</u>	<u>2,383,588</u>
<b>EARNINGS PER SHARE (based on average shares outstanding)</b> .....	<u>\$19.61</u>	<u>\$15.22</u>	<u>\$11.40</u>

The accompanying notes are an integral part of the consolidated financial statements.

# W.T.B. FINANCIAL CORPORATION

## Consolidated Statement of Financial Condition

	December 31,	
	2006	2005
<b>ASSETS</b>		
Cash and due from banks.....	\$ 108,748,022	\$ 136,232,013
Federal funds sold.....	8,500,000	17,300,000
Interest-bearing deposits with banks.....	349,963	20,693
Securities available for sale, carried at fair value.....	432,473,033	377,708,609
Federal Home Loan Bank stock, at cost.....	11,663,000	11,663,000
Loans receivable:		
Held for sale.....	3,562,090	4,765,563
Held in portfolio.....	2,738,817,327	2,360,434,439
Total loans.....	2,742,379,417	2,365,200,002
Allowance for loan losses.....	(45,710,179)	(41,084,194)
	2,696,669,238	2,324,115,808
Bank premises and equipment, net.....	39,964,668	37,602,058
Nonbanking premises, net.....	3,716,688	3,737,822
Other real estate.....	60,800	158,270
Accrued income receivable.....	19,325,718	15,394,335
Other assets.....	59,237,553	55,904,522
Total assets.....	\$3,380,708,683	\$2,979,837,130
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing.....	\$ 630,026,051	\$ 600,510,972
Interest-bearing.....	2,079,260,983	1,845,794,408
Total deposits.....	2,709,287,034	2,446,305,380
Funds purchased.....	239,412,437	130,933,976
Federal Home Loan Bank borrowings.....	100,000,000	113,900,000
Other short-term borrowings.....	928,391	592,754
Accrued interest payable.....	12,366,495	8,509,510
Other liabilities.....	21,551,728	19,613,613
Total liabilities.....	3,083,546,085	2,719,855,233
<b>SHAREHOLDERS' EQUITY</b>		
Class A common stock (25,000 shares authorized, issued and outstanding; no par).....	250,000	250,000
Class B common stock (3,475,000 shares authorized and 2,475,000 shares issued; no par).....	4,750,000	4,750,000
Surplus.....	32,665,000	32,665,000
Undivided profits.....	268,738,338	228,878,786
	306,403,338	266,543,786
Less treasury stock, at cost (132,010 and 118,468 Class B shares in 2006 and 2005, respectively).....	(11,151,135)	(7,503,699)
	295,252,203	259,040,087
Accumulated other comprehensive income.....	1,910,395	941,810
Total shareholders' equity.....	297,162,598	259,981,897
Total liabilities and shareholders' equity.....	\$3,380,708,683	\$2,979,837,130

The accompanying notes are an integral part of the consolidated financial statements.

# W.T.B. FINANCIAL CORPORATION

## Consolidated Statement of Changes in Shareholders' Equity

	Total Shareholders' Equity	Number of Shares Outstanding	Common Stock		Treasury Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits
			Class A	Class B				
<b>Balance, January 1, 2004</b> .....	\$227,273,741	2,383,816	\$ 250,000	\$ 4,750,000	\$ (6,139,914)	\$32,665,000	\$ 3,624,271	\$192,124,384
Net income, 2004.....	27,179,423							27,179,423
Net unrealized losses on securities available for sale, net of tax benefit of \$203,949 .....	(378,762)						(378,762)	
Reclassification adjustment for gains included in net income, net of taxes of \$226,139 .....	(419,973)						(419,973)	
Comprehensive income, 2004....	26,380,688							
Cash dividends of \$8.70 per share .	(20,735,782)							(20,735,782)
Treasury stock acquired .....	(164,003)	(1,297)			(164,003)			
Treasury stock issued.....	625,395	4,300			85,687			539,708
<b>Balance, December 31, 2004</b> .....	<b>233,380,039</b>	<b>2,386,819</b>	<b>250,000</b>	<b>4,750,000</b>	<b>(6,218,230)</b>	<b>32,665,000</b>	<b>2,825,536</b>	<b>199,107,733</b>
Net income, 2005.....	36,227,015							36,227,015
Net unrealized losses on securities available for sale, net of tax benefit of \$1,002,499 ...	(1,861,784)						(1,861,784)	
Reclassification adjustment for gains included in net income, net of taxes of \$11,815 .....	(21,942)						(21,942)	
Comprehensive income, 2005....	34,343,289							
Cash dividends of \$2.94 per share .	(6,996,738)							(6,996,738)
Treasury stock acquired .....	(1,375,169)	(9,187)			(1,375,169)			
Treasury stock issued.....	630,476	3,900			89,700			540,776
<b>Balance, December 31, 2005</b> .....	<b>259,981,897</b>	<b>2,381,532</b>	<b>250,000</b>	<b>4,750,000</b>	<b>(7,503,699)</b>	<b>32,665,000</b>	<b>941,810</b>	<b>228,878,786</b>
Net income, 2006.....	46,475,690							46,475,690
Net unrealized gains on securities available for sale, net of tax expense of \$329,456 ....	611,847						611,847	
Reclassification adjustment for losses included in net income, net of tax benefit of \$192,090 .....	356,738						356,738	
Comprehensive income, 2006....	47,444,275							
Cash dividends of \$3.18 per share .	(7,540,606)							(7,540,606)
Treasury stock acquired .....	(3,749,329)	(17,576)			(3,749,329)			
Treasury stock issued.....	1,026,361	4,034			101,893			924,468
<b>Balance, December 31, 2006</b> .....	<b>\$297,162,598</b>	<b>2,367,990</b>	<b>\$ 250,000</b>	<b>\$ 4,750,000</b>	<b>\$(11,151,135)</b>	<b>\$32,665,000</b>	<b>\$ 1,910,395</b>	<b>\$268,738,338</b>

The accompanying notes are an integral part of the consolidated financial statements.

# W.T.B. FINANCIAL CORPORATION

## Consolidated Statement of Cash Flows

	Years Ended December 31,		
	2006	2005	2004
<b>Cash flows from operating activities:</b>			
Net income.....	\$ 46,475,690	\$ 36,227,015	\$ 27,179,423
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation.....	5,709,329	6,014,913	5,536,444
Amortization of intangibles.....			212,144
Net premium amortization of securities.....	3,034,061	4,446,363	4,770,822
Net mortgage servicing rights.....	379,255	(130,719)	97,790
Provision for loan losses.....	5,844,079	7,422,871	6,655,730
Write-down of other assets.....		111,133	547,775
Deferred income tax (benefit).....	(2,205,966)	(317,702)	850,195
Securities (gains) losses, net.....	548,828	(33,757)	(646,112)
Federal Home Loan Bank stock dividend.....		30,321	202,898
Origination of loans held for sale.....	(60,814,351)	(84,694,959)	(74,094,730)
Proceeds from sales of loans held for sale.....	62,249,744	82,854,832	74,366,313
Increase in accrued income.....	(3,931,383)	(4,201,509)	(1,511,324)
Increase in cash surrender value of life insurance.....	(1,702,708)	(1,500,000)	(1,620,000)
Decrease in other assets.....	(235,008)	(7,538,443)	(2,824,827)
Increase in accrued expenses and other liabilities.....	5,795,100	7,630,903	1,770,561
Other, net.....	(320,889)	(1,383,552)	(870,250)
Net cash provided by operating activities.....	<u>60,825,781</u>	<u>44,937,710</u>	<u>40,622,852</u>
<b>Cash flows from investing activities:</b>			
Net (increase) decrease in interest-bearing deposits with banks.....	(329,270)	4,191	(1,121)
Securities available for sale:			
Payments for purchases.....	(167,637,802)	(160,497,362)	(164,716,623)
Proceeds from sales and calls.....	41,028,026	35,640,437	51,062,184
Proceeds from maturities.....	69,752,596	55,561,128	44,323,412
Net increase in loans held in portfolio.....	(379,679,602)	(358,167,956)	(243,545,677)
Purchases of premises and equipment.....	(8,326,263)	(7,254,746)	(9,871,918)
Proceeds from sales of premises, equipment and other real estate.....	462,907	3,222,681	357,284
Other, net.....	(12,542)	(490,013)	(67,000)
Net cash used in investing activities.....	<u>(444,741,950)</u>	<u>(431,981,640)</u>	<u>(322,459,459)</u>
<b>Cash flows from financing activities:</b>			
Net increase in deposits.....	262,981,654	389,023,959	206,402,196
Net increase (decrease) in funds purchased.....	108,478,461	56,501,485	(15,202,035)
Net increase (decrease) in Federal Home Loan Bank advances.....	(63,900,000)	57,000,000	26,900,000
Proceeds from Federal Home Loan Bank notes.....	490,000,000	370,000,000	282,000,000
Repayments of Federal Home Loan Bank notes.....	(440,000,000)	(390,000,000)	(257,000,000)
Net increase (decrease) in other short-term borrowings.....	335,637	(19,704,219)	19,714,470
Dividends paid.....	(7,540,606)	(6,996,738)	(20,735,782)
Treasury stock transactions, net.....	(2,722,968)	(744,693)	461,392
Net cash provided by financing activities.....	<u>347,632,178</u>	<u>455,079,794</u>	<u>242,540,241</u>
Increase (decrease) in cash and cash equivalents.....	(36,283,991)	68,035,864	(39,296,366)
Cash and cash equivalents at beginning of year.....	153,532,013	85,496,149	124,792,515
Cash and cash equivalents at end of year.....	<u>\$ 117,248,022</u>	<u>\$ 153,532,013</u>	<u>\$ 85,496,149</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid for interest.....	\$ 80,910,084	\$ 43,269,113	\$ 25,944,022
Cash paid for income taxes.....	25,176,100	16,171,000	11,470,000
Noncash investing activity, transfer from loans to other real estate.....	78,620	141,550	592,164

The accompanying notes are an integral part of the consolidated financial statements.

# W.T.B. FINANCIAL CORPORATION

---

## Notes to Consolidated Financial Statements

### Note 1: Summary of Significant Accounting Policies

W.T.B. Financial Corporation (W.T.B.) is a bank holding company headquartered in Spokane, Washington and, through its subsidiary, Washington Trust Bank (the Bank), is engaged in the business of commercial and retail banking in Washington, Idaho, Oregon, and Utah. The Bank was originally chartered in 1902 and provides a wide range of banking, fiduciary, asset management, mortgage banking, and other financial services to corporate and individual customers.

The consolidated financial statements of W.T.B. include the accounts of W.T.B. and its subsidiary. Intercompany transactions and balances have been eliminated in consolidation. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### Cash Equivalents

Cash equivalents include amounts due from banks, federal funds sold, and securities purchased under resale agreements. Generally, federal funds sold and securities purchased under resale agreements are for periods of one week or less.

### Securities Available for Sale

W.T.B. has designated all securities as available for sale, including those used in asset/liability or liquidity management. Securities available for sale are carried at fair value, with the unrealized gains and losses, net of tax, reported as a component of other comprehensive income in shareholders' equity. Gains and losses realized on the sale of securities are computed on the specific-identification method and are included in noninterest revenue. Interest and dividends on securities are included in interest revenue. Premiums and discounts are recognized in interest revenue using the interest method over the period to maturity.

### Federal Home Loan Bank Stock

The Bank is a member of the Federal Home Loan Bank (FHLB) system and as a member is required to maintain a minimum level of investment in FHLB stock based on specific percentages of its outstanding FHLB borrowings. The Bank's investment in FHLB stock is carried at par value (\$100 per share), which approximates its fair value. The Bank may request redemption at par value of any stock in excess of the amount the Bank is required to hold. Stock redemptions are at the discretion of the FHLB.

### Loans

Loans held in portfolio are carried at the principal amount outstanding, net of unearned income. Loans held for sale are carried at the lower of aggregate cost or market.

Interest income with respect to loans is accrued on the principal amount outstanding. Loan origination fees are capitalized and recognized as an adjustment to the yield of the related loan. The accrual of interest on loans is discontinued when it is determined that the collection of interest or principal is doubtful or, generally, when a default of interest or principal has existed for 90 days or more, unless such loan is well secured and in the process of collection. When interest accrual is discontinued, interest credited to income in the current year is reversed, and interest accrued in prior years is charged against the allowance for loan losses. Interest payments received on nonaccrual loans are recorded as reductions of principal if principal repayment is doubtful. Nonaccrual loans that are current as to interest and principal or that are well secured and in the process of collection are returned to accrual status.

### Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for known and inherent losses in the portfolio. Management's determination of the allowance is based on an evaluation of the loan portfolio, impaired loans, past loan loss experience, economic conditions, volume, growth and composition of the loan portfolio, and other risks inherent in the portfolio. Management applies risk factors to categories of loans and individually reviews all impaired loans. Management uses risk grades for loans in the commercial and agricultural, real estate secured, and consumer categories. For homogenous consumer portfolios, management relies heavily on statistical analysis, past experience, and current industry trends to estimate losses. Management evaluates the adequacy of the allowance at least quarterly, reviewing the relevant internal and external factors that affect credit quality.



# W.T.B. FINANCIAL CORPORATION

## Note 1: Summary of Significant Accounting Policies (continued)

### Mortgage Servicing Rights

Mortgage servicing rights are carried at original capitalized value, net of accumulated amortization and impairment. The original capitalized value is determined using discounted cash flows based on the then-current market interest rates and current prepayment assumptions. Mortgage servicing rights are amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows based on current market interest rates and current prepayment assumptions. For purposes of measuring impairment, the rights are stratified based on predominant risk characteristics of the underlying loans, including loan type, size, note rate, origination date and term. Subsequent loan prepayments and changes in prepayment assumptions in excess of those forecasted can adversely impact the carrying value of the servicing assets. The amount of impairment recognized is the amount by which the capitalized mortgage servicing rights for a stratum exceed their fair value.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

### Derivatives

Derivative financial instruments are used to meet the ongoing credit needs of customers and the market exposure of interest rate risk. All derivative instruments are recognized as either assets or liabilities in the Consolidated Statement of Financial Condition at fair value. Changes in the fair value of a derivative are recorded in the Consolidated Statement of Income. At December 31, 2006 and 2005, the estimated fair values of W.T.B.'s interest rate swaps were \$(81) thousand and \$(82) thousand, respectively. Interest rate swap gains (losses) included in interest revenue on loans were \$1 thousand and \$(3) thousand for 2006 and 2005, respectively.

W.T.B.'s pipeline of locked residential mortgage loan commitments and forward sales contracts to investors are considered derivatives. W.T.B. utilizes forward sales contracts to hedge its risk of changes in the fair value, due to changes in interest rates, of both its locked residential mortgage loan commitments and its residential loans held for sale. The estimated fair values of these derivatives are determined by the changes in the market value of the related loans, caused by interest rate changes, from the commitment date or contract date to the valuation date. At December 31, 2006, the estimated fair value of rate locks was \$8 thousand and the estimated fair value of forward sales agreements was \$(3) thousand. At December 31, 2005, the estimated fair value of the rate locks was \$7 thousand and the estimated fair value of the forward sales agreements was \$(13) thousand.

### Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income. Gains and losses on available-for-sale securities are reclassified to net income as the gains or losses are realized upon sale of the securities. Other-than-temporary impairment charges, if any, are reclassified to net income at the time of the charge.

### Premises and Equipment

Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on both the straight-line and accelerated methods over the estimated useful lives of the assets or the terms of the associated operating leases. Gains or losses on disposition are reflected in current income. Normal costs of maintenance and repairs are treated as current expenses.

### Other Real Estate

Other real estate acquired through, or in lieu of, loan foreclosure is recorded at the lower of net realizable value of the property or the outstanding loan balance at the time of foreclosure. A provision to the valuation allowance on other real estate is made for subsequent declines in the fair value on a specific property basis.

### Advertising Costs

W.T.B. expenses advertising costs, included in marketing and public relations expense, as incurred. Advertising expenses were \$1,308,875, \$1,817,475 and \$1,745,893 for 2006, 2005 and 2004, respectively.

### Income Taxes

The liability method is used in accounting for income taxes, whereby deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

### Common Stock

At December 31, 2006 and 2005, 25,000 shares of Class A voting common stock were outstanding. Class B nonvoting common stock shares outstanding were 2,342,990 and 2,356,532 at December 31, 2006 and 2005, respectively. Authorized Class C shares totaling 500,000 remain unissued, with terms to be determined upon issuance.

### Reclassifications

Certain 2005 and 2004 amounts have been reclassified to conform with the 2006 presentation. The effects of the reclassifications are not considered material.

# W.T.B. FINANCIAL CORPORATION

---

## **Note 1: Summary of Significant Accounting Policies (continued)**

### **Recent Accounting Pronouncements**

In March 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 156, "Accounting for Servicing of Financial Assets", an amendment of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS 156 requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. For subsequent measurement purposes, SFAS 156 permits an entity to choose to measure servicing assets and liabilities either based on fair value or lower of cost or market. This election may be made at the beginning of a fiscal year. Separate presentation in the financial statements and additional disclosures are also required. This statement will be effective for W.T.B. beginning January 1, 2007. W.T.B.'s management has not determined if W.T.B. will adopt the optional subsequent measurement valuation at fair value. The adoption of SFAS No. 156 is not expected to have a material effect on W.T.B.'s consolidated financial position or results of operations.

In June 2006, the FASB issued Interpretation (FIN) 48, "Accounting for Uncertainty in Income Taxes", an interpretation of SFAS No. 109, "Accounting for Income Taxes." FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. This statement will be effective for W.T.B. beginning January 1, 2007. The adoption of FIN 48 is not expected to have a material effect on W.T.B.'s consolidated financial position or results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans", an amendment of SFAS No. 87, 88, 106, and 132(R). This statement requires the recognition of the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability on the balance sheet, and recognition of changes in that funded status in the year in which the changes occur through other comprehensive income. This statement will be effective for W.T.B. as of December 31, 2007. If the provisions of SFAS No. 158 had been applied as of December 31, 2006, W.T.B.'s prepaid pension asset of \$17,664,578 would be reduced to \$4,361,623, the difference between W.T.B.'s pension plan's fair value of the plan's assets and the plan's projected benefit obligation. Shareholders' Equity would be reduced by \$8,646,921 million, the reduction of the pension asset, net of taxes.

# W.T.B. FINANCIAL CORPORATION

**Note 2: Securities Available for Sale**

All securities were designated as available for sale at December 31, 2006 and 2005. The amortized costs and fair values were as follows:

	2006				2005			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies.....	\$ 56,474,164		\$ 1,337,776	\$ 55,136,388	\$ 64,422,538		\$ 2,443,360	\$ 61,979,178
States and political subdivisions.....	79,611,014	\$ 3,351,703	2,721	82,959,996	83,116,857	\$ 3,986,952	11,090	87,092,719
Mortgage-backed securities.....	293,448,785	1,740,973	813,109	294,376,649	228,720,276	755,517	839,081	228,636,712
	<u>\$429,533,963</u>	<u>\$ 5,092,676</u>	<u>\$ 2,153,606</u>	<u>\$432,473,033</u>	<u>\$376,259,671</u>	<u>\$ 4,742,469</u>	<u>\$ 3,293,531</u>	<u>\$377,708,609</u>

The following table shows the gross unrealized losses and fair value, aggregated by category and the length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2006. These securities had no deterioration in their credit ratings during 2005 or 2006. All unrealized losses were caused by interest rate changes and, in the opinion of W.T.B.'s management, the unrealized losses are temporary in nature.

	2006					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and federal agencies.....	\$ 19,350,327	\$ 24,692	\$ 35,492,188	\$ 1,313,084	\$ 54,842,514	\$ 1,337,776
States and political subdivisions.....			217,279	2,721	217,279	2,721
Mortgage-backed securities.....	11,514	19	110,540,446	813,090	110,551,960	813,109
	<u>\$ 19,361,841</u>	<u>\$ 24,711</u>	<u>\$146,249,913</u>	<u>\$ 2,128,895</u>	<u>\$165,611,753</u>	<u>\$ 2,153,606</u>

Securities with fair values of \$400,332,159 and \$268,152,292 at December 31, 2006 and 2005, respectively, were pledged to secure funds on deposits, customer repurchase agreement products, additional borrowings or for other purposes.

Proceeds from sales of available-for-sale securities in 2006 were \$41,028,026, resulting in gross gains of \$62,958 and gross losses of \$611,786.

Proceeds from sales and calls of available-for-sale securities in 2005 were \$35,640,437, resulting in gross gains of \$49,904 and gross losses of \$16,147.

Proceeds from sales and calls of available-for-sale securities in 2004 were \$51,062,184, resulting in gross gains of \$646,112.

The amortized costs and fair values of securities at December 31, 2006 are shown below by maturity. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings, based on the expected weighted-average lives using current prepayment assumptions.

	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less.....	\$ 127,275,756	\$ 128,027,267
Due after one year through five years....	252,846,733	253,627,766
Due after five years through ten years ...	35,996,845	37,122,732
Due after ten years.....	13,414,629	13,695,268
	<u>\$ 429,533,963</u>	<u>\$ 432,473,033</u>

# W.T.B. FINANCIAL CORPORATION

### Note 3: Federal Funds Sold

The following table summarizes federal funds sold (dollars in thousands):

	2006	2005	2004
December 31:			
Amount.....	\$ 8,500	\$ 17,300	\$ 10,200
Rate .....	4.84%	4.19%	2.19%
Average for the year:			
Amount.....	\$ 15,047	\$ 17,216	\$ 9,102
Rate .....	4.92%	3.23%	1.18%
Maximum outstanding at any month-end.....	\$ 49,600	\$ 42,000	\$ 22,800

### Note 4: Loans and Allowance for Loan Losses

At December 31 loans were as follows:

	2006	2005
Commercial and agricultural .....	\$ 944,773,931	\$ 836,474,337
Real estate secured:		
Commercial .....	596,846,353	574,528,574
Construction .....	614,706,823	395,732,575
Residential .....	507,427,239	478,977,661
Consumer .....	78,625,071	79,486,855
	<u>2,742,379,417</u>	<u>2,365,200,002</u>
Allowance for loan losses .....	(45,710,179)	(41,084,194)
	<u>\$2,696,669,238</u>	<u>\$2,324,115,808</u>

Loans are presented net of unearned income of \$9,286,706 and \$9,115,098 at December 31, 2006 and 2005, respectively. Residential real estate secured loans of \$3,562,090 and \$4,765,563 at December 31, 2006 and 2005, respectively, were held for sale. Real estate secured loans of \$120,481,928 and \$130,000,000 were pledged at December 31, 2006 and 2005, respectively, for Federal Home Loan Bank (FHLB) notes.

A summary of changes in the allowance for loan losses for the years ended December 31 follows:

	2006	2005	2004
Balance at beginning of year ...	\$41,084,194	\$37,538,943	\$34,897,933
Charge-offs:			
Commercial and agricultural ...	(3,817,179)	(5,684,592)	(4,268,530)
Real estate secured .....	(241,744)	(765,969)	(1,094,488)
Consumer .....	(693,413)	(985,327)	(944,551)
	<u>(4,752,336)</u>	<u>(7,435,888)</u>	<u>(6,307,569)</u>
Recoveries:			
Commercial and agricultural ...	2,479,007	2,160,008	1,562,463
Real estate secured .....	603,408	967,382	431,770
Consumer .....	451,827	430,878	298,616
	<u>3,534,242</u>	<u>3,558,268</u>	<u>2,292,849</u>
Net charge-offs.....	(1,218,094)	(3,877,620)	(4,014,720)
Provision for loan losses .....	5,844,079	7,422,871	6,655,730
Balance at end of year .....	<u>\$45,710,179</u>	<u>\$41,084,194</u>	<u>\$37,538,943</u>

Loans considered impaired under SFAS No. 114 were as follows:

	2006	2005	2004
December 31:			
Impaired loans without a valuation allowance .....	\$ 937,020	\$ 2,739,357	\$ 2,041,963
Impaired loans with a valuation allowance .....	1,667,323	5,304,042	8,254,149
Total impaired loans .....	<u>\$ 2,604,343</u>	<u>\$ 8,043,399</u>	<u>\$10,296,112</u>
Allowance on			
impaired loans .....	\$ 644,909	\$ 3,327,729	\$ 3,765,104
Nonaccrual loans .....	\$ 2,604,343	\$ 8,043,399	\$10,296,112
Loans past due 90 days or more and still accruing .....	\$ 228,603	\$ 4,666,880	\$ 550,273

For the years ended

December 31:	2006	2005	2004
Average impaired loans .....	\$ 5,098,903	\$ 9,692,639	\$13,663,437
Cash-basis interest income .....	\$ 349,286	\$ 476,053	\$ 413,436

The allowance for impaired loans is included in the allowance for loan losses. All nonaccrual loans were impaired at each year-end.

### Note 5: Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated statement of financial condition. The unpaid principal balances of mortgage loans serviced for others at December 31, 2006, 2005 and 2004 were \$378,570,050, \$395,896,779 and \$419,946,451, respectively. Custodial escrow balances maintained in connection with the loan servicing, and included in demand deposits, were \$1,740,829 and \$1,741,332 at December 31, 2006 and 2005, respectively. The balances of loans serviced for others related to servicing rights that have been capitalized at December 31, 2006 and 2005 were \$372,160,631 and \$386,738,733, respectively.

A summary of the carrying values and fair values of mortgage servicing rights, included in other assets, at December 31 follows:

	2006	2005
Unamortized cost.....	\$ 2,485,777	\$ 2,860,596
Valuation allowance .....	(577,392)	(572,956)
Carrying value .....	<u>\$ 1,908,385</u>	<u>\$ 2,287,640</u>
Fair value .....	<u>\$ 3,562,469</u>	<u>\$ 4,005,473</u>

# W.T.B. FINANCIAL CORPORATION

## Note 5: Loan Servicing (continued)

Loans sold with servicing retained were \$46,097,389, \$68,425,413 and \$65,810,319 in 2006, 2005 and 2004, respectively. Following is an analysis of the activity for mortgage servicing rights and the related valuation allowance for the years ended December 31:

	2006	2005	2004
<b>Unamortized cost:</b>			
Balance at beginning of year .....	\$ 2,860,596	\$ 3,152,774	\$ 3,668,546
<b>Mortgage servicing rights created .....</b>			
	426,216	675,253	613,887
<b>Amortization .....</b>			
	(801,035)	(967,431)	(1,129,659)
Balance at end of year .....	<u>\$ 2,485,777</u>	<u>\$ 2,860,596</u>	<u>\$ 3,152,774</u>
<b>Valuation allowance:</b>			
Balance at beginning of year .....	\$ (572,956)	\$ (995,853)	\$ (1,413,835)
<b>Additions .....</b>			
	(206,329)	(79,226)	(215,018)
<b>Reductions .....</b>			
	201,893	502,123	633,000
Balance at end of year .....	<u>\$ (577,392)</u>	<u>\$ (572,956)</u>	<u>\$ (995,853)</u>

At December 31, 2006, the key economic assumptions of the current fair value of mortgage servicing rights were as follows:

	2006
Prepayment speed assumption (constant prepayment rate) .....	16.61%
Discount rate .....	9.56%

As of December 31, 2006, the estimated future amortization expense for mortgage servicing rights was:

Years ending December 31,	
2007 .....	\$ 619,454
2008 .....	448,531
2009 .....	344,898
2010 .....	257,480
2011 .....	189,025

The projected amortization expense of the servicing asset is an estimate and should be used with caution. The amortization expense for future periods was calculated by applying the same quantitative factors, such as estimated prepayment assumptions that were used to determine the amortization expense for December 31, 2006. These factors are subject to significant fluctuations. Any projection of servicing asset amortization in future periods is limited by the conditions that existed at the time the calculations were performed, and may not be indicative of actual amortization expense that will be recorded in future periods.

## Note 6: Premises and Equipment

A summary of bank premises and equipment at December 31 follows:

	2006	2005
Land .....	\$ 14,096,222	\$ 11,176,001
Buildings .....	38,569,150	38,777,446
Furniture and equipment .....	38,383,173	39,971,524
	<u>91,048,545</u>	<u>89,924,971</u>
Less accumulated depreciation .....	(51,083,877)	(52,322,913)
	<u>\$ 39,964,668</u>	<u>\$ 37,602,058</u>

Depreciation on bank premises and equipment was charged to occupancy expense or furniture and equipment expense in the amounts of \$5,390,788, \$5,677,106 and \$5,283,509 in 2006, 2005 and 2004, respectively.

W.T.B. also owns, through its subsidiary, properties that are operated as nonbanking premises, including portions of the Washington Trust Financial Center Building. These properties are stated at cost, less accumulated depreciation. The costs associated with the portions used by W.T.B. were included in bank premises and equipment. Costs for nonbanking premises are summarized at December 31 as follows:

	2006	2005
Land .....	\$ 663,448	\$ 596,881
Buildings .....	8,387,323	8,480,957
Furniture and equipment .....	322,200	388,901
	<u>9,372,971</u>	<u>9,466,739</u>
Less accumulated depreciation .....	(5,656,283)	(5,728,917)
	<u>\$ 3,716,688</u>	<u>\$ 3,737,822</u>

Depreciation on nonbanking premises of \$318,541, \$337,807 and \$252,935 in 2006, 2005 and 2004, respectively, was included in nonbanking premises revenue, net of expenses.

## Note 7: Other Assets

At December 31 other assets were as follows:

	2006	2005
Cash surrender value of life insurance .....	\$ 21,335,743	\$ 19,633,035
Prepaid pension cost .....	17,664,578	17,348,679
Net deferred taxes .....	13,860,651	12,125,648
Prepaid expenses .....	2,188,386	1,998,631
Mortgage servicing rights .....	1,908,385	2,287,640
Other .....	2,279,810	2,510,889
Total other assets .....	<u>\$ 59,237,553</u>	<u>\$ 55,904,522</u>

# W.T.B. FINANCIAL CORPORATION

## Note 8: Deposits

At December 31 deposits were as follows:

	2006	2005
Noninterest-bearing demand.....	\$ 630,026,051	\$ 600,510,972
Interest-bearing:		
Demand .....	222,425,428	213,085,772
Savings .....	839,436,261	747,564,752
Time deposits .....	1,017,399,294	885,143,884
Total interest-bearing.....	2,079,260,983	1,845,794,408
	<u>\$ 2,709,287,034</u>	<u>\$ 2,446,305,380</u>

Included in time deposits at December 31, 2006 and 2005 were \$687,863,041 and \$578,030,809, respectively, of time deposits of \$100,000 and over. Included in interest expense on time deposits during 2006, 2005 and 2004 were \$31,057,197, \$18,181,258 and \$9,098,234, respectively, for time deposits of \$100,000 and over.

At December 31, 2006, the scheduled maturities of time deposits were as follows:

2007.....	\$ 649,069,802
2008.....	200,634,422
2009.....	117,019,960
2010.....	28,116,718
2011 and thereafter.....	22,558,392
	<u>\$ 1,017,399,294</u>

## Note 9: Funds Purchased

Funds purchased represent purchases of federal funds and securities sold under agreements to repurchase on behalf of the Bank and the Bank's customers. Funds purchased generally mature within one to 30 days. At December 31, 2006, repurchase agreements were \$239,412,437 and were secured by pledged securities with fair values of \$323,207,886. At December 31, 2005, repurchase agreements were \$130,933,976 and were secured by pledged securities with fair values of \$211,515,334. The following table summarizes funds purchased (dollars in thousands):

	2006	2005	2004
December 31:			
Amount.....	\$ 239,412	\$ 130,934	\$ 74,432
Rate .....	4.86%	3.43%	1.48%
Average for the year:			
Amount.....	\$ 169,212	\$ 97,942	\$ 70,537
Rate .....	4.63%	2.47%	0.98%
Maximum outstanding at any month-end.....	\$ 239,412	\$ 130,934	\$ 78,823

## Note 10: FHLB Borrowings

FHLB borrowings consist of FHLB notes and FHLB advances. At December 31 FHLB borrowings were as follows:

	2006	2005
FHLB advances .....	\$ 20,000,000	\$ 83,900,000
FHLB notes .....	80,000,000	30,000,000
	<u>\$ 100,000,000</u>	<u>\$ 113,900,000</u>

FHLB advances are generally repaid within one day to one year from the transaction date. At December 31, 2006, FHLB notes were scheduled to mature as follows:

	Amount	Interest Rates
Due in 2009 .....	\$ 60,000,000	4.18-5.52%
Due in 2011 .....	20,000,000	5.41%
	<u>\$ 80,000,000</u>	

The following table summarizes FHLB advances (dollars in thousands):

	2006	2005	2004
December 31:			
Amount.....	\$ 20,000	\$ 83,900	\$ 26,900
Rate.....	5.63%	4.33%	2.35%
Average for the year:			
Amount.....	\$ 30,572	\$ 52,190	\$ 24,191
Rate.....	5.05%	3.28%	1.40%
Maximum outstanding at any month-end.....	\$ 102,000	\$ 105,000	\$ 102,000

## Note 11: Other Short-term Borrowings

Other short-term borrowings consist of Treasury tax and loan notes. The Treasury tax and loan notes outstanding were \$928,391 and \$592,754 at December 31, 2006 and 2005, respectively. Treasury tax and loan notes were generally repaid within one to two days during 2006 without interest. During 2005 and 2004, Treasury tax and loan notes were generally repaid within one day to one year from the transaction date.

The following table summarizes other short-term borrowings (dollars in thousands):

	2006	2005	2004
December 31:			
Amount.....	\$ 928	\$ 593	\$ 20,297
Rate.....	0.00%	1.97%	2.03%
Average for the year:			
Amount.....	\$ 282	\$ 2,196	\$ 5,535
Rate.....	0.00%	1.96%	1.32%
Maximum outstanding at any month-end.....	\$ 928	\$ 20,332	\$ 20,298

# W.T.B. FINANCIAL CORPORATION

## Note 12: Pension and Employee Benefit Plans

W.T.B. maintains a qualified defined benefit pension plan for employees hired before January 1, 2004. Benefits under the plan are based on the number of years of service and the employee's career average compensation during such years. W.T.B. has updated past service benefits from time to time in the past, but is not obligated to make any such updates in the future. The funding policy is to contribute annually an amount not less than the minimum required to be funded under ERISA, nor more than the maximum amount that is currently deductible for federal income tax purposes.

W.T.B. uses a December 31 measurement date for the plan. The following table provides a reconciliation of the changes in the plan's benefit obligation and fair value of assets over the two-year period ended December 31, 2006, and a statement of the funded status at December 31 of both years:

	2006	2005	
Accumulated benefit obligation at end of year.....	\$ 46,925,557	\$ 46,352,494	
Change in projected benefit obligation:			
Benefit obligation at beginning of year .....	\$ 54,393,469	\$ 48,914,504	
Service cost – benefits earned during the period.....	1,947,861	2,371,593	
Interest cost.....	2,824,592	2,775,926	
Change in assumptions .....	(3,603,603)	1,953,880	
Actuarial loss.....	(411,423)	249,810	
Benefits paid .....	(2,358,045)	(1,872,244)	
Benefit obligation at end of year .....	52,792,851	54,393,469	
Change in plan assets:			
Fair value of plan assets at beginning of year .....	52,258,624	42,594,373	
Actual return on plan assets.....	5,183,949	1,586,495	
Employer contribution .....	2,069,946	9,950,000	
Benefits paid .....	(2,358,045)	(1,872,244)	
Fair value of plan assets at end of year.....	57,154,474	52,258,624	
Funded status:			
Funded (unfunded) status at end of year ...	4,361,623	(2,134,845)	
Unrecognized net loss .....	13,217,714	19,384,056	
Unrecognized prior service cost .....	85,241	99,468	
Prepaid pension cost included in other assets .....	\$ 17,664,578	\$ 17,348,679	
	2006	2005	2004
Assumptions used in computing the present value of the accumulated benefit obligation and the projected benefit obligation at year-end:			
Discount rate.....	5.75%	5.50%	5.75%
Rates of increase in compensation.....	5.00%	5.00%	5.00%
Expected long-term rate of return on assets used in computing the net pension expense determined at beginning of year .....	8.00%	8.00%	8.50%

W.T.B.'s assumption for expected long-term return on plan assets is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term horizon. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling, and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (a) historical real returns for the asset classes covered by the investment policy, and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

Net periodic pension cost for 2006, 2005 and 2004 included the following components:

	2006	2005	2004
Service cost.....	\$ 1,947,861	\$ 2,371,593	\$ 2,028,681
Interest cost.....	2,824,592	2,775,926	2,556,798
Expected return on plan assets .....	(4,105,890)	(3,648,850)	(3,032,432)
Net amortization and deferral.....	1,087,484	799,101	697,401
Net periodic pension cost.....	\$ 1,754,047	\$ 2,297,770	\$ 2,250,448

The unrecognized prior service cost is attributable to plan amendments that updated past service benefits. Amortization of past service cost is included in net periodic pension cost.

W.T.B.'s pension plan asset allocations at December 31, 2006 and 2005, by asset category, were as follows:

	2006	2005
Plan assets at December 31,		
Asset category:		
Equity securities .....	61%	57%
Debt securities .....	37%	37%
Cash equivalents .....	2%	6%
Total.....	100%	100%

W.T.B.'s target asset allocation for 2007, by asset category, is as follows:

Asset category:	
Equity securities .....	60%
Debt securities .....	40%
Total.....	100%

W.T.B.'s investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories.

The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is periodically reviewed by W.T.B.'s Retirement Benefits Committee. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

# W.T.B. FINANCIAL CORPORATION

**Note 12: Pension and Employee Benefit Plans (continued)**

W.T.B. does not expect to contribute to its pension plan in 2007. The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2007.....	\$ 2,066,427
2008.....	2,157,020
2009.....	2,257,032
2010.....	2,421,672
2011.....	2,617,463
Years 2012 through 2016.....	15,742,075

W.T.B. maintains a defined contribution retirement plan for employees hired after December 31, 2003. W.T.B. will make an annual contribution equal to at least three percent of eligible compensation into the plan for employees meeting certain eligibility requirements. The defined contribution expense for 2006 and 2005 was \$199,829 and \$60,000, respectively. No contributions were made during 2004 because of the one-year service requirement.

W.T.B. sponsors an employee savings plan. This plan allows qualified employees, at their option, to make contributions of up to certain percentages of pre-tax base salary through salary deductions under Section 401(k) of the Internal Revenue Code. W.T.B. matches a portion of these contributions. Matching contribution expense for 2006, 2005 and 2004 was \$900,712, \$837,686 and \$767,224, respectively. Contributions are invested, at the employees' directions, among a variety of investment alternatives.

W.T.B. has a non-qualified deferred compensation "phantom stock" plan for executive officers. The values of the phantom stock awards are indexed to W.T.B.'s book value per share. The stock awards, phantom stock dividend payments and the increase in value of the prior years' stock awards are expensed as compensation. Related compensation expense for 2006, 2005 and 2004 was \$1,148,807, \$935,233 and \$651,276, respectively. A summary of changes in the indexed shares follows:

	Number of Shares	Total Share Value
Balance, January 1, 2004.....	23,657	\$ 2,255,485
Granted.....	3,939	385,000
Increase in value.....		57,723
Balance, December 31, 2004.....	27,596	2,698,208
Granted.....	5,222	570,000
Increase in value.....		287,700
Converted to payout.....	(2,337)	(228,457)
Balance, December 31, 2005.....	30,481	3,327,451
Granted.....	5,459	685,000
Increase in value.....		388,171
Converted to payout.....	(6,696)	(731,006)
Balance, December 31, 2006.....	29,244	\$ 3,669,616

W.T.B. offers medical, dental and vision plans to its employees. W.T.B. self insured dental and vision plans in 2004, began self insuring one of its medical plans in 2005, and self insured all of these plans in 2006. W.T.B. contracts with third-parties to act as claims administrators. Funding for benefits is derived from employer and employee contributions. W.T.B. limits its potential losses through insurance policies with stop-loss carriers. Medical, dental and vision plan expenses were \$3,344,251, \$2,947,451 and \$2,607,397 for 2006, 2005 and 2004, respectively. Self insurance reserves were \$516,781 and \$233,661 for 2006 and 2005, respectively, and were included in other liabilities.

**Note 13: Income Taxes**

The current and deferred portions of income taxes for the years ended December 31 were as follows:

	2006	2005	2004
Current:			
Federal.....	\$23,955,278	\$16,640,544	\$10,434,300
State.....	984,424	786,324	444,239
	<u>24,939,702</u>	<u>17,426,868</u>	<u>10,878,539</u>
Deferred (benefit):			
Federal.....	(2,113,209)	(314,311)	842,948
State.....	(92,757)	(3,391)	7,247
	<u>(2,205,966)</u>	<u>(317,702)</u>	<u>850,195</u>
	<u>\$22,733,736</u>	<u>\$17,109,166</u>	<u>\$11,728,734</u>

Income taxes on income before income taxes differ from the statutory rate of 35% for the following reasons:

	2006	2005	2004
Federal income taxes at statutory rate.....	\$24,223,299	\$18,667,663	\$13,617,855
State income taxes, net of federal tax benefit.....	579,584	508,906	293,465
Decrease in income taxes due to tax-exempt interest on securities and loans of states and political subdivisions.....	(2,219,260)	(2,258,508)	(2,247,408)
Nondeductible interest expense from carrying tax-exempt assets.....	439,203	290,916	181,782
Other nondeductible expenses and amortization of intangibles.....	239,508	107,576	171,921
Other.....	(528,598)	(207,387)	(288,881)
	<u>\$22,733,736</u>	<u>\$17,109,166</u>	<u>\$11,728,734</u>

Included in income taxes are taxes (benefits) on net securities gains (losses) of \$(192,090), \$11,815 and \$226,139 for the years ended December 31, 2006, 2005 and 2004, respectively.



# W.T.B. FINANCIAL CORPORATION

## Note 13: Income Taxes (continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. No valuation allowances for deferred tax assets were necessary at December 31, 2006 or 2005. Significant components of the deferred assets and liabilities at December 31 were as follows:

	2006	2005
Deferred tax assets:		
Allowance for loan losses.....	\$16,754,900	\$14,992,582
Deferred compensation.....	5,050,820	4,481,375
Financial-over-tax depreciation.....	2,251,438	2,022,177
Commitment fees.....	274,962	248,148
Other real estate.....	80,218	119,127
Interest on nonaccrual loans.....	60,216	136,882
Other.....	171,734	193,312
Total deferred tax assets.....	24,644,288	22,193,603
Deferred tax liabilities:		
Unrealized gains on		
securities available for sale.....	1,028,674	507,128
Prepaid pension.....	6,474,887	6,330,939
FHLB stock dividends.....	1,787,390	1,779,476
Mortgage servicing.....	699,512	834,813
Prepaid expenses.....	434,128	339,489
Discount accretion.....	100,424	81,587
State income tax.....	246,760	194,523
Other.....	11,862	
Total deferred tax liabilities.....	10,783,637	10,067,955
Net deferred tax assets.....	\$13,860,651	\$12,125,648

## Note 14: Financial Instruments

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. The Bank's financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit.

All these transactions may involve, in varying degrees, elements of credit and interest rate risk in excess of the amount recognized, if any, in the consolidated statement of financial condition. The Bank's exposure to credit losses in the event of nonperformance by the other parties to financial instruments for commitments to extend credit, standby letters of credit, and commercial letters of credit is represented by the contractual amounts of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as used in the lending process.

Commitments to extend credit are agreements to lend to customers as long as there are no violations of any conditions established in the commitment contracts. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates customers' creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral varies but may include accounts receivable; inventory; property, plant and equipment; residential real estate; and income producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of commercial customers to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers.

Through commercial letters of credit, the Bank guarantees customers' trade transactions to third parties, generally to finance commercial contracts for the shipment of goods. The Bank's credit risk in these transactions is limited, since the contracts are supported by the merchandise being shipped and are generally of short duration.

The Bank grants commercial and agricultural, real estate, and consumer loans to customers, mainly in Washington, Idaho, Oregon, and Utah, secured by business and personal property. The loans are expected to be repaid from cash flow or proceeds from the sale of selected assets of the borrowers. Although the loan portfolio is diversified, a substantial portion of the debtors' abilities to honor their contracts is dependent upon the economic conditions in Washington, Idaho, Oregon, and Utah. The Bank has no significant exposure from highly leveraged transactions and has no foreign credits in its loan portfolio.

Following is a summary of the exposure to off-balance-sheet risk at December 31 (dollars in thousands):

	2006	2005
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit.....	\$ 1,348,721	\$ 1,235,408
Standby letters of credit.....	119,196	90,069
Commercial letters of credit.....	1,472	349

# W.T.B. FINANCIAL CORPORATION

## Note 15: Fair Values of Financial Instruments

SFAS No. 107, as amended by SFAS No. 119, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate those values. In cases where quoted market prices are not available, fair values are based on estimates using present values or other valuation techniques. Results from those techniques are significantly affected by the assumptions used, including the discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. The Statements exclude nonfinancial instruments from their disclosure requirements. Specifically, land and buildings are not disclosed at fair value, nor is the value derived from retaining customer deposit relationships, commonly referred to as a customer deposit base intangible. Accordingly, the aggregate fair value amounts presented are not intended to represent the fair value of W.T.B.'s shareholders' equity.

The following methods and assumptions were used by W.T.B. in estimating its fair value disclosures for each class of financial instrument:

**Cash and cash equivalents:** The carrying amounts reported in the statement of financial condition for cash and short-term instruments approximate those assets' fair values.

**Securities:** Fair values for securities are based on quoted market prices.

**FHLB stock:** The fair value is based upon the redemption value of the stock which equates to its carrying value.

**Loans:** For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values of fixed-rate loans are estimated using discounted cash flow analyses and interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued income receivable approximates its fair value. The fair values of lending commitments at year-end are estimated to approximate the remaining unamortized fees.

**Deposits:** The fair values disclosed for interest- and noninterest-bearing demand deposits and savings are equal to the amounts payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts for variable-rate time deposits approximate their fair values at the reporting date. Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently offered on such deposits to a schedule of aggregated expected monthly maturities. The carrying amount of accrued interest payable approximates its fair value.

**Funds purchased and other short-term borrowings:** The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings approximate their fair values.

**FHLB borrowings:** The fair value of FHLB advances and other borrowings is estimated by discounting the estimated future cash flows using rates currently available to the Bank for debt with similar remaining maturities.

The carrying amounts and estimated fair values of each class of financial instruments at December 31 were as follows (dollars in thousands):

	2006	
	Carrying Amount	Fair Value
<b>Financial assets:</b>		
Cash and due from banks, federal funds sold and interest-bearing deposits		
with banks.....	\$ 117,248	\$ 117,248
Securities available for sale.....	432,473	432,473
Federal Home Loan Bank stock.....	11,663	11,663
Loans held for sale.....	3,562	3,562
Loans held in portfolio.....	2,738,817	
Less: allowance for loan losses.....	(45,710)	
Loans, net of allowance.....	2,693,107	2,728,445
Accrued income receivable.....	19,326	19,326
<b>Financial liabilities:</b>		
Demand and savings deposits.....	1,691,888	1,691,888
Time deposits.....	1,017,399	1,013,603
Funds purchased.....	239,412	239,412
Federal Home Loan Bank borrowings.....	100,000	99,646
Other short-term borrowings.....	928	928
Accrued interest payable.....	12,366	12,366
Commitments to extend credit.....	(750)	(750)
Interest rate swaps.....	81	81
<b>2005</b>		
	Carrying Amount	Fair Value
<b>Financial assets:</b>		
Cash and due from banks, federal funds sold and interest-bearing deposits		
with banks.....	\$ 153,553	\$ 153,553
Securities available for sale.....	377,709	377,709
Federal Home Loan Bank stock.....	11,663	11,663
Loans held for sale.....	4,766	4,766
Loans held in portfolio.....	2,360,434	
Less: allowance for loan losses.....	(41,084)	
Loans, net of allowance.....	2,319,350	2,345,360
Accrued income receivable.....	15,394	15,394
<b>Financial liabilities:</b>		
Demand and savings deposits.....	1,561,161	1,561,161
Time deposits.....	885,144	886,962
Funds purchased.....	130,934	130,934
Federal Home Loan Bank borrowings.....	113,900	113,900
Other short-term borrowings.....	593	593
Accrued interest payable.....	8,510	8,510
Commitments to extend credit.....	(679)	(679)
Interest rate swaps.....	82	82

# W.T.B. FINANCIAL CORPORATION

## Note 16: Contingencies and Commitments

During the normal course of business, W.T.B. and the Bank are involved as defendants in various legal matters. In the opinion of W.T.B.'s management, the potential liability, if any, upon resolution of all litigation currently pending would not have a material adverse effect on W.T.B.'s financial position or results of operations.

W.T.B. has various operating leases covering the use of certain premises and equipment. The lease expense under such arrangements amounted to \$1,458,081, \$1,298,788 and \$1,177,938 for the years ended December 31, 2006, 2005 and 2004, respectively. All leases expire prior to the year 2018. Certain leases contain renewal clauses of up to 25 years and rent escalation clauses based on CPI or other factors contained in the lease agreement.

A summary of minimum lease commitments follows:

Years ending December 31,	
2007.....	\$ 1,472,381
2008.....	1,396,251
2009.....	1,407,337
2010.....	986,197
2011.....	647,523
2012 and thereafter .....	1,329,844
Total minimum lease payments .....	<u>\$ 7,239,533</u>

## Note 17: Parent Company Statements

W.T.B.'s parent company statements are presented using the equity method of accounting; therefore, accounts of its subsidiary have not been included. Intercompany transactions and balances have not been eliminated. The condensed parent company statements follow (dollars in thousands):

	Years Ended December 31,		
	2006	2005	2004
<b>Statement of Income</b>			
<b>Revenue</b>			
Dividends from banking subsidiary.....	\$ 13,350	\$ 10,600	\$ 22,100
Other .....	506	331	279
Total revenue .....	<u>13,856</u>	<u>10,931</u>	<u>22,379</u>
<b>Expense</b>			
Salaries and employee benefits .....	2,729	2,103	1,939
Other .....	1,653	1,718	1,659
Total expense .....	<u>4,382</u>	<u>3,821</u>	<u>3,598</u>
Income before income tax benefit and equity in undistributed net income of subsidiary.....	9,474	7,110	18,781
Income tax benefit .....	(1,534)	(1,057)	(1,186)
Income before equity in undistributed net income of subsidiary.....	11,008	8,167	19,967
Equity in undistributed net income of banking subsidiary .....	35,468	28,060	7,212
<b>Net Income</b> .....	<u>\$ 46,476</u>	<u>\$ 36,227</u>	<u>\$ 27,179</u>

## Statement of Financial Condition

	December 31,	
	2006	2005
<b>Assets</b>		
Cash.....	\$ 3,696	\$ 2,852
U.S. Treasury securities available for sale, carried at fair value.....	294	296
Equity in underlying net book value of bank subsidiary .....	292,119	255,682
Premises and equipment, net.....	1,086	1,378
Other assets .....	1,375	1,066
Total assets .....	<u>\$298,570</u>	<u>\$261,274</u>
<b>Liabilities</b>		
Other liabilities.....	\$ 1,407	\$ 1,292
<b>Shareholders' Equity</b> .....	297,163	259,982
Total liabilities and shareholders' equity.....	<u>\$298,570</u>	<u>\$261,274</u>

## Statement of Cash Flows

	Years Ended December 31,		
	2006	2005	2004
<b>Cash flows from operating activities:</b>			
Net income .....	\$ 46,476	\$ 36,227	\$ 27,179
Adjustments to reconcile net income to cash provided by operating activities:			
Undistributed net income of subsidiary....	(35,468)	(28,060)	(7,212)
Depreciation .....	363	409	133
Write-down of other assets .....	-	111	548
Deferred income tax (benefit).....	(59)	15	(82)
Other, net.....	(129)	540	293
Net cash provided by operating activities....	<u>11,183</u>	<u>9,242</u>	<u>20,859</u>
<b>Cash flows from investing activities:</b>			
Purchase of securities.....	(293)	(295)	(1,195)
Proceeds from maturities of securities.....	300	300	1,200
Purchases of equipment .....	(296)	(369)	(129)
Proceeds from sales of equipment .....	228	189	85
Purchase of other assets .....	(175)	(490)	(75)
Proceeds from sales of other assets.....	161	-	8
Net cash used in investing activities.....	<u>(75)</u>	<u>(665)</u>	<u>(106)</u>
<b>Cash flows from financing activities:</b>			
Dividends paid.....	(7,541)	(6,997)	(20,736)
Treasury stock transactions, net.....	(2,723)	(745)	461
Net cash used in financing activities.....	<u>(10,264)</u>	<u>(7,742)</u>	<u>(20,275)</u>
Increase in cash .....	844	835	478
Cash at beginning of year.....	2,852	2,017	1,539
Cash at end of year .....	<u>\$ 3,696</u>	<u>\$ 2,852</u>	<u>\$ 2,017</u>

# W.T.B. FINANCIAL CORPORATION

## Note 18: Related Parties and Regulatory Matters

In the ordinary course of business, W.T.B. and its subsidiary make loans and enter into other transactions with certain related parties, its directors and entities having a specified relationship with the directors. Such transactions are made on substantially the same terms and conditions as transactions with other customers. Total deposits from these related parties were approximately \$7 million at December 31, 2006 and 2005. Related party loan amounts for the years ended December 31, 2006 and 2005 were as follows:

	2006	2005
Balance at beginning of year .....	\$ 9,540,356	\$ 6,012,892
New loans and advances .....	9,199,988	6,717,982
Repayments .....	(5,069,470)	(2,966,218)
Other .....	11,613	(224,300)
Balance at end of year .....	<u>\$ 13,682,487</u>	<u>\$ 9,540,356</u>

Under current federal regulations, W.T.B. is limited in the amount that may be borrowed from Washington Trust Bank. At December 31, 2006, a maximum of approximately \$4 million could be loaned to W.T.B. No such loans have been made.

The ability of W.T.B. to continue to pay dividends is substantially dependent upon the receipt of dividends from its subsidiary. At December 31, 2006, undistributed earnings of Washington Trust Bank available for payments of dividends without prior approval of the regulatory authorities was approximately \$76 million. Federal Reserve Board regulations require depository institutions to maintain certain minimum reserve balances in the form of cash and deposits with the Federal Reserve Bank. These reserves averaged approximately \$24 million in 2006.

W.T.B. is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on W.T.B.'s financial position or results of operations.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, W.T.B. must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. W.T.B.'s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require W.T.B. to maintain minimum amounts and ratios of total capital and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2006 and 2005, that W.T.B. met all capital adequacy requirements to which it is subject.

At December 31, 2006, the most recent notification from the Federal Deposit Insurance Corporation categorized Washington Trust Bank as well capitalized under the regulatory framework for prompt corrective action. There have been no conditions or events since that notification that management believes have changed the institution's category. To be categorized as well capitalized, a bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. The capital amounts and ratios at December 31 were as follows (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>At December 31, 2006</b>						
Total risk-based capital (to risk-weighted assets):						
W.T.B. Financial Corporation .....	≥ \$335,002	≥ 10.55%	≥ \$254,058	≥ 8.00%	≥ \$317,572	≥ 10.00%
Washington Trust Bank .....	≥ 329,959	≥ 10.40%	≥ 253,922	≥ 8.00%	≥ 317,402	≥ 10.00%
Tier 1 capital (to risk-weighted assets):						
W.T.B. Financial Corporation .....	≥ 295,252	≥ 9.30%	≥ 127,029	≥ 4.00%	≥ 190,543	≥ 6.00%
Washington Trust Bank .....	≥ 290,209	≥ 9.14%	≥ 126,961	≥ 4.00%	≥ 190,441	≥ 6.00%
Tier 1 capital (to average assets):						
W.T.B. Financial Corporation .....	≥ 295,252	≥ 8.89%	≥ 132,880	≥ 4.00%	≥ 166,100	≥ 5.00%
Washington Trust Bank .....	≥ 290,209	≥ 8.75%	≥ 132,701	≥ 4.00%	≥ 165,876	≥ 5.00%
<b>At December 31, 2005</b>						
Total risk-based capital (to risk-weighted assets):						
W.T.B. Financial Corporation .....	≥ \$293,762	≥ 10.59%	≥ \$221,838	≥ 8.00%	≥ \$277,297	≥ 10.00%
Washington Trust Bank .....	≥ 289,462	≥ 10.44%	≥ 221,710	≥ 8.00%	≥ 277,138	≥ 10.00%
Tier 1 capital (to risk-weighted assets):						
W.T.B. Financial Corporation .....	≥ 259,040	≥ 9.34%	≥ 110,919	≥ 4.00%	≥ 166,378	≥ 6.00%
Washington Trust Bank .....	≥ 254,740	≥ 9.19%	≥ 110,855	≥ 4.00%	≥ 166,283	≥ 6.00%
Tier 1 capital (to average assets):						
W.T.B. Financial Corporation .....	≥ 259,040	≥ 8.99%	≥ 115,262	≥ 4.00%	≥ 144,078	≥ 5.00%
Washington Trust Bank .....	≥ 254,740	≥ 8.85%	≥ 115,096	≥ 4.00%	≥ 143,870	≥ 5.00%

# W.T.B. FINANCIAL CORPORATION

---

## Independent Auditors' Report

To the Board of Directors  
W.T.B. Financial Corporation  
Spokane, Washington

We have audited the accompanying consolidated statements of financial condition of W.T.B. Financial Corporation and subsidiary as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on those financial statements based on our audits. The consolidated statements of income, changes in stockholders' equity, and cash flows of W.T.B. Financial Corporation and subsidiary for the year ended December 31, 2004, were audited by other auditors whose report dated March 4, 2005, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Consolidated Financial Highlights on page 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of W.T.B. Financial Corporation and subsidiary as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

Spokane, Washington  
March 9, 2007

# W.T.B. FINANCIAL CORPORATION

## Directors and Officers

### W.T.B. Financial Corporation

#### BOARD OF DIRECTORS

Philip H. Stanton, Chairman of the Board  
Peter F. Stanton, President and Chief Executive Officer  
Chairman of the Board and  
Chief Executive Officer, Washington Trust Bank  
Harold L. Damiano  
Retired Chairman, North Idaho Region, Washington Trust Bank  
John E. (Jack) Heath, Vice President and Chief Operating Officer  
President and Chief Operating Officer, Washington Trust Bank  
Thomas L. Perko  
Retired President, W.T.B. Financial Corporation  
Retired President, Washington Trust Bank  
Thomas B. Tilford  
Director, Hogan Entrepreneurial Leadership Program,  
Gonzaga University

#### ADMINISTRATION

Philip H. Stanton..... Chairman of the Board  
Peter F. Stanton..... President and Chief Executive Officer  
John E. (Jack) Heath..... Vice President and Chief Operating Officer  
Richard W. Boutz..... Senior Vice President,  
Chief Financial Officer, Treasurer and Assistant Secretary  
Albert G. Buss..... Senior Vice President,  
General Auditor and Secretary

### Washington Trust Bank

#### BOARD OF DIRECTORS

Peter F. Stanton, Chairman of the Board and Chief Executive Officer  
John E. (Jack) Heath, President and Chief Operating Officer  
Steven M. Helmbrecht  
Senior Vice President and Chief Financial Officer, Itron, Inc.  
Molly J. Scammell Hurley  
Retired Officer, Washington Trust Bank  
Duane Jacklin  
Managing Partner, Riverbend Commerce Park  
Thomas L. Perko  
Retired President, W.T.B. Financial Corporation  
Retired President, Washington Trust Bank  
Philip H. Stanton  
Chairman of the Board, W.T.B. Financial Corporation  
Retired Chairman of the Board, Washington Trust Bank  
Thomas B. Tilford  
Director, Hogan Entrepreneurial Leadership Program,  
Gonzaga University  
Nancy Sue Wallace  
President, Hufford & Hufford, Inc.  
Parker G. Woodall  
Retired President, North Idaho Region, Washington Trust Bank

### Washington Trust Bank

#### ADMINISTRATION

Peter F. Stanton..... Chairman of the Board and  
Chief Executive Officer  
John E. (Jack) Heath..... President and Chief Operating Officer  
Albert G. Buss..... Senior Vice President,  
General Auditor and Secretary

#### COMMERCIAL BANKING

J. Jay Lewis..... Senior Vice President  
Scott H. Luttinen..... President, Western Washington Region  
Linda A. Williams..... President, Oregon Region  
David J. Terrell..... President, Southern Idaho Region

#### CREDIT ADMINISTRATION

Paul M. Koenigs..... Senior Vice President and  
Chief Credit Officer

#### FINANCE

Richard W. Boutz..... Senior Vice President,  
Chief Financial Officer, Treasurer and Assistant Secretary

#### HUMAN RESOURCES

Catherine J. Bruya..... Senior Vice President

#### INFORMATION TECHNOLOGY AND OPERATIONS

James E. Brockett..... Senior Vice President and  
Chief Information Officer

#### RETAIL BANKING

Susan K. Glover..... Senior Vice President

#### STRATEGIC PLANNING AND PRODUCT DEVELOPMENT

Teri L. VanNoy..... Senior Vice President

#### WEALTH MANAGEMENT AND ADVISORY SERVICES

Robert A. Blume..... Senior Vice President

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

W.T.B. Financial Corporation  
P.O. Box 2127  
Spokane, Washington 99210-2127

Visit Washington Trust Bank's Web site at  
[www.watrust.com](http://www.watrust.com)

# W.T.B. FINANCIAL CORPORATION

## Consolidated Financial Highlights

	(dollars in thousands, except per share data)						Five-Year Compound Growth Rate
	Years Ended December 31,						
	2005	2004	2003	2002	2001	2000	
<b>PERFORMANCE</b>							
Net interest revenue, fully tax-equivalent.....	\$ 124,715	\$ 101,868	\$ 92,818	\$ 88,841	\$ 78,716	\$ 74,406	10.9%
Fully tax-equivalent adjustment.....	3,022	3,178	2,854	2,457	2,284	2,614	2.9
Net interest revenue.....	121,693	98,690	89,964	86,384	76,432	71,792	11.1
Provision for loan losses.....	7,423	6,656	7,399	7,915	8,010	5,436	6.4
Net interest revenue after provision for loan losses.....	114,270	92,034	82,565	78,469	68,422	66,356	11.5
Noninterest revenue.....	26,633	25,129	25,295	27,104	26,256	22,416	3.5
Noninterest expense.....	87,567	78,255	74,958	72,865	66,658	61,122	7.5
Income before income taxes.....	53,336	38,908	32,902	32,708	28,020	27,650	14.0
Income taxes.....	17,109	11,729	9,825	9,914	7,761	8,118	16.1
Net income.....	\$ 36,227	\$ 27,179	\$ 23,077	\$ 22,794	\$ 20,259	\$ 19,532	13.2
<b>SELECTED YEAR-END DATA</b>							
Securities.....	\$ 389,372	\$ 327,386	\$ 263,409	\$ 197,594	\$ 222,762	\$ 236,193	10.5%
Total loans.....	2,365,200	2,008,840	1,769,584	1,629,943	1,541,369	1,398,563	11.1
Earning assets.....	2,770,443	2,342,104	2,044,941	1,896,875	1,765,581	1,637,764	11.1
Total assets.....	2,979,837	2,482,783	2,212,092	2,078,862	1,899,225	1,791,798	10.7
Deposits.....	2,446,305	2,057,281	1,850,879	1,696,861	1,447,032	1,378,068	12.2
Interest-bearing liabilities.....	2,091,221	1,740,094	1,559,214	1,457,584	1,388,124	1,336,898	9.4
Shareholders' equity.....	259,982	233,380	227,274	210,953	191,695	176,573	8.0
Full-time equivalent employees.....	670	643	628	615	609	604	2.1
<b>PER SHARE</b>							
Net income.....	\$ 15.22	\$ 11.40	\$ 9.68	\$ 9.54	\$ 8.47	\$ 8.16	13.3%
Cash dividends.....	2.94	8.70	2.48	2.26	2.10	1.94	8.7
Book value per share.....	109.17	97.78	95.34	88.41	80.18	73.80	8.1
<b>RATIOS</b>							
Return on average assets.....	1.33%	1.16%	1.11%	1.16%	1.08%	1.22%	
Return on average shareholders' equity.....	14.67	11.94	10.52	11.25	10.96	11.67	
Margin on average earning assets.....	4.85	4.60	4.78	4.84	4.50	5.02	
Efficiency ratio.....	57.86	61.62	63.46	62.84	63.50	63.13	
Net charge-offs to average loans.....	0.18	0.21	0.20	0.41	0.29	0.36	
Allowance for loan losses to loans on December 31.....	1.74	1.87	1.97	1.90	1.91	1.84	
Average equity to average assets.....	9.04	9.70	10.59	10.33	9.82	10.43	
Total risk-based capital (to risk-weighted assets).....	10.59	11.11	11.75	12.25	12.20	12.20	
Tier 1 capital (to risk-weighted assets).....	9.34	9.85	10.50	11.00	10.94	10.95	
Leverage (Tier 1 capital to average assets).....	8.99	9.33	10.35	10.10	9.90	10.04	
Cash dividends to net income.....	19.31	76.29	25.62	23.68	24.78	23.78	

# W.T.B. FINANCIAL CORPORATION

## Consolidated Statement of Income

	Years Ended December 31,		
	2005	2004	2003
<b>INTEREST REVENUE</b>			
Loans, including fees .....	\$ 155,015,462	\$ 113,303,838	\$ 105,784,750
Deposits with banks .....	2,431	3,481	2,251
Securities:			
Taxable .....	9,126,597	7,076,725	4,648,795
Tax-exempt .....	4,582,038	4,701,046	4,237,502
Federal funds sold .....	555,902	107,603	254,560
Total interest revenue .....	<u>169,282,430</u>	<u>125,192,693</u>	<u>114,927,858</u>
<b>INTEREST EXPENSE</b>			
Demand and savings deposits .....	15,371,503	8,738,999	7,742,361
Time deposits .....	27,004,923	15,637,446	15,685,423
Funds purchased .....	2,417,688	688,278	801,422
Other short-term borrowings .....	2,795,943	1,438,310	734,808
Total interest expense .....	<u>47,590,057</u>	<u>26,503,033</u>	<u>24,964,014</u>
Net interest revenue .....	121,692,373	98,689,660	89,963,844
Provision for loan losses .....	7,422,871	6,655,730	7,399,229
Net interest revenue after provision for loan losses .....	<u>114,269,502</u>	<u>92,033,930</u>	<u>82,564,615</u>
<b>NONINTEREST REVENUE</b>			
Fiduciary income .....	6,737,312	5,881,415	5,391,508
Other fees on loans .....	4,889,539	4,853,091	8,082,553
Service charges on deposits .....	8,624,493	8,715,438	7,814,189
Other service charges, commissions and fees .....	4,229,688	3,785,546	2,983,422
Nonbanking premises and other real estate, net .....	813,956	767,909	646,961
Securities gains, net .....	33,757	646,112	22,857
Other income .....	1,304,653	480,178	353,645
Total noninterest revenue .....	<u>26,633,398</u>	<u>25,129,689</u>	<u>25,295,135</u>
<b>NONINTEREST EXPENSE</b>			
Salaries .....	42,669,646	37,317,061	34,990,985
Pension and employee benefits .....	9,742,332	8,962,773	7,981,922
Occupancy expense .....	5,776,816	5,350,225	5,011,228
Furniture and equipment expense .....	6,498,849	6,506,283	6,447,249
Other expense .....	22,879,076	20,119,120	20,526,253
Total noninterest expense .....	<u>87,566,719</u>	<u>78,255,462</u>	<u>74,957,637</u>
Income before income taxes .....	53,336,181	38,908,157	32,902,113
Income taxes .....	17,109,166	11,728,734	9,824,660
<b>NET INCOME</b> .....	<u>\$ 36,227,015</u>	<u>\$ 27,179,423</u>	<u>\$ 23,077,453</u>
<b>AVERAGE SHARES OF COMMON STOCK OUTSTANDING</b> .....	<u>2,379,882</u>	<u>2,383,588</u>	<u>2,383,859</u>
<b>EARNINGS PER SHARE (based on average shares outstanding)</b> .....	<u>\$15.22</u>	<u>\$11.40</u>	<u>\$9.68</u>

The accompanying notes are an integral part of the consolidated financial statements.



# W.T.B. FINANCIAL CORPORATION

## Consolidated Statement of Financial Condition

	December 31,	
	2005	2004
<b>ASSETS</b>		
Cash and due from banks.....	\$ 136,232,013	\$ 75,296,149
Federal funds sold.....	17,300,000	10,200,000
Interest-bearing deposits with banks.....	20,693	24,884
Securities available for sale, carried at fair value.....	389,371,609	327,386,460
Loans receivable:		
Held for sale .....	4,765,563	2,554,062
Held in portfolio .....	2,360,434,439	2,006,285,653
Total loans .....	2,365,200,002	2,008,839,715
Allowance for loan losses.....	(41,084,194)	(37,538,943)
	2,324,115,808	1,971,300,772
Bank premises and equipment, net .....	37,602,058	37,523,923
Nonbanking premises, net.....	3,737,822	3,185,674
Other real estate .....	158,270	495,311
Accrued income receivable.....	15,394,335	11,192,826
Other assets.....	55,904,522	46,177,145
Total assets .....	\$ 2,979,837,130	\$ 2,482,783,144
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing .....	\$ 600,510,972	\$ 488,817,307
Interest-bearing .....	1,845,794,408	1,568,464,114
Total deposits.....	2,446,305,380	2,057,281,421
Funds purchased .....	130,933,976	74,432,491
Other short-term borrowings .....	114,492,754	97,196,973
Accrued interest payable.....	8,509,510	4,188,566
Other liabilities .....	19,613,613	16,303,654
Total liabilities.....	2,719,855,233	2,249,403,105
<b>SHAREHOLDERS' EQUITY</b>		
Class A common stock (25,000 shares authorized, issued and outstanding; no par) .....	250,000	250,000
Class B common stock (3,475,000 shares authorized and 2,475,000 shares issued; no par) .....	4,750,000	4,750,000
Surplus.....	32,665,000	32,665,000
Undivided profits.....	228,878,786	199,107,733
	266,543,786	236,772,733
Less treasury stock, at cost (118,468 and 113,181 Class B shares in 2005 and 2004, respectively) .....	(7,503,699)	(6,218,230)
	259,040,087	230,554,503
Accumulated other comprehensive income .....	941,810	2,825,536
Total shareholders' equity.....	259,981,897	233,380,039
Total liabilities and shareholders' equity .....	\$ 2,979,837,130	\$ 2,482,783,144

The accompanying notes are an integral part of the consolidated financial statements.

# W.T.B. FINANCIAL CORPORATION

## Consolidated Statement of Changes in Shareholders' Equity

	Total Shareholders' Equity	Common Stock		Treasury Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits
		Class A	Class B				
<b>Balance, January 1, 2003</b> .....	\$210,952,839	\$ 250,000	\$ 4,750,000	\$(5,700,943)	\$32,665,000	\$ 4,281,637	\$174,707,145
Net income, 2003.....	23,077,453						23,077,453
Net unrealized losses on securities available for sale, net of tax benefit of \$345,966.....	(642,509)					(642,509)	
Reclassification adjustment for gains included in net income, net of taxes of \$8,000.....	(14,857)					(14,857)	
Comprehensive income, 2003.....	22,420,087						
Cash dividends of \$2.48 per share ....	(5,911,872)						(5,911,872)
Treasury stock transactions.....	(187,313)			(438,971)			251,658
<b>Balance, December 31, 2003</b> .....	227,273,741	250,000	4,750,000	(6,139,914)	32,665,000	3,624,271	192,124,384
Net income, 2004.....	27,179,423						27,179,423
Net unrealized losses on securities available for sale, net of tax benefit of \$203,949.....	(378,762)					(378,762)	
Reclassification adjustment for gains included in net income, net of taxes of \$226,139.....	(419,973)					(419,973)	
Comprehensive income, 2004.....	26,380,688						
Cash dividends of \$8.70 per share ....	(20,735,782)						(20,735,782)
Treasury stock transactions.....	461,392			(78,316)			539,708
<b>Balance, December 31, 2004</b> .....	233,380,039	250,000	4,750,000	(6,218,230)	32,665,000	2,825,536	199,107,733
Net income, 2005.....	36,227,015						36,227,015
Net unrealized losses on securities available for sale, net of tax benefit of \$1,002,499.....	(1,861,784)					(1,861,784)	
Reclassification adjustment for gains included in net income, net of taxes of \$11,815.....	(21,942)					(21,942)	
Comprehensive income, 2005.....	34,343,289						
Cash dividends of \$2.94 per share ....	(6,996,738)						(6,996,738)
Treasury stock transactions.....	(744,693)			(1,285,469)			540,776
<b>Balance, December 31, 2005</b> .....	<u>\$259,981,897</u>	<u>\$ 250,000</u>	<u>\$ 4,750,000</u>	<u>\$(7,503,699)</u>	<u>\$32,665,000</u>	<u>\$ 941,810</u>	<u>\$228,878,786</u>

The accompanying notes are an integral part of the consolidated financial statements.

# W.T.B. FINANCIAL CORPORATION

## Consolidated Statement of Cash Flows

	Years Ended December 31,		
	2005	2004	2003
<b>Cash flows from operating activities:</b>			
Net income.....	\$ 36,227,015	\$ 27,179,423	\$ 23,077,453
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation.....	6,014,913	5,536,444	5,299,514
Amortization of intangibles.....		212,144	351,814
Net premium amortization of securities.....	4,446,363	4,770,822	3,603,569
Provision for loan losses.....	7,422,871	6,655,730	7,399,229
Write-down of other assets.....	111,133	547,775	1,300,120
Deferred income tax (benefit).....	(317,702)	850,195	(2,024,307)
Securities gains, net.....	(33,757)	(646,112)	(22,857)
(Increase) decrease in loans held for sale.....	(2,211,501)	(317,204)	21,328,680
(Increase) decrease in accrued income and other assets.....	(13,370,671)	(5,858,361)	310,110
Increase (decrease) in accrued expenses and other liabilities.....	7,630,903	1,770,561	(960,293)
Other, net.....	(981,857)	(78,565)	(238,959)
Net cash provided by operating activities.....	<u>44,937,710</u>	<u>40,622,852</u>	<u>59,424,073</u>
<b>Cash flows from investing activities:</b>			
Net decrease (increase) in interest-bearing deposits with banks.....	4,191	(1,121)	4,901,268
Securities available for sale:			
Payments for purchases.....	(160,497,362)	(164,716,623)	(156,089,315)
Proceeds from sales and calls.....	35,640,437	51,062,184	17,919,430
Proceeds from maturities.....	55,561,128	44,323,412	67,762,953
Net increase in loans held in portfolio.....	(358,167,956)	(243,545,677)	(164,987,735)
Purchases of premises and equipment.....	(7,254,746)	(9,871,918)	(8,738,607)
Proceeds from sales of premises, equipment and other real estate.....	3,222,681	357,284	2,700,372
Other, net.....	(490,013)	(67,000)	(1,140,000)
Net cash used in investing activities.....	<u>(431,981,640)</u>	<u>(322,459,459)</u>	<u>(237,671,634)</u>
<b>Cash flows from financing activities:</b>			
Net increase in deposits.....	389,023,959	206,402,196	154,018,260
Net increase (decrease) in funds purchased.....	56,501,485	(15,202,035)	8,508,560
Net increase (decrease) in other short-term borrowings.....	17,295,781	71,614,470	(44,657,978)
Dividends paid.....	(6,996,738)	(20,735,782)	(5,911,872)
Treasury stock transactions, net.....	(744,693)	461,392	(187,313)
Net cash provided by financing activities.....	<u>455,079,794</u>	<u>242,540,241</u>	<u>111,769,657</u>
Increase (decrease) in cash and cash equivalents.....	68,035,864	(39,296,366)	(66,477,904)
Cash and cash equivalents at beginning of year.....	85,496,149	124,792,515	191,270,419
Cash and cash equivalents at end of year.....	<u>\$ 153,532,013</u>	<u>\$ 85,496,149</u>	<u>\$ 124,792,515</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for:			
Interest.....	\$ 43,269,113	\$ 25,944,022	\$ 26,671,699
Income taxes.....	16,171,000	11,470,000	11,860,000
Noncash investing and financing activity:			
Transfers from loans to other real estate.....	141,550	592,164	557,114

The accompanying notes are an integral part of the consolidated financial statements.

# W.T.B. FINANCIAL CORPORATION

---

## Notes to Consolidated Financial Statements

### Note 1: Summary of Significant Accounting Policies

W.T.B. Financial Corporation (W.T.B.) is a bank holding company headquartered in Spokane, Washington and, through its subsidiary, Washington Trust Bank (the Bank), is engaged in the business of commercial and retail banking in Washington, Idaho, Oregon, and Utah. The Bank was originally chartered in 1902 and provides a wide range of banking, fiduciary, asset management, mortgage banking, and other financial services to corporate and individual customers.

The consolidated financial statements of W.T.B. include the accounts of W.T.B. and its subsidiary. Intercompany transactions and balances have been eliminated in consolidation. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### Cash Equivalents

Cash equivalents include amounts due from banks, federal funds sold, and securities purchased under resale agreements. Generally, federal funds sold and securities purchased under resale agreements are for periods of one week or less.

### Securities Available for Sale

W.T.B. has designated all securities as available for sale, including those used in asset/liability or liquidity management. Securities available for sale are carried at fair value, with the unrealized gains and losses, net of tax, reported as a component of other comprehensive income in shareholders' equity. Gains and losses realized on the sale of securities are computed on the specific-identification method and are included in noninterest revenue. Interest and dividends on securities are included in interest revenue. Premiums and discounts are recognized in interest revenue using the interest method over the period to maturity.

### Loans

Loans held in portfolio are carried at the principal amount outstanding, net of unearned income. Loans held for sale are carried at the lower of aggregate cost or market.

Interest income with respect to loans is accrued on the principal amount outstanding. Loan origination fees are capitalized and recognized as an adjustment to the yield of the related loan. The accrual of interest on loans is discontinued when it is determined that the collection of interest or principal is doubtful or, generally, when a default of interest or principal has existed for 90 days or more, unless such loan is well secured and in the process of collection. When interest accrual is discontinued, interest credited to income in the current year is reversed, and interest accrued in prior years is charged against the allowance for loan losses. Interest payments received on nonaccrual loans are recorded as reductions of principal if principal repayment is doubtful. Nonaccrual loans that are current as to interest and principal or that are well secured and in the process of collection are returned to accrual status.

### Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for known and inherent losses in the portfolio. Management's determination of the allowance is based on an evaluation of the loan portfolio, impaired loans, past loan loss experience, economic conditions, volume, growth and composition of the loan portfolio, and other risks inherent in the portfolio. Management applies risk factors to categories of loans and individually reviews all impaired loans. Management uses risk grades for loans in the commercial and agricultural, real estate secured, and consumer categories. For homogenous consumer portfolios, management relies heavily on statistical analysis, past experience, and current industry trends to estimate losses. Management evaluates the adequacy of the allowance at least quarterly, reviewing the relevant internal and external factors that affect credit quality.

# W.T.B. FINANCIAL CORPORATION

---

## **Note 1: Summary of Significant Accounting Policies (continued)**

### **Mortgage Servicing Rights**

Mortgage servicing rights are carried at original capitalized value, net of accumulated amortization and impairment. The original capitalized value is determined using discounted cash flows based on the then-current market interest rates and current prepayment assumptions. Mortgage servicing rights are amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows based on current market interest rates and current prepayment assumptions. For purposes of measuring impairment, the rights are stratified based on predominant risk characteristics of the underlying loans, including loan type, size, note rate, origination date and term. The amount of impairment recognized is the amount by which the capitalized mortgage servicing rights for a stratum exceed their fair value.

### **Derivatives**

Derivative financial instruments are used to meet the ongoing credit needs of customers and the market exposure of interest rate risk. All derivative instruments are recognized as either assets or liabilities in the Consolidated Statement of Financial Condition at fair value. Changes in the fair value of a derivative are recorded in the Consolidated Statement of Income. At December 31, 2005 the estimated fair value of W.T.B.'s interest rate swaps was \$(82) thousand. W.T.B. had no swaps at December 31, 2004.

W.T.B.'s pipeline of locked residential mortgage loan commitments and forward sales contracts to investors are considered derivatives. W.T.B. utilizes forward sales contracts to hedge its risk of changes in the fair value, due to changes in interest rates, of both its locked residential mortgage loan commitments and its residential loans held for sale. The estimated fair values of these derivatives are determined by the changes in the market value of the related loans, caused by interest rate changes, from the commitment date or contract date to the valuation date. At December 31, 2005, the estimated fair value of rate locks was \$7 thousand and the estimated fair value of forward sales agreements was \$(13) thousand. At December 31, 2004, the estimated fair value of the rate locks was \$7 thousand and the estimated fair value of the forward sales agreements was \$(11) thousand.

### **Premises and Equipment**

Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on both the straight-line and accelerated methods over the estimated useful lives of the assets or the terms of the associated operating leases. Gains or losses on disposition are reflected in current income. Normal costs of maintenance and repairs are treated as current expenses.

### **Other Real Estate**

Other real estate acquired through, or in lieu of, loan foreclosure is recorded at the lower of net realizable value of the property or the outstanding loan balance at the time of foreclosure. A provision to the valuation allowance on other real estate is made for subsequent declines in the fair value on a specific property basis.

### **Advertising Costs**

W.T.B. expenses advertising costs as incurred. Advertising expenses were \$1,817,475, \$1,745,893 and \$1,590,213 for 2005, 2004 and 2003, respectively.

### **Income Taxes**

The liability method is used in accounting for income taxes, whereby deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

### **Common Stock**

At December 31, 2005 and 2004, 25,000 shares of Class A voting common stock were outstanding. Class B nonvoting common stock shares outstanding were 2,356,532 and 2,361,819 at December 31, 2005 and 2004, respectively. Authorized Class C shares totaling 500,000 remain unissued, with terms to be determined upon issuance.

# W.T.B. FINANCIAL CORPORATION

## Note 2: Securities Available for Sale

All securities were designated as available for sale at December 31, 2005 and 2004. The amortized costs and fair values were as follows:

	2005				2004			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies.....	\$ 64,422,538		\$ 2,443,360	\$ 61,979,178	\$ 65,352,278		\$ 1,225,826	\$ 64,126,452
States and political subdivisions.....	83,116,857	\$ 3,986,952	11,090	87,092,719	100,040,999	\$ 5,149,782	347,029	104,843,752
Mortgage-backed securities .....	228,720,276	755,517	839,081	228,636,712	148,934,304	1,131,148	361,096	149,704,356
FHLB stock.....	11,663,000			11,663,000	8,711,900			8,711,900
	<u>\$ 387,922,671</u>	<u>\$ 4,742,469</u>	<u>\$ 3,293,531</u>	<u>\$ 389,371,609</u>	<u>\$ 323,039,481</u>	<u>\$ 6,280,930</u>	<u>\$ 1,933,951</u>	<u>\$ 327,386,460</u>

The following table shows the gross unrealized losses and fair value, aggregated by category and the length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2005. These securities had no deterioration in their credit ratings during 2004 or 2005. All unrealized losses were caused by interest rate changes and, in the opinion of W.T.B.'s management, the unrealized losses are temporary in nature.

	2005					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and federal agencies.....	\$ 1,470,853	\$ 12,375	\$ 60,212,500	\$ 2,430,985	\$ 61,683,353	\$ 2,443,360
States and political subdivisions.....			208,910	11,090	208,910	11,090
Mortgage-backed securities .....			74,555,410	839,081	74,555,410	839,081
	<u>\$ 1,470,853</u>	<u>\$ 12,375</u>	<u>\$ 134,976,820</u>	<u>\$ 3,281,156</u>	<u>\$ 136,447,673</u>	<u>\$ 3,293,531</u>

Securities with book values of \$268,152,292 and \$228,911,595 at December 31, 2005 and 2004, respectively, were pledged to secure funds on deposits, customer repurchase agreement products, additional borrowings or for other purposes.

Proceeds from sales and calls of available-for-sale securities in 2005 were \$35,640,437, resulting in gross gains of \$49,904 and gross losses of \$16,147.

Proceeds from sales and calls of available-for-sale securities in 2004 were \$51,062,184, resulting in gross gains of \$646,112.

Proceeds from sales and calls of available-for-sale securities in 2003 were \$17,919,430, resulting in gross gains of \$22,857.

The amortized costs and fair values of securities at December 31, 2005 are shown below by maturity. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings, based on the expected weighted-average lives using current prepayment assumptions.

	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less.....	\$ 52,987,333	\$ 53,206,664
Due after one year through five years....	239,856,767	237,214,847
Due after five years through ten years...	15,660,032	16,438,799
Due after ten years .....	79,418,539	82,511,299
	<u>\$ 387,922,671</u>	<u>\$ 389,371,609</u>

# W.T.B. FINANCIAL CORPORATION

### Note 3: Federal Funds Sold

The following table summarizes federal funds sold (dollars in thousands):

	2005	2004	2003
December 31:			
Amount.....	\$ 17,300	\$ 10,200	\$ 17,500
Rate.....	4.19%	2.19%	0.94%
Average for the year:			
Amount.....	\$ 17,216	\$ 9,102	\$ 23,728
Rate.....	3.23%	1.18%	1.07%
Maximum outstanding at any month-end.....	\$ 42,000	\$ 22,800	\$ 43,700

### Note 4: Loans and Allowance for Loan Losses

At December 31 loans were as follows:

	2005	2004
Commercial and agricultural .....	\$ 836,474,337	\$ 758,500,888
Real estate secured:		
Commercial.....	574,528,574	479,601,497
Construction.....	395,732,575	310,644,828
Residential.....	478,977,661	386,539,718
Consumer .....	79,486,855	73,552,784
	<u>2,365,200,002</u>	<u>2,008,839,715</u>
Allowance for loan losses.....	(41,084,194)	(37,538,943)
	<u>\$2,324,115,808</u>	<u>\$1,971,300,772</u>

Loans are presented net of unearned income of \$9,115,098 and \$7,758,744 at December 31, 2005 and 2004, respectively. Residential real estate secured loans of \$4,765,563 and \$2,554,062 at December 31, 2005 and 2004, respectively, were held for sale. Real estate secured loans of \$130,000,000 and \$92,650,602 were pledged at December 31, 2005 and 2004, respectively, for Federal Home Loan Bank (FHLB) notes.

A summary of changes in the allowance for loan losses for the years ended December 31 follows:

	2005	2004	2003
Balance at beginning of year ...	\$37,538,943	\$34,897,933	\$30,959,578
Charge-offs:			
Commercial and agricultural ...	(5,684,592)	(4,268,530)	(4,251,650)
Real estate secured.....	(765,969)	(1,094,488)	(1,104,469)
Consumer .....	(985,327)	(944,551)	(1,122,400)
	<u>(7,435,888)</u>	<u>(6,307,569)</u>	<u>(6,478,519)</u>
Recoveries:			
Commercial and agricultural ...	2,160,008	1,562,463	1,732,337
Real estate secured.....	967,382	431,770	890,065
Consumer .....	430,878	298,616	395,243
	<u>3,558,268</u>	<u>2,292,849</u>	<u>3,017,645</u>
Net charge-offs.....	<u>(3,877,620)</u>	<u>(4,014,720)</u>	<u>(3,460,874)</u>
Provision for loan losses .....	7,422,871	6,655,730	7,399,229
Balance at end of year.....	<u>\$41,084,194</u>	<u>\$37,538,943</u>	<u>\$34,897,933</u>

Loans considered impaired under Statement of Financial Accounting Standards (SFAS) No. 114 were as follows:

	2005	2004	2003
December 31:			
Impaired loans without a valuation allowance.....	\$ 2,739,357	\$ 2,041,963	\$ 3,506,973
Impaired loans with a valuation allowance.....	5,304,042	8,254,149	17,179,333
Total impaired loans.....	<u>\$ 8,043,399</u>	<u>\$ 10,296,112</u>	<u>\$ 20,686,306</u>
Allowance on impaired loans .....	\$ 3,327,729	\$ 3,765,104	\$ 9,254,362
Nonaccrual loans.....	\$ 8,043,399	\$ 10,296,112	\$ 17,366,512
Loans past due 90 days or more and still accruing .....	\$ 4,666,880	\$ 550,273	\$ 357,498

For the years ended

	2005	2004	2003
December 31:			
Average impaired loans.....	\$ 9,692,639	\$ 13,663,437	\$ 17,877,838
Cash-basis interest income...\$	476,053	413,436	179,112

The allowance for impaired loans is included in the allowance for loan losses. All nonaccrual loans were impaired at each year-end.

### Note 5: Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated statement of financial condition. The unpaid principal balances of mortgage loans serviced for others at December 31, 2005 and 2004 were \$395,896,779 and \$419,946,451, respectively. Custodial escrow balances maintained in connection with the loan servicing, and included in demand deposits, were \$1,741,332 and \$1,729,872 at December 31, 2005 and 2004, respectively. The balances of loans serviced for others related to servicing rights that have been capitalized at December 31, 2005 and 2004 were \$386,738,733 and \$406,441,791, respectively.

A summary of the carrying values and fair values of mortgage servicing rights, included in other assets, at December 31 follows:

	2005	2004
Unamortized cost.....	\$ 2,860,596	\$ 3,152,774
Valuation allowance.....	(572,956)	(995,853)
Carrying value.....	<u>\$ 2,287,640</u>	<u>\$ 2,156,921</u>
Fair value.....	<u>\$ 4,005,473</u>	<u>\$ 3,072,158</u>

# W.T.B. FINANCIAL CORPORATION

## Note 5: Loan Servicing (continued)

Loans sold with servicing retained were \$68,425,413, \$65,810,319 and \$206,414,822 in 2005, 2004 and 2003, respectively. Following is an analysis of the activity for mortgage servicing rights and the related valuation allowance for the years ended December 31:

	2005	2004	2003
<b>Unamortized cost:</b>			
Balance at beginning of year.....	\$ 3,152,774	\$ 3,668,546	\$ 3,498,948
Mortgage servicing rights created.....	675,253	613,887	1,332,977
Amortization.....	(967,431)	(1,129,659)	(1,163,379)
Balance at end of year.....	<u>\$ 2,860,596</u>	<u>\$ 3,152,774</u>	<u>\$ 3,668,546</u>
	2005	2004	2003
<b>Valuation allowance:</b>			
Balance at beginning of year.....	\$ (995,853)	\$ (1,413,835)	\$ (1,908,881)
Additions.....	(79,226)	(215,018)	(342,588)
Reductions.....	502,123	633,000	837,634
Balance at end of year.....	<u>\$ (572,956)</u>	<u>\$ (995,853)</u>	<u>\$ (1,413,835)</u>

At December 31, 2005, key economic assumptions and the sensitivity of the current fair value of mortgage servicing rights to immediate 10% and 20% adverse changes in those assumptions were as follows:

	2005
Prepayment speed assumption (constant prepayment rate).....	12.74%
Decrease in fair value from 10% adverse change .....	\$ (174,284)
Decrease in fair value from 20% adverse change .....	(335,283)
Discount rate .....	9.57%
Decrease in fair value from 10% adverse change .....	\$ (119,801)
Decrease in fair value from 20% adverse change .....	(231,980)

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in the assumptions to the change in fair value may not be linear. Also, in this table, the effect that a change in a particular assumption may have on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

## Note 6: Premises and Equipment

A summary of bank premises and equipment at December 31 follows:

	2005	2004
Land.....	\$ 11,176,001	\$ 12,309,774
Buildings.....	38,777,446	37,767,687
Furniture and equipment.....	39,971,524	38,819,565
	<u>89,924,971</u>	<u>88,897,026</u>
Less accumulated depreciation.....	(52,322,913)	(51,373,103)
	<u>\$ 37,602,058</u>	<u>\$ 37,523,923</u>

Depreciation on bank premises and equipment was charged to occupancy expense or furniture and equipment expense in the amounts of \$5,677,106, \$5,283,509 and \$5,079,962 in 2005, 2004 and 2003, respectively.

W.T.B. also owns, through its subsidiary, properties that are operated as nonbanking premises, including portions of the Washington Trust Financial Center Building. These properties are stated at cost, less accumulated depreciation. The costs associated with the portions used by W.T.B. were included in bank premises and equipment. Costs for nonbanking premises are summarized at December 31 as follows:

	2005	2004
Land.....	\$ 596,881	\$ 411,951
Buildings.....	8,480,957	7,885,443
Furniture and equipment.....	388,901	279,390
	<u>9,466,739</u>	<u>8,576,784</u>
Less accumulated depreciation.....	(5,728,917)	(5,391,110)
	<u>\$ 3,737,822</u>	<u>\$ 3,185,674</u>

Depreciation on nonbanking premises of \$337,807, \$252,935, and \$219,552 in 2005, 2004 and 2003, respectively, was included in nonbanking premises revenue, net of expenses.

## Note 7: Other Assets

At December 31 other assets were as follows:

	2005	2004
Cash surrender value of life insurance.....	\$ 19,633,035	\$ 18,133,035
Net deferred taxes.....	12,125,648	10,679,411
Prepaid pension cost.....	17,348,679	9,696,449
Mortgage servicing rights.....	2,287,640	2,156,921
Prepaid expenses.....	1,998,631	2,081,172
Other.....	2,510,889	3,430,157
Total other assets.....	<u>\$ 55,904,522</u>	<u>\$ 46,177,145</u>



# W.T.B. FINANCIAL CORPORATION

## Note 8: Deposits

At December 31 deposits were as follows:

	2005	2004
Noninterest-bearing demand.....	\$ 600,510,972	\$ 488,817,307
Interest-bearing:		
Demand .....	213,085,772	196,172,050
Savings .....	747,564,752	764,006,461
Time deposits .....	885,143,884	608,285,603
Total interest-bearing .....	1,845,794,408	1,568,464,114
	<u>\$ 2,446,305,380</u>	<u>\$ 2,057,281,421</u>

Included in time deposits at December 31, 2005 and 2004 were \$578,030,809 and \$336,314,224, respectively, of time deposits of \$100,000 and over. Included in interest expense on time deposits during 2005, 2004 and 2003 were \$18,181,258, \$9,098,234 and \$8,062,104, respectively, for time deposits of \$100,000 and over.

At December 31, 2005, the scheduled maturities of time deposits were as follows:

2006.....	\$ 542,266,282
2007.....	125,336,093
2008.....	98,153,502
2009.....	81,603,806
2010 and thereafter .....	37,784,201
	<u>\$ 885,143,884</u>

## Note 9: Funds Purchased

Funds purchased represent purchases of federal funds and securities sold under agreements to repurchase on behalf of the Bank and the Bank's customers. Funds purchased generally mature within one to 30 days. At December 31, 2005, repurchase agreements were \$130,933,976 and were secured by pledged securities with fair values of \$211,515,334. At December 31, 2004, repurchase agreements were \$74,432,491 and were secured by pledged securities with fair values of \$141,423,994. The following table summarizes funds purchased (dollars in thousands):

	2005	2004	2003
December 31:			
Amount.....	\$ 130,934	\$ 74,432	\$ 89,635
Rate .....	3.43%	1.48%	0.88%
Average for the year:			
Amount.....	\$ 97,942	\$ 70,537	\$ 80,818
Rate .....	2.47%	0.98%	0.99%
Maximum outstanding			
at any month-end.....	\$ 130,934	\$ 78,823	\$ 89,635

## Note 10: Other Short-Term Borrowings

Other short-term borrowings consist of Treasury tax and loan notes, FHLB notes, and FHLB advances. At December 31 other short-term borrowings were as follows:

	2005	2004
Treasury tax and loan notes.....	\$ 592,754	\$ 20,296,973
FHLB notes .....	30,000,000	50,000,000
FHLB advances .....	83,900,000	26,900,000
	<u>\$114,492,754</u>	<u>\$ 97,196,973</u>

The Treasury tax and loan notes and FHLB advances are generally repaid within one day to one year from the transaction date. At December 31, 2005, FHLB notes were scheduled to mature as follows:

	Amount	Interest Rates
Due in one year or less .....	\$ 20,000,000	4.32%
Due after one year but within four years.....	10,000,000	4.18%-4.45%
	<u>\$ 30,000,000</u>	

The following table summarizes other short-term borrowings (dollars in thousands):

	2005	2004	2003
December 31:			
Amount.....	\$ 114,493	\$ 97,197	\$ 25,583
Rate.....	4.31%	2.49%	1.83%
Average for the year:			
Amount.....	\$ 86,140	\$ 75,410	\$ 43,194
Rate.....	3.25%	1.91%	1.70%
Maximum outstanding			
at any month-end.....	\$ 172,665	\$ 194,799	\$ 62,246

## Note 11: Pension Plans

W.T.B. maintains a qualified defined benefit pension plan for employees hired before January 1, 2004. Benefits under the plan are based on the number of years of service and the employee's career average compensation during such years. W.T.B. has updated past service benefits from time to time in the past, but is not obligated to make any such updates in the future. The funding policy is to contribute annually an amount not less than the minimum required to be funded under ERISA, nor more than the maximum amount that is currently deductible for federal income tax purposes.

# W.T.B. FINANCIAL CORPORATION

## Note 11: Pension Plans (continued)

W.T.B. uses a December 31 measurement date for the plan. The following table provides a reconciliation of the changes in the plan's benefit obligation and fair value of assets over the two-year period ended December 31, 2005, and a statement of the funded status at December 31 of both years:

	2005	2004	
Accumulated benefit obligation at end of year.....	\$ 46,352,494	\$ 41,657,373	
Change in projected benefit obligation:			
Benefit obligation at beginning of year.....	\$ 48,914,504	\$ 42,515,228	
Service cost – benefits earned during the period.....	2,371,593	2,028,681	
Interest cost.....	2,775,926	2,556,798	
Change in assumptions.....	1,953,880	3,368,468	
Actuarial loss.....	249,810	220,663	
Benefits paid.....	(1,872,244)	(1,775,334)	
Benefit obligation at end of year.....	54,393,469	48,914,504	
Change in plan assets:			
Fair value of plan assets at beginning of year.....	42,594,373	36,500,675	
Actual return on plan assets.....	1,586,495	3,619,032	
Employer contribution.....	9,950,000	4,250,000	
Benefits paid.....	(1,872,244)	(1,775,334)	
Fair value of plan assets at end of year.....	52,258,624	42,594,373	
Funded status:			
Unfunded status at end of year.....	(2,134,845)	(6,320,131)	
Unrecognized net loss.....	19,384,056	15,876,630	
Unrecognized prior service cost.....	99,468	139,950	
Prepaid pension cost included in other assets.....	\$ 17,348,679	\$ 9,696,449	
	2005	2004	2003
Assumptions used in computing the present value of the accumulated benefit obligation and the projected benefit obligation at year-end:			
Discount rate.....	5.50%	5.75%	6.10%
Rates of increase in compensation.....	5.00%	5.00%	5.00%
Expected long-term rate of return on assets used in computing the net pension expense determined at beginning of year.....	8.00%	8.50%	8.50%

W.T.B.'s assumption for expected long-term return on plan assets is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term horizon. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling, and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (a) historical real returns for the asset classes covered by the investment policy, and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

Net periodic pension cost for 2005, 2004 and 2003 included the following components:

	2005	2004	2003
Service cost.....	\$ 2,371,593	\$ 2,028,681	\$ 1,649,428
Interest cost.....	2,775,926	2,556,798	2,404,417
Expected return on plan assets.....	(3,648,850)	(3,032,432)	(2,548,888)
Net amortization and deferral.....	799,101	697,401	877,376
Net periodic pension cost.....	\$ 2,297,770	\$ 2,250,448	\$ 2,382,333

The unrecognized prior service cost is attributable to plan amendments that updated past service benefits. Amortization of past service cost is included in net periodic pension cost.

W.T.B.'s pension plan asset allocations at December 31, 2005 and 2004, by asset category, were as follows:

Plan assets at December 31,	2005	2004
Asset category:		
Equity securities.....	57%	64%
Debt securities.....	37%	32%
Cash equivalents.....	6%	4%
Total.....	100%	100%

W.T.B.'s target asset allocation for 2006, by asset category, is as follows:

Asset category:	
Equity securities.....	60%
Debt securities.....	40%
Total.....	100%

W.T.B.'s investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories.

The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is periodically reviewed by W.T.B.'s Retirement Benefits Committee. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

W.T.B. does not expect to contribute to its pension plan in 2006. The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2006.....	\$ 1,937,250
2007.....	2,028,212
2008.....	2,144,164
2009.....	2,248,137
2010.....	2,367,331
Years 2011 through 2015.....	14,652,954

# W.T.B. FINANCIAL CORPORATION

## Note 11: Pension Plans (continued)

W.T.B. maintains a defined contribution retirement plan for employees hired after December 31, 2003. W.T.B. will make an annual contribution equal to at least three percent of eligible compensation into the plan for employees meeting certain eligibility requirements. The defined contribution expense for 2005 was \$60,000. No contributions were made during 2004 because of the one-year service requirement.

W.T.B. also sponsors an employee savings plan. This plan allows qualified employees, at their option, to make contributions of up to certain percentages of pre-tax base salary through salary deductions under Section 401(k) of the Internal Revenue Code. W.T.B. matches a portion of these contributions. Matching contribution expense for 2005, 2004 and 2003 was \$837,686, \$767,224 and \$327,374, respectively. Contributions are invested, at the employees' directions, among a variety of investment alternatives.

## Note 12: Income Taxes

The current and deferred portions of income taxes for the years ended December 31 were as follows:

	2005	2004	2003
Current:			
Federal.....	\$16,640,544	\$10,434,300	\$11,372,491
State.....	786,324	444,239	476,476
	<u>17,426,868</u>	<u>10,878,539</u>	<u>11,848,967</u>
Deferred (benefit):			
Federal.....	(314,311)	842,948	(1,946,479)
State.....	(3,391)	7,247	(77,828)
	<u>(317,702)</u>	<u>850,195</u>	<u>(2,024,307)</u>
	<u>\$17,109,166</u>	<u>\$11,728,734</u>	<u>\$ 9,824,660</u>

Income taxes on income before income taxes differ from the statutory rate of 35% for the following reasons:

	2005	2004	2003
Federal income taxes at statutory rate.....	\$18,667,663	\$13,617,855	\$11,515,740
State income taxes, net of federal tax benefit.....	508,906	293,465	259,121
Decrease in income taxes due to tax-exempt interest on securities and loans of states and political subdivisions.....	(2,258,508)	(2,247,408)	(2,017,737)
Nondeductible interest expense from carrying tax-exempt assets.....	290,916	181,782	162,266
Other nondeductible expenses and amortization of intangibles.....	107,576	171,921	218,443
Other.....	(207,387)	(288,881)	(313,173)
	<u>\$17,109,166</u>	<u>\$11,728,734</u>	<u>\$ 9,824,660</u>

Included in income taxes are taxes on net securities gains of \$11,815, \$226,139 and \$8,000 for the years ended December 31, 2005, 2004 and 2003, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. No valuation allowances for deferred tax assets were necessary at December 31, 2005 or 2004. Significant components of the deferred assets and liabilities at December 31 were as follows:

	2005	2004
Deferred tax assets:		
Allowance for loan losses.....	\$14,992,582	\$13,632,659
Deferred compensation.....	4,481,375	3,957,299
Financial-over-tax depreciation.....	2,022,177	1,654,782
Commitment fees.....	248,148	260,881
Other real estate.....	119,127	229,501
Interest on nonaccrual loans.....	136,882	80,448
Other.....	193,312	247,302
Total deferred tax assets.....	<u>22,193,603</u>	<u>20,062,872</u>
Deferred tax liabilities:		
Unrealized gains on securities available for sale.....	507,128	1,521,443
Prepaid pension.....	6,330,939	4,520,058
FHLB stock dividends.....	1,779,476	1,753,302
Mortgage servicing.....	834,813	783,308
Prepaid expenses.....	339,489	424,387
Discount accretion.....	81,587	72,164
State income tax.....	194,523	165,477
Other.....	143,322	143,322
Total deferred tax liabilities.....	<u>10,067,955</u>	<u>9,383,461</u>
Net deferred tax assets.....	<u>\$12,125,648</u>	<u>\$10,679,411</u>

# W.T.B. FINANCIAL CORPORATION

## Note 13: Financial Instruments

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. The Bank's financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit.

All these transactions may involve, in varying degrees, elements of credit and interest rate risk in excess of the amount recognized, if any, in the consolidated statement of financial condition. The Bank's exposure to credit losses in the event of nonperformance by the other parties to financial instruments for commitments to extend credit, standby letters of credit, and commercial letters of credit is represented by the contractual amounts of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as used in the lending process.

Commitments to extend credit are agreements to lend to customers as long as there are no violations of any conditions established in the commitment contracts. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates customers' creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral varies but may include accounts receivable; inventory; property, plant and equipment; residential real estate; and income producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of commercial customers to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers.

Through commercial letters of credit, the Bank guarantees customers' trade transactions to third parties, generally to finance commercial contracts for the shipment of goods. The Bank's credit risk in these transactions is limited, since the contracts are supported by the merchandise being shipped and are generally of short duration.

The Bank grants commercial and agricultural, real estate, and consumer loans to customers, mainly in Washington, Idaho, Oregon, and Utah, secured by business and personal property. The loans are expected to be repaid from cash flow or proceeds from the sale of selected assets of the borrowers. Although the loan portfolio is diversified, a substantial portion of the debtors' abilities to honor their contracts is dependent upon the economic conditions in Washington, Idaho, Oregon, and Utah. The Bank has no significant exposure from highly leveraged transactions and has no foreign credits in its loan portfolio.

Following is a summary of the exposure to off-balance-sheet risk at December 31 (dollars in thousands):

	2005	2004
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit.....	\$ 1,235,408	\$ 1,030,381
Standby letters of credit .....	90,069	92,418
Commercial letters of credit.....	349	599

## Note 14: Fair Values of Financial Instruments

SFAS No. 107, as amended by SFAS No. 119, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate those values. In cases where quoted market prices are not available, fair values are based on estimates using present values or other valuation techniques. Results from those techniques are significantly affected by the assumptions used, including the discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. The Statements exclude nonfinancial instruments from their disclosure requirements. Specifically, land and buildings are not disclosed at fair value, nor is the value derived from retaining customer deposit relationships, commonly referred to as a customer deposit base intangible. Accordingly, the aggregate fair value amounts presented are not intended to represent the fair value of W.T.B.'s shareholders' equity.

# W.T.B. FINANCIAL CORPORATION

**Note 14: Fair Values of Financial Instruments (continued)**

The following methods and assumptions were used by W.T.B. in estimating its fair value disclosures for each class of financial instrument:

*Cash and cash equivalents:* The carrying amounts reported in the statement of financial condition for cash and short-term instruments approximate those assets' fair values.

*Securities:* Fair values for securities are based on quoted market prices.

*Loans:* For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values of fixed-rate loans are estimated using discounted cash flow analyses and interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued income receivable approximates its fair value. The fair values of lending commitments at year-end are estimated to approximate the remaining unamortized fees.

*Deposits:* The fair values disclosed for interest- and noninterest-bearing demand deposits and savings are equal to the amounts payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts for variable-rate time deposits approximate their fair values at the reporting date. Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently offered on such deposits to a schedule of aggregated expected monthly maturities. The carrying amount of accrued interest payable approximates its fair value.

*Funds purchased and other short-term borrowings:* The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings approximate their fair values.

The carrying amounts and estimated fair values of each class of financial instruments at December 31 were as follows (dollars in thousands):

	2005	
	Carrying Amount	Fair Value
<b>Financial assets:</b>		
Cash and due from banks, federal funds sold and interest-bearing deposits		
with banks.....	\$ 153,553	\$ 153,553
Securities available for sale.....	389,372	389,372
Loans held for sale.....	4,766	4,766
Loans held in portfolio.....	2,319,350	2,345,360
Accrued income receivable.....	15,394	15,394
<b>Financial liabilities:</b>		
Demand and savings deposits.....	1,561,161	1,561,161
Time deposits.....	885,144	886,962
Funds purchased.....	130,934	130,934
Other short-term borrowings.....	114,493	114,493
Accrued interest payable.....	8,510	8,510
Commitments to extend credit.....	(679)	(679)
Interest rate swap.....	82	82
	2004	
	Carrying Amount	Fair Value
<b>Financial assets:</b>		
Cash and due from banks, federal funds sold and interest-bearing deposits		
with banks.....	\$ 85,521	\$ 85,521
Securities available for sale.....	327,386	327,386
Loans held for sale.....	2,554	2,554
Loans held in portfolio.....	1,968,747	2,010,380
Accrued income receivable.....	11,193	11,193
<b>Financial liabilities:</b>		
Demand and savings deposits.....	1,448,996	1,448,996
Time deposits.....	608,286	612,477
Funds purchased.....	74,432	74,432
Other short-term borrowings.....	97,197	97,197
Accrued interest payable.....	4,189	4,189
Commitments to extend credit.....	(716)	(716)

# W.T.B. FINANCIAL CORPORATION

## Note 15: Contingencies and Commitments

During the normal course of business, W.T.B. and the Bank are involved as defendants in various legal matters. In the opinion of W.T.B.'s management, the potential liability, if any, upon resolution of all litigation currently pending would not have a material adverse effect on W.T.B.'s financial position or results of operations.

W.T.B. has various operating leases covering the use of certain premises and equipment. The lease expense under such arrangements amounted to \$1,298,788, \$1,177,938 and \$1,052,053 for the years ended December 31, 2005, 2004 and 2003, respectively. All leases expire prior to the year 2018. Certain leases contain renewal clauses of up to 25 years and rent escalation clauses based on CPI or other factors contained in the lease agreement.

A summary of minimum lease commitments follows:

Years Ending December 31,	
2006.....	\$ 1,205,660
2007.....	1,187,194
2008.....	1,134,260
2009.....	1,130,551
2010.....	708,792
2011 and thereafter.....	1,350,521
<b>Total minimum lease payments.....</b>	<b><u>\$ 6,716,978</u></b>

## Note 16: Parent Company Statements

W.T.B.'s parent company statements are presented using the equity method of accounting; therefore, accounts of its subsidiary have not been included. Intercompany transactions and balances have not been eliminated. The condensed parent company statements follow (dollars in thousands):

Statement of Income	Years Ended December 31,		
	2005	2004	2003
<b>Revenue</b>			
Dividends from banking subsidiary.....	\$ 10,600	\$ 22,100	\$ 8,400
Other .....	331	279	247
<b>Total revenue .....</b>	<b>10,931</b>	<b>22,379</b>	<b>8,647</b>
<b>Expense</b>			
Salaries and employee benefits.....	2,103	1,939	1,548
Other .....	1,718	1,659	2,392
<b>Total expense.....</b>	<b>3,821</b>	<b>3,598</b>	<b>3,940</b>
Income before income tax benefit and equity in undistributed net income of subsidiary.....	7,110	18,781	4,707
<b>Income tax benefit .....</b>	<b>(1,057)</b>	<b>(1,186)</b>	<b>(1,314)</b>
Income before equity in undistributed net income of subsidiary.....	8,167	19,967	6,021
Equity in undistributed net income of banking subsidiary.....	28,060	7,212	17,056
<b>Net Income.....</b>	<b><u>\$ 36,227</u></b>	<b><u>\$ 27,179</u></b>	<b><u>\$ 23,077</u></b>

## Statement of Financial Condition

	December 31,	
	2005	2004
<b>Assets</b>		
Cash.....	\$ 2,852	\$ 2,017
U.S. Treasury securities available for sale, carried at fair value.....	296	298
Equity in underlying net book value of bank subsidiary .....	255,682	229,506
Premises and equipment, net.....	1,378	454
Other assets .....	1,066	2,153
<b>Total assets .....</b>	<b><u>\$261,274</u></b>	<b><u>\$234,428</u></b>
<b>Liabilities</b>		
Other liabilities.....	\$ 1,292	\$ 1,048
<b>Shareholders' Equity .....</b>	<b>259,982</b>	<b>233,380</b>
<b>Total liabilities and shareholders' equity.....</b>	<b><u>\$261,274</u></b>	<b><u>\$234,428</u></b>

## Statement of Cash Flows

	Years Ended December 31,		
	2005	2004	2003
<b>Cash flows from operating activities:</b>			
Net income .....	\$ 36,227	\$ 27,179	\$ 23,077
Adjustments to reconcile net income to cash provided by operating activities:			
Undistributed net income of subsidiary ...	(28,060)	(7,212)	(17,056)
Depreciation .....	409	133	147
Write-down of other assets .....	111	548	1,300
Deferred income tax (benefit).....	15	(82)	(339)
Other, net.....	540	293	101
<b>Net cash provided by operating activities....</b>	<b>9,242</b>	<b>20,859</b>	<b>7,230</b>
<b>Cash flows from investing activities:</b>			
Purchase of securities.....	(295)	(1,195)	(300)
Proceeds from maturities of securities.....	300	1,200	300
Purchases of equipment.....	(369)	(129)	(219)
Proceeds from sales of equipment .....	189	85	192
Purchase of other assets .....	(490)	(75)	(1,045)
Proceeds from sales of other assets.....	8	8	8
<b>Net cash used in investing activities .....</b>	<b>(665)</b>	<b>(106)</b>	<b>(1,072)</b>
<b>Cash flows from financing activities:</b>			
Dividends paid.....	(6,997)	(20,736)	(5,912)
Treasury stock transactions, net.....	(745)	461	(187)
<b>Net cash used in financing activities.....</b>	<b>(7,742)</b>	<b>(20,275)</b>	<b>(6,099)</b>
Increase in cash .....	835	478	59
Cash at beginning of year.....	2,017	1,539	1,480
<b>Cash at end of year.....</b>	<b><u>\$ 2,852</u></b>	<b><u>\$ 2,017</u></b>	<b><u>\$ 1,539</u></b>

# W.T.B. FINANCIAL CORPORATION

**Note 17: Related Parties and Regulatory Matters**

In the ordinary course of business, W.T.B. and its subsidiary make loans and enter into other transactions with certain related parties, its directors and entities having a specified relationship with the directors. Total loans to these related parties were approximately \$10 million and \$6 million at December 31, 2005 and 2004, respectively. Total deposits from these related parties were approximately \$7 million and \$6 million at December 31, 2005 and 2004, respectively. Such transactions are made on substantially the same terms and conditions as transactions with other customers.

Under current federal regulations, W.T.B. is limited in the amount that may be borrowed from Washington Trust Bank. At December 31, 2005, a maximum of approximately \$4 million could be loaned to W.T.B. No such loans have been made.

The ability of W.T.B. to continue to pay dividends is substantially dependent upon the receipt of dividends from its subsidiary. At December 31, 2005, undistributed earnings of Washington Trust Bank available for payments of dividends without prior approval of the regulatory authorities was approximately \$68 million. Federal Reserve Board regulations require depository institutions to maintain certain minimum reserve balances in the form of cash and deposits with the Federal Reserve Bank. These reserves averaged approximately \$22 million in 2005.

W.T.B. is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly addi-

tional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on W.T.B.'s financial position or results of operations.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, W.T.B. must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. W.T.B.'s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require W.T.B. to maintain minimum amounts and ratios of total capital and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2005 and 2004, that W.T.B. met all capital adequacy requirements to which it is subject.

At December 31, 2005, the most recent notification from the Federal Deposit Insurance Corporation categorized Washington Trust Bank as well capitalized under the regulatory framework for prompt corrective action. There have been no conditions or events since that notification that management believes have changed the institution's category. To be categorized as well capitalized, a bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. The capital amounts and ratios at December 31 were as follows (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>At December 31, 2005</b>						
Total risk-based capital (to risk-weighted assets):						
W.T.B. Financial Corporation .....	≥ \$293,762	≥ 10.59%	≥ \$221,838	≥ 8.00%	≥ \$277,297	≥ 10.00%
Washington Trust Bank .....	≥ 289,462	≥ 10.44%	≥ 221,710	≥ 8.00%	≥ 277,138	≥ 10.00%
Tier 1 capital (to risk-weighted assets):						
W.T.B. Financial Corporation .....	≥ 259,040	≥ 9.34%	≥ 110,919	≥ 4.00%	≥ 166,378	≥ 6.00%
Washington Trust Bank .....	≥ 254,740	≥ 9.19%	≥ 110,855	≥ 4.00%	≥ 166,283	≥ 6.00%
Tier 1 capital (to average assets):						
W.T.B. Financial Corporation .....	≥ 259,040	≥ 8.99%	≥ 115,262	≥ 4.00%	≥ 144,078	≥ 5.00%
Washington Trust Bank .....	≥ 254,740	≥ 8.85%	≥ 115,096	≥ 4.00%	≥ 143,870	≥ 5.00%
<b>At December 31, 2004</b>						
Total risk-based capital (to risk-weighted assets):						
W.T.B. Financial Corporation .....	≥ \$259,886	≥ 11.11%	≥ \$187,200	≥ 8.00%	≥ \$233,999	≥ 10.00%
Washington Trust Bank .....	≥ 256,011	≥ 10.95%	≥ 187,055	≥ 8.00%	≥ 233,819	≥ 10.00%
Tier 1 capital (to risk-weighted assets):						
W.T.B. Financial Corporation .....	≥ 230,556	≥ 9.85%	≥ 93,600	≥ 4.00%	≥ 140,400	≥ 6.00%
Washington Trust Bank .....	≥ 226,681	≥ 9.69%	≥ 95,527	≥ 4.00%	≥ 143,291	≥ 6.00%
Tier 1 capital (to average assets):						
W.T.B. Financial Corporation .....	≥ 230,556	≥ 9.33%	≥ 98,812	≥ 4.00%	≥ 123,515	≥ 5.00%
Washington Trust Bank .....	≥ 226,681	≥ 9.19%	≥ 98,661	≥ 4.00%	≥ 123,327	≥ 5.00%

# W.T.B. FINANCIAL CORPORATION

---

## Report of Moss Adams LLP, Independent Auditors

To the Board of Directors  
W.T.B. Financial Corporation  
Spokane, Washington

We have audited the accompanying consolidated statement of financial condition of W.T.B. Financial Corporation and subsidiary as of December 31, 2005, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on those financial statements based on our audit. The consolidated statement of financial condition of W.T.B. Financial Corporation and subsidiary as of December 31, 2004, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 2004 and 2003, were audited by other auditors whose report dated March 4, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of W.T.B. Financial Corporation and subsidiary as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

Spokane, Washington  
March 3, 2006



# W.T.B. FINANCIAL CORPORATION

## Directors and Officers

(As of 1/1/2006)

### W.T.B. Financial Corporation

#### BOARD OF DIRECTORS

Philip H. Stanton, Chairman of the Board  
Peter F. Stanton, President and Chief Executive Officer  
Chairman of the Board and  
Chief Executive Officer, Washington Trust Bank  
Harold L. Damiano  
Retired Chairman, North Idaho Region,  
Washington Trust Bank  
John E. (Jack) Heath, Vice President and Chief Operating Officer  
President and Chief Operating Officer,  
Washington Trust Bank  
Thomas L. Perko  
Retired President, W.T.B. Financial Corporation  
Retired President, Washington Trust Bank  
Thomas B. Tilford  
Partner, Factors Unlimited  
President, Western Mine Services, Inc.

#### ADMINISTRATION

Philip H. Stanton.....Chairman of the Board  
Peter F. Stanton..... President and  
Chief Executive Officer  
John E. (Jack) Heath..... Vice President and  
Chief Operating Officer  
Richard W. Boutz.....Senior Vice President,  
Chief Financial Officer, Treasurer and  
Assistant Secretary  
Albert G. Buss.....Senior Vice President,  
General Auditor and Secretary

### Washington Trust Bank

#### BOARD OF DIRECTORS

Peter F. Stanton, Chairman of the Board and  
Chief Executive Officer  
John E. (Jack) Heath, President and  
Chief Operating Officer  
Duane Jacklin  
Managing Partner, Riverbend Commerce Park  
Thomas L. Perko  
Retired President, W.T.B. Financial Corporation  
Retired President, Washington Trust Bank  
Philip H. Stanton  
Chairman of the Board, W.T.B. Financial Corporation  
Retired Chairman of the Board, Washington Trust Bank  
Thomas B. Tilford  
Partner, Factors Unlimited  
President, Western Mine Services, Inc.  
Nancy Sue Wallace  
President, Hufford & Hufford, Inc.  
Parker G. Woodall  
Retired President, North Idaho Region, Washington Trust Bank

### Washington Trust Bank

#### ADMINISTRATION

Peter F. Stanton.....Chairman of the Board and  
Chief Executive Officer  
John E. (Jack) Heath..... President and Chief Operating Officer  
Albert G. Buss.....Senior Vice President,  
General Auditor and Secretary

#### COMMERCIAL BANKING

J. Jay Lewis.....Senior Vice President  
Scott H. Luttinen.....President, Western Washington Region  
Christian R. Rasmussen.....President, Oregon Region  
David J. Terrell.....President, Southern Idaho Region

#### CREDIT ADMINISTRATION

Paul M. Koenigs.....Senior Vice President and  
Chief Credit Officer

#### FINANCE

Richard W. Boutz.....Senior Vice President,  
Chief Financial Officer, Treasurer and  
Assistant Secretary

#### HUMAN RESOURCES

Catherine J. Bruya.....Senior Vice President

#### INFORMATION TECHNOLOGY AND OPERATIONS

James E. Brockett.....Senior Vice President and  
Chief Information Officer

#### RETAIL BANKING

Susan K. Glover.....Senior Vice President

#### STRATEGIC PLANNING AND PRODUCT DEVELOPMENT

Teri L. VanNoy.....Senior Vice President

#### WEALTH MANAGEMENT AND ADVISORY SERVICES

Robert A. Blume.....Senior Vice President

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

W.T.B. Financial Corporation  
P.O. Box 2127  
Spokane, Washington 99210-2127

Visit Washington Trust Bank's Web site at  
[www.watrust.com](http://www.watrust.com)

**Consolidated Financial Statements for  
Bank Holding Companies — FR Y-9C**

**Report at the close of business as of the last calendar day of the quarter**

This Report is required by law: Section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844) and Section 225.5(b) of Regulation Y (12 CFR 225.5(b)).

This report form is to be filed by bank holding companies with total consolidated assets of \$500 million or more. In addition, bank holding companies meeting certain criteria must file this report (FR Y-9C) regardless of size. See page 1 of the general instructions for further information.

However, when such bank holding companies own or control, or are owned or controlled by, other bank holding companies, only the top-tier holding company must file this report for the consolidated holding company organization. The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

NOTE: Each bank holding company's board of directors and senior management are responsible for establishing and maintaining an effective system of internal control, including controls over the Consolidated Financial Statements for Bank Holding Companies. The Consolidated Financial Statements for Bank Holding Companies are to be prepared in accordance with instructions provided by the Federal Reserve System. The Consolidated Financial Statements for Bank Holding Companies must be signed and attested by the Chief Financial Officer (CFO) of the reporting bank holding company (or by the individual performing this equivalent function).

I, the undersigned CFO (or equivalent) of the named bank holding company, attest that the Consolidated Financial Statements for Bank Holding Companies (including the supporting schedules) for this report date have been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

Date of Report:  
**September 30, 2008**  
Month / Date / Year (BHCK 9999)

**Lawrence V. Sorensen, Senior Vice President & CFO**  
Printed Name of Chief Financial Officer (or Equivalent) (BHCK C490)

**W.T.B. Financial Corporation**  
Legal Title of Bank Holding Company (TEXT 9010)

\_\_\_\_\_  
Signature of Chief Financial Officer (or Equivalent)

**P.O. Box 2127**  
Street / P.O. Box (TEXT 9110)  
(Mailing Address of the Bank Holding Company)

\_\_\_\_\_  
Date of Signature

**Spokane** **WA** **99210-2127**  
City (TEXT 9130) State (TEXT 9200) Zip Code (TEXT 9220)

Bank holding companies must maintain in their files a manually signed and attested printout of the data submitted.

Person to whom questions about this report should be directed:

**Laura Gingrich, Vice President**  
Name / Title (TEXT 8901)

**509-353-3842**  
Area Code / Phone Number (TEXT 8902)

**509-624-5746**  
FAX Number (TEXT 9116)

**lgingrich@watrust.com**  
E-mail Address of Contact (TEXT 4086)

**For Federal Reserve Bank Use Only**  
RSSD ID \_\_\_\_\_  
C.I. \_\_\_\_\_ S.F. \_\_\_\_\_

Public reporting burden for this information collection is estimated to vary from 5.0 to 1,250 hours per response, with an average of 40.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Comments regarding this burden estimate or any other aspect of this information collection, including suggestions for reducing the burden, may be sent to Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0128), Washington, D.C. 20503.

**Report of Income for Bank Holding Companies**  
 Report all Schedules of the Report of Income on a calendar year-to-date basis.  
**Schedule HI-Consolidated Income Statement**

		Dollar Amounts in Thousands		
	BHCK	Bit	Mil	Thou
<b>1. Interest income</b>				
a. Interest and fee income on loans:				
(1) In domestic offices:				
(a) Loans secured by 1-4 family residential properties .....	4435		29,166	1.a.(1)(a)
(b) All other loans secured by real estate .....	4436		71,455	1.a.(1)(b)
(c) All other loans .....	F621		47,613	1.a.(1)(c)
(2) In foreign offices, Edge and Agreement subsidiaries, and IBFs .....	4059		0	1.a.(2)
b. Income from lease financing receivables .....	4065		0	1.b
c. Interest income on balances due from depository institutions (1) .....	4115		21	1.c
d. Interest and dividend income on securities:				
(1) U.S. Treasury securities and U.S. government agency obligations (excluding mortgage-backed securities) .....	B488		155	1.d.(1)
(2) Mortgage-backed securities .....	B489		22,105	1.d.(2)
(3) All other securities .....	4060		2,867	1.d.(3)
e. Interest income from trading assets .....	4069		0	1.e.
f. Interest income on federal funds sold and securities purchased under agreements to resell .....	4020		391	1.f.
g. Other interest income .....	4518		186	1.g.
h. Total interest income (sum of items 1.a through 1.g) .....	4107		173,959	1.h.
<b>2. Interest expense</b>				
a. Interest on deposits:				
(1) In domestic offices:				
(a) Time deposits of \$100,000 or more .....	A517		19,262	2.a.(1)(a)
(b) Time deposits of less than \$100,000 .....	A518		17,255	2.a.(1)(b)
(c) Other deposits .....	6761		18,794	2.a.(1)(c)
(2) In foreign offices, Edge and Agreement subsidiaries and IBFs .....	4172		0	2.a.(2)
b. Expense on federal funds purchased and securities sold under agreements to repurchase .....	4180		7,175	2.b.
c. Interest on trading liabilities and other borrowed money (excluding subordinated notes and debentures).....	4185		6,719	2.c.
d. Interest on subordinated notes and debentures and on mandatory convertible securities.....	4397		0	2.d.
e. Other interest expense.....	4388		0	2.e.
f. Total interest expense (sum of items 2.a through 2.e).....	4073		69,205	2.f.
3. Net interest income (Item 1.h minus item 2.f).....	4074		104,754	3.
4. Provision for loan and lease losses (from Schedule HI-B, part II, item 5).....	4230		14,976	4.
<b>5. Noninterest income:</b>				
a. Income from fiduciary activities.....	4070		6,965	5.a.
b. Service charges on deposit accounts in domestic offices.....	4483		6,853	5.b.
c. Trading revenue (2).....	A220		0	5.c.
d. (1) Fees and commissions from securities brokerage .....	C886		1,167	5.d.(1)
(2) Investment banking, advisory, and underwriting fees and commissions.....	C888		0	5.d.(2)
(3) Fees and commissions from annuity sales .....	C887		589	5.d.(3)
(4) Underwriting income from insurance and reinsurance activities .....	C386		0	5.d.(4)
(5) Income from other insurance activities .....	C387		12	5.d.(5)
e. Venture capital revenue.....	B491		0	5.e.
f. Net servicing fees.....	B492		253	5.f.
g. Net securitization income.....	B493		0	5.g.
h. Not applicable				
i. Net gains (losses) on sales of loans and leases.....	8560		719	5.i.
j. Net gains (losses) on sales of other real estate owned.....	8581		(15)	5.j.
k. Net gains (losses) on sales of other assets (excluding securities).....	B496		773	5.k.
l. Other noninterest income (3).....	B497		9,797	5.l.
m. Total noninterest income (sum of items 5.a through 5.l).....	4079		27,113	5.m.

(1) Includes interest income on time certificates of deposit not held for trading.  
 (2) For bank holding companies required to complete Schedule HI, memoranda item 9, trading revenue reported in Schedule HI, item 5.c must equal the sum of memoranda items 9.a through 9.e.  
 (3) See Schedule HI, memoranda item 6.

Schedule HI—Continued

Dollar Amounts in Thousands

	BHCK	Bil	Mil	Thou	
6. a. Realized gains (losses) on held-to-maturity securities .....	3521			0	6.a.
b. Realized gains (losses) on available-for-sale securities .....	3196			1,985	6.b.
7. Noninterest expense:					
a. Salaries and employee benefits .....	4135			45,603	7.a.
b. Expense on premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest) .....	4217			8,557	7.b.
c. (1) Goodwill impairment losses .....	C216			0	7.c.(1)
(2) Amortization expense and impairment for other intangible assets .....	C232			0	7.c.(2)
d. Other noninterest expense (4) .....	4092			22,508	7.d.
e. Total noninterest expense (sum of items 7.a through 7.d) .....	4093			76,668	7.e.
8. Income (loss) before income taxes and extraordinary items, and other adjustments (sum of items 3, 5.m, 6.a, and 6.b minus items 4 and 7.e) .....	4301			42,208	8.
9. Applicable income taxes (foreign and domestic) .....	4302			13,843	9.
10. Minority interest .....	4484			0	10.
11. Income (loss) before extraordinary items and other adjustments (item 8 minus items 9 and 10) .....	4300			28,365	11.
12. Extraordinary items, net of applicable taxes and minority interest (5) .....	4320			0	12.
13. Net income (loss) (sum of items 11 and 12) .....	4340			28,365	13.

(4) See Schedule HI, memoranda item 7.

(5) Describe on Schedule HI, memoranda item 8.

Memoranda

	BHCK	Bil	Mil	Thou	
1. Net interest income (item 3 above) on a fully taxable equivalent basis .....	4519			106,770	M.1.
2. Net income before income taxes, extraordinary items, and other adjustments (item 8 above) on a fully taxable equivalent basis .....	4592			44,224	M.2.
3. Income on tax-exempt loans and leases to states and political subdivisions in the U.S. (included in Schedule HI, items 1.a and 1.b, above) .....	4313			1,722	M.3.
4. Income on tax-exempt securities issued by states and political subdivisions in the U.S. (included in Schedule HI, item 1.g(3), above) .....	4507			2,967	M.4.
5. Number of full-time equivalent employees at end of current period (round to nearest whole number) .....	BHCK	Number			
	4150			750	M.5.

6. Other noninterest income (from schedule HI, 5.1 above) (only report amounts greater than \$25,000 that exceed 3% of Schedule HI, item 5.l):

	BHCK	Bil	Mil	Thou	
a. Income and fees from the printing and sale of checks .....	C013			0	M.6.a.
b. Earnings on/increase in value of cash surrender value of life insurance .....	C014			1,337	M.6.b.
c. Income and fees from automated teller machines (ATMs) .....	C016			0	M.6.c.
d. Rent and other income from real estate owned .....	4042			0	M.6.d.
e. Safe deposit box rent .....	C015			0	M.6.e.
f. Net change in the fair values of financial instruments accounted for under a fair value option .....	F229			0	M.6.f.
g. Bank card and credit card interchange fees .....	F555			3,702	M.6.g.
h. TEXT .....					
8562 Visa stock redemption .....	8562			1,209	M.6.h.
i. TEXT .....					
8563 Letter of credit fees .....	8563			941	M.6.i.
j. TEXT .....					
8564 Merchant services fees .....	8564			916	M.6.j.

**Schedule HI—Continued**

Memoranda (continued)

Dollar Amounts in Thousands

		BHCK	Bil	Mil	Thou	
<b>7. Other noninterest expense (from schedule HI, 7.d above) (only report amounts greater than \$25,000 that exceed 3% of Schedule HI, item 7.d):</b>						
a.	Data processing expenses.....	C017		5,628		M.7.a.
b.	Advertising and marketing expenses.....	0497		2,929		M.7.b.
c.	Directors' fees.....	4136		0		M.7.c.
d.	Printing, stationery, and supplies.....	C018		1,058		M.7.d.
e.	Postage.....	8403		681		M.7.e.
f.	Legal fees and expenses.....	4141		0		M.7.f.
g.	FDIC deposit insurance assessments.....	4146		934		M.7.g.
h.	Accounting and auditing expenses.....	F556		0		M.7.h.
i.	Consulting and advisory expenses.....	F557		1,111		M.7.i.
j.	Automated teller machine (ATM) and interchange expenses.....	F558		0		M.7.j.
k.	Telecommunications expenses.....	F559		957		M.7.k.
l.	TEXT					
	8565 Software expenses	8565		1,734		M.7.l.
m.	TEXT					
	8566 Travel expenses	8566		831		M.7.m.
n.	TEXT					
	8567 Courier expenses	8567		809		M.7.n.
<b>8. Extraordinary items and other adjustments (from Schedule HI, item 12) (itemize all extraordinary items and other adjustments):</b>						
a. (1)	TEXT					
	3571	3571		0		M.8.a.(1)
(2)	Applicable income tax effect .....	BHCK	3572	0		M.8.a.(2)
b. (1)	TEXT					
	3573	3573		0		M.8.b.(1)
(2)	Applicable income tax effect .....	BHCK	3574	0		M.8.b.(2)
c. (1)	TEXT					
	3575	3575		0		M.8.c.(1)
(2)	Applicable income tax effect .....	BHCK	3576	0		M.8.c.(2)
<b>9. Trading revenue (from cash instruments and derivative instruments) (Sum of items 9.a through 9.e must equal Schedule HI, item 5.c.) (To be completed by bank holding companies that reported average trading assets (Schedule HC-K, item 4.a) of \$2 million or more for any quarter of the preceding calendar year):</b>						
a.	Interest rate exposures .....	8757		0		M.9.a.
b.	Foreign exchange exposures .....	8758		0		M.9.b.
c.	Equity security and index exposures .....	8759		0		M.9.c.
d.	Commodity and other exposures .....	8760		0		M.9.d.
e.	Credit exposures .....	F186		0		M.9.e.
<b>10. Net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account:</b>						
a.	Net gains (losses) on credit derivatives held for trading .....	C889		0		M.10.a.
b.	Net gains (losses) on credit derivatives held for purposes other than trading .....	C890		0		M.10.b.
<b>11. Credit losses on derivatives (see instructions) .....</b>						
		A251		0		M.11.
<b>12. a. Income from the sale and servicing of mutual funds and annuities (in domestic offices)</b>						
b. (1)	Premiums on insurance related to the extension of credit .....	8431		1,756		M.12.a.
(2)	All other insurance premiums .....	C242		0		M.12.b.(1)
		C243		0		M.12.b.(2)
c.	Benefits, losses, and expenses from insurance-related activities .....	B983		0		M.12.c.
<b>13. Does the reporting bank holding company have a Subchapter S election in effect for federal income tax purposes for the current tax year? (Enter "1" for yes; enter "0" for no).....</b>						
		BHCK				
		A530		0		M.13.

**Schedule HI—Continued**

Memoranda (continued)

*Memorandum item 14 is to be completed by bank holding companies that have elected to account for assets and liabilities under a fair value option.*

	BHCK	Bil	Mil	Thou	
14. Net gains (losses) recognized in earnings on assets and liabilities that are reported at fair value under a fair value option:					
a. Net gains (losses) on assets.....	F551		0		M.14.a.
(1) Estimated net gains (losses) on loans attributable to changes in instrument-specific credit risk.....	F552		0		M.14.a.(1)
b. Net gains (losses) on liabilities.....	F553		0		M.14.b.
(1) Estimated net gains (losses) on liabilities attributable to changes in instrument-specific credit risk.....	F554		0		M.14.b.(1)
15. Stock-based employee compensation expense (net of tax effects) calculated for all awards under the fair value method.....	C409		0		M.15.

*Memorandum item 16 is to be completed by bank holding companies that are required to complete Schedule HC-C, Memorandum items 6.b. and 6.c.*

	BHCK	Bil	Mil	Thou	
16. Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties (included in Schedule HI, item 1.a.(1)(a)).....	F228		0		M.16.

**Schedule HI-A—Changes in Equity Capital**

Dollar Amounts in Thousands

	BHCK	Bil	Mil	Thou	
1. Equity capital most recently reported for the end of previous calendar year (i.e., after adjustments from amended Reports of Income).....	3217		329,377		1.
2. Restatements due to corrections of material accounting errors and changes in accounting principles (1).....	B507		0		2.
3. Balance end of previous calendar year as restated (sum of items 1 and 2).....	B508		329,377		3.
4. Net income (loss) (must equal Schedule HI, item 13).....	bhct		28,365		4.
5. Sale of perpetual preferred stock (excluding treasury stock transactions):	BHCK				
a. Sale of perpetual preferred stock, gross.....	3577		0		5.a.
b. Conversion or retirement of perpetual preferred stock.....	3578		0		5.b.
6. Sale of common stock:					
a. Sale of common stock, gross.....	3579		0		6.a.
b. Conversion or retirement of common stock.....	3580		0		6.b.
7. Sale of treasury stock.....	4782		100		7.
8. LESS: Purchase of treasury stock.....	4783		6,805		8.
9. Changes incident to business combinations, net.....	4356		0		9.
10. LESS: Cash dividends declared on preferred stock.....	4598		0		10.
11. LESS: Cash dividends declared on common stock.....	4460		6,404		11.
12. Other comprehensive income (2).....	B511		(14,055)		12.
13. Change in the offsetting debt to the liability for Employee Stock Ownership Plan (ESOP) debt guaranteed by the bank holding company.....	4591		0		13.
14. Other adjustments to equity capital (not included above).....	3581		0		14.
15. Total equity capital end of current period (sum of items 3, 4, 5, 6, 7, 9, 12, 13, and 14, less items, 8, 10, and 11)( must equal item 28 on Schedule HC, Balance Sheet).....	bhct		330,578		15.

(1) Include the cumulative-effect adjustment resulting from the initial adoption of FAS 159, Fair Value Option, and describe separately in the Notes to the Income Statement-Other, item 1.

(2) Includes changes in net unrealized holding gains (losses) on available-for-sale securities, changes in accumulated net gains (losses) on cash flow hedges, foreign currency translation adjustments, and pension and other postretirement plan related changes other than net periodic benefit cost.

**Schedule HI-B—Charge-Offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses**

Dollar Amounts in Thousands

	Charge-offs <sup>1</sup> (Column A)			Recoveries (Column B)			
	BHCK	Bil	Thou	BHCK	Bil	Thou	
<b>I. Charge-offs and Recoveries on Loans and Leases (Fully Consolidated)</b>							
1. Loans secured by real estate:							
a. Construction, land development, and other land loans in domestic offices:							
(1) 1-4 family residential construction loans.....	C891	3,804		C892		0	1.a.(1)
(2) Other construction loans and all land development and other land loans.....	C893	9,903		C894		15	1.a.(2)
b. Secured by farmland in domestic offices.....	3584	0		3585		104	1.b.
c. Secured by 1-4 family residential properties in domestic offices:							
(1) Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.....	5411	45		5412		2	1.c.(1)
(2) Closed-end loans secured by 1-4 family residential properties in domestic offices:							
(a) Secured by first liens.....	C234	296		C217		2	1.c.(2).(a)
(b) Secured by junior liens.....	C235	548		C218		331	1.c.(2).(b)
d. Secured by multifamily (5 or more) residential properties in domestic offices.....	3588	0		3589		0	1.d.
e. Secured by nonfarm nonresidential properties in in domestic offices:							
(1) Loans secured by owner-occupied nonfarm nonresidential properties.....	C895	0		C896		23	1.e.(1)
(2) Loans secured by other nonfarm nonresidential properties.....	C897	30		C898		30	1.e.(2)
f. In foreign offices.....	B512	0		B513		0	1.f.
2. Loans to depository institutions and acceptances of other banks:							
a. To U.S. banks and other U.S. depository institutions.....	4653	0		4663		0	2.a.
b. To foreign banks.....	4654	0		4664		0	2.b.
3. Loans to finance agricultural production and other loans to farmers.....	4655	0		4665		134	3.
4. Commercial and industrial loans:							
a. To U.S. addressees (domicile).....	4645	1,437		4617		1,340	4.a.
b. To non-U.S. addressees (domicile).....	4646	0		4618		0	4.b.
5. Loans to individuals for household, family, and other personal expenditures:							
a. Credit cards.....	B514	231		B515		47	5.a.
b. Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards).....	B516	1,574		B517		214	5.b.
6. Loans to foreign governments and official institutions.....	4643	0		4627		0	6.
7. All other loans.....	4644	383		4628		210	7.
8. Lease financing receivables:							
a. Leases to individuals for household, family, and other personal expenditures.....	F185	0		F187		0	8.a.
b. All other leases.....	C880	0		F188		0	8.b.
9. Total (sum of Items 1 through 8).....	4635	18,261		4605		2,452	9.

(1) Include write-downs arising from transfers to a held-for-sale account.

Schedule HI-B—Continued

MEMORANDA

1. Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule HI-B, part I, items 4 and 7 above.....
2. Loans secured by real estate to non-U.S. addressees (domicile) (included in Schedule HI-B, part I, item 1, above).....

Charge-offs <sup>1</sup> (Column A)				Recoveries (Column B)			
BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou
5409			360	5410			0
4652			0	4662			0

M.1.  
M.2.

*Memorandum item 3 is to be completed by (1) bank holding companies that, together with affiliated institutions, have outstanding credit card receivables (as defined in the institutions) that exceed \$500 million as of the report date or (2) bank holding companies (as defined in the instructions).*

3. Uncollectable retail credit card fees and finance charges reversed against income (i.e., not included in charge-offs against the allowance for loan and lease losses) .....

Dollar Amounts in Thousands

BHCK	Bil	Mil	Thou
C388			0

M.3.

II. Changes in allowance for loan and lease losses

1. Balance most recently reported at end of previous year (i.e., after adjustments from amended Reports of Income) .....
2. Recoveries (must equal Schedule HI-B, part I, item 9, column B, above) .....
3. LESS: Charge-offs (must equal Schedule HI-B, part I, item 9, column A above..... less Schedule HI-B, part II, item 4).....
4. Less: Write-downs arising from transfers of loans to a held-for-sale account.....
5. Provision for loan and lease losses (must equal Schedule HI, item 4).....
6. Adjustments (see instructions for this schedule).....
7. Balance at end of current period (sum of items 1, 2, 5, and 6, less items 3 and 4) (must equal Schedule HC, item 4.c) .....

Dollar Amounts in Thousands

BHCK	Bil	Mil	Thou
B522			46,270
bhct			
4605			2,452
C079			18,251
BHCK			
5523			0
bhct			
4230			14,976
C233			0
bhct			
3123			45,447

1.  
2.  
3.  
4.  
5.  
6.  
7.

Memoranda

1. Allocated transfer risk reserve included in Schedule HI-B, part II, item 7 .....

*Memorandum items 2 and 3 are to be completed by (1) bank holding companies that, together with affiliated institutions, have outstanding credit card receivables (as Defined in the institutions) that exceed \$500 million as of the report date or (2) bank holding companies that on a consolidated basis are credit card speciality holding companies (as defined in the instructions).*

2. Separate valuation allowance for uncollectable retail credit card fees and finance charges .....
3. Amount of allowance for uncollectable retail credit card fees and finance charges and finance charges (included in Schedule HC, item 4.c and Schedule HI-B, part II, item 7) .....

*Memorandum item 4 is to be completed by all bank holding companies.*

4. Amount of allowance for post-acquisition losses on purchased impaired loans accounted for in accordance with AICPA Statement of Position 03-3 (included in Schedule HI-B, part II, item 7, above) .....

Dollar Amounts in Thousands

BHCK	Bil	Mil	Thou
C435			0
C389			0
C390			0
C781			0

M.1.  
M.2.  
M.3.  
M.4.

(1) Include write-downs arising from transfers to a held-for-sale account.



**Notes to the Income Statement—Predecessor Financial Items**

For bank holding companies involved in a business combination(s) during the quarter, provide on the lines below income statement information for any acquired company(ies) with aggregated assets of \$10 billion or more or 5 percent of the reporting bank holding company's total consolidated assets as of the previous quarter-end, whichever is less. Information should be reported year-to-date of acquisition.

		Dollar Amounts In Thousands				
		BHBC	Bll	Mll	Thou	
1.	Total interest income.....	4107			N/A	1.
	a. Interest income on loans and leases.....	4094			N/A	1.a.
	b. Interest income on investment securities.....	4218			N/A	1.b.
2.	Total interest expense.....	4073			N/A	2.
	a. Interest expense on deposits.....	4421			N/A	2.a.
3.	Net interest income.....	4074			N/A	3.
4.	Provision for loan and lease losses.....	4230			N/A	4.
5.	Total noninterest income.....	4079			N/A	5.
	a. Income from fiduciary activities.....	4070			N/A	5.a.
	b. Trading revenue.....	A220			N/A	5.b.
	c. Investment banking, advisory, brokerage, and underwriting fees and commissions.....	B490			N/A	5.c.
	d. Venture capital revenue.....	B491			N/A	5.d.
	e. Net securitization income.....	B493			N/A	5.e.
	f. Insurance commissions and fees.....	B484			N/A	5.f.
6.	Realized gains (losses) on held-to-maturity and available-for-sale securities.....	4091			N/A	6.
7.	Total noninterest expense.....	4093			N/A	7.
	a. Salaries and employee benefits.....	4135			N/A	7.a.
	b. Goodwill impairment losses.....	C216			N/A	7.b.
8.	Income (loss) before taxes, extraordinary items, and other adjustments.....	4301			N/A	8.
9.	Applicable income taxes.....	4302			N/A	9.
10.	Minority interest.....	4484			N/A	10.
11.	Extraordinary items, net of applicable income taxes and minority interest.....	4320			N/A	11.
12.	Net income (loss).....	4340			N/A	12.
13.	Cash dividends declared.....	4475			N/A	13.
14.	Net charge-offs.....	6061			N/A	14.
15.	Net interest income (item 3 above) on a fully taxable equivalent basis.....	4519			N/A	15.

**Notes to the Income Statement—Other**

Enter in the lines provided below any additional information on specific line items on the income statement or to its schedules that the bank holding company wishes to explain, that has been separately disclosed in the bank holding company's quarterly reports to its shareholders, in its press releases, or on its quarterly reports to the Securities and Exchange Commission (SEC). Exclude any transactions that have been separately disclosed under the reporting requirements specified in memoranda items 6 through 8 to Schedule HI, the Consolidated Income Statement.

Also include any transactions which previously would have appeared as footnotes to Schedules HI through HI-B.

Each additional piece of information disclosed should include the appropriate reference to schedule and item number, as well as a description of the additional information and the dollar amount (in thousands of dollars) associated with that disclosure.

**Example**

A bank holding company has received \$1.35 million of back interest on loans and leases that are currently in nonaccrual status. The holding company's interest income for the quarter shows that increase which has been disclosed in the report to the stockholders and to the SEC. Enter on the line item below the following information:

TEXT	BHCK	Bil	Mil	Thou
0000 Sch. HI, item 1.a(1), Recognition of interest payments on nonaccrual loans to XYZ country	0000		1	350

**Notes to the Income Statement—Other**

		Dollar amount in thousands			
TEXT	BHCK	Bil	Mil	Thou	
1. Cumulative-effect adjustment resulting from the initial adoption of FAS 159, Fair Value Option					
	F465			0	1.
2. 5352					
	5352			N/A	2.
3. 5353					
	5353			N/A	3.
4. 5354					
	5354			N/A	4.
5. 5355					
	5355			N/A	5.
6. B042					
	B042			N/A	6.
7. B043					
	B043			N/A	7.
8. B044					
	B044			N/A	8.
9. B045					
	B045			N/A	9.
10. B046					
	B046			N/A	10.

Notes to the Income Statement—Other, Continued

		Dollar amount in thousands			
TEXT		BHCK	Bil	Mil	Thou
11.	B047				
		B047			N/A
12.	B048				
		B048			N/A
13.	B049				
		B049			N/A
14.	B050				
		B050			N/A
15.	B051				
		B051			N/A
16.	B052				
		B052			N/A
17.	B053				
		B053			N/A
18.	B054				
		B054			N/A
19.	B055				
		B055			N/A
20.	B056				
		B056			N/A

For Federal Reserve Bank Use Only	
C.I.	_____

W.T.B. Financial Corporation

Name of Bank Holding Company

### Consolidated Financial Statements for Bank Holding Companies

Report at the close of business September 30, 2008

#### Schedule HC—Consolidated Balance Sheet

		Dollar Amounts in Thousands				
		BHCK	Bil	Mil	Thou	
<b>ASSETS</b>						
1.	Cash and balances due from depository institutions:					
	a. Noninterest-bearing balances and currency and coin (1).....	0081		79,928		1.a.
	b. Interest-bearing balances: (2)					
	(1) In U.S. offices.....	0395		220		1.b.(1)
	(2) In foreign offices, Edge and Agreement subsidiaries, and IBFs.....	0397		0		1.b.(2)
2.	Securities :					
	a. Held-to-maturity securities (from Schedule HC-B, column A).....	1754		0		2.a.
	b. Available-for-sale securities (from Schedule HC-B, column D).....	1773		670,811		2.b.
3.	Federal funds sold and securities purchased under agreements to resell:					
	a. Federal funds sold in domestic offices.....	BHDM	B987	3,520		3.a.
	b. Securities purchased under agreements to resell (3).....	BHCK	B989	0		3.b.
4.	Loans and lease financing receivables:					
	a. Loans and leases held for sale.....	5369		4,829		4.a.
	b. Loans and leases, net of unearned income.....	B528	3,196,398			4.b.
	c. LESS: Allowance for loan and lease losses.....	3123	45,447			4.c.
	d. Loans and leases, net of unearned income and allowance for loan and lease losses (item 4.b minus items 4.c).....	B529	3,150,951			4.d.
5.	Trading assets (from Schedule HC-D).....	3545		0		5.
6.	Premises and fixed assets (including capitalized leases).....	2145		45,448		6.
7.	Other real estate owned (from Schedule HC-M).....	2150		5,795		7.
8.	Investments in unconsolidated subsidiaries and associated companies.....	2130		100		8.
9.	Not applicable					
10.	Intangible assets:					
	a. Goodwill.....	3163		0		10.a.
	b. Other intangible assets (from Schedule HC-M).....	0426		1,698		10.b.
11.	Other assets (from Schedule HC-F).....	2160		100,001		11.
12.	Total assets (sum of items 1 through 11).....	2170		4,063,301		12.

(1) Includes cash items in process of collection and unposted debits

(2) Includes time certificates of deposit not held for trading

(3) Includes all securities resale agreements in domestic and foreign offices, regardless of maturity.

**Schedule HC—Continued**

Dollar Amounts in Thousands

	BHDM	Bil	Mil	Thou	
<b>LIABILITIES</b>					
<b>13. Deposits:</b>					
a. In domestic offices (from Schedule HC-E):					
(1) Noninterest-bearing (1).....	6631		533,194		13.a.(1)
(2) Interest-bearing.....	6636		2,447,805		13.a.(2)
b. In foreign offices, Edge and Agreement subsidiaries, and IBFs:					
(1) Noninterest-bearing.....	BHFN		0		13.b.(1)
(2) Interest-bearing.....	6636		0		13.b.(2)
<b>14. Federal funds purchased and securities sold under agreements to repurchase:</b>					
a. Federal funds purchased in domestic offices (2).....					
	BHDM	B993		0	14.a.
b. Securities sold under agreements to repurchase (3).....					
	BHCK	B995		365,173	14.b.
<b>15. Trading liabilities (from Schedule HC-D).....</b>				3548	15.
<b>16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases) (from Schedule HC-M).....</b>				3190	16.
<b>17. Not applicable</b>					
<b>18. Not applicable</b>					
<b>19. a. Subordinated notes and debentures (4).....</b>					
				4062	19.a.
b. Subordinated notes payable to unconsolidated trusts issuing trust preferred securities, and trust preferred securities issued by consolidated special purpose entities.....					
				6999	19.b.
<b>20. Other liabilities (from Schedule HC-G).....</b>				2750	20.
<b>21. Total liabilities (sum of items 13 through 20).....</b>				2948	21.
				3,732,723	
<b>22. Minority interest in consolidated subsidiaries and similar items.....</b>				3000	22.
<b>EQUITY CAPITAL</b>					
<b>23. Perpetual preferred stock and related surplus.....</b>				3283	23.
				0	
<b>24. Common stock (par value).....</b>				3230	24.
				5,000	
<b>25. Surplus (exclude all surplus related to preferred stock).....</b>				3240	25.
				32,665	
<b>26. a. Retained earnings.....</b>					
				3247	26.a.
				334,556	
b. Accumulated other comprehensive income (5).....					
				B530	26.b.
				(17,663)	
<b>27. Other equity capital components (6).....</b>				A130	27.
				(23,980)	
<b>28. TOTAL EQUITY CAPITAL (sum of items 23 through 27).....</b>				3210	28.
				330,578	
<b>29. Total liabilities, minority interest, and equity capital (sum of items 21, 22 and 28).....</b>				3300	29.
				4,063,301	

**MEMORANDA (to be completed annually by bank holding companies for the December 31 report date)**

1. Has the bank holding company engaged in a full-scope independent external audit at any time during the calendar year? (Enter "1" for yes, enter "0" for no) ..... BHCK C884 N/A M.1
2. If response to Memoranda item 1 is yes, indicate below the name and address of the bank holding company's independent external auditing firm (see instructions), and the name and e-mail address of the auditing firm's engagement partner.(7)

a. N/A  
 Name of External Auditing Firm (TEXT C703)  
 N/A  
 City (TEXT C708)  
 N/A  
 State Abbrev. (TEXT C714) N/A Zip Code (TEXT C715)

b. N/A  
 Name of Engagement Partner (TEXT C704)  
 N/A  
 E-mail Address (TEXT C705)

- (1) Includes total demand deposits and noninterest-bearing time and savings deposits.  
 (2) Report overnight Federal Home Loan Bank advances in Schedule HC, Item 16, "Other borrowed money."  
 (3) Includes all securities repurchase agreements in domestic and foreign offices regardless of maturity.  
 (4) Includes limited-life preferred stock and related surplus.  
 (5) Includes net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, cumulative foreign currency translation adjustments, and minimum pension liability adjustments.  
 (6) Includes treasury stock and unearned Employee Stock Ownership Plan shares.  
 (7) The Federal Reserve regards information submitted in response to Memorandum item 2.b. as confidential.

**Schedule HC-B — Securities**

Dollar Amounts in Thousands

	Held-to-Maturity								Available-for-Sale							
	(Column A) Amortized Cost				(Column B) Fair Value				(Column C) Amortized Cost				(Column D) Fair Value			
	BHCK	Bil	Mill	Thou	BHCK	Bil	Mill	Thou	BHCK	Bil	Mill	Thou	BHCK	Bil	Mill	Thou
1. U.S. Treasury securities.....	0211		0		0213		0		1286		10,967		1287		10,986	1.
2. U.S. government agency obligations (exclude mortgage-backed securities):																
a. Issued by U.S. government agencies (1).....	1289		0		1290		0		1291		0		1293		0	2.a.
b. Issued by U.S. government- sponsored agencies (2).....	1294		0		1295		0		1297		9,999		1298		9,997	2.b.
3. Securities issued by states and political subdivisions in the U.S.....	8496		0		8497		0		8498		74,772		8499		75,575	3.
4. Mortgage-backed securities (MBS)																
a. Pass-through securities:																
(1) Guaranteed by GNMA.....	1698		0		1699		0		1701		0		1702		0	4.a.(1)
(2) Issued by FNMA and FHLMC	1703		0		1705		0		1706		3,759		1707		3,726	4.a.(2)
(3) Other pass-through securities	1709		0		1710		0		1711		0		1713		0	4.a.(3)
b. Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS):																
(1) Issued or guaranteed by FNMA, FHLMC, or GNMA.....	1714		0		1715		0		1716		422,945		1717		426,822	4.b.(1)
(2) Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA.....	1718		0		1719		0		1731		0		1732		0	4.b.(2)
(3) All other mortgage-backed securities.....	1733		0		1734		0		1735		163,217		1736		143,705	4.b.(3)
5. Asset-backed securities (ABS).....	C026		0		C988		0		C989		0		C027		0	5.
6. Other debt securities:																
a. Other domestic debt securities....	1737		0		1738		0		1739		0		1741		0	6.a.
b. Foreign debt securities.....	1742		0		1743		0		1744		0		1746		0	6.b.

(1) Includes Small Business Administration "Guaranteed Loan Pool Certificates," U.S. Maritime Administration obligations, and Export-Import Bank Participation certificates.

(2) Includes obligations (other than mortgage-backed securities) issued by the Farm Credit System, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Financing Corporation, Resolution Funding Corporation, the Student Loan Marketing Association, and the Tennessee Valley Authority.

Schedule HC-B — Continued

Dollar Amounts in Thousands	Held-to-Maturity								Available-for-sale							
	(Column A)				(Column B)				(Column C)				(Column D)			
	Amortized Cost				Fair Value				Amortized Cost				Fair Value			
	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou
7. Investments in mutual funds and other equity securities with readily determinable fair values.....									A510		0		A511		0	
8. Total (sum of 1 through 7) (total of column A must equal Schedule HC, item 2.a) (total of column D must equal Schedule HC, item 2.b) .....	bhct				bhct				1754		0		1772		685,659	
									1773				1773		670,811	

Memoranda

	BHCK	Bil	Mil	Thou	
1. Pledged securities (1).....	0416		504,607		M.1.
2. Remaining maturity or next repricing date of debt securities (2)(3)(Schedule HC-B, items 1 through 6.b in					
a. 1 year and less.....	0383		2,075		M.2.a.
b. Over 1 year to 5 years.....	0384		20,684		M.2.b.
c. Over 5 years.....	0387		648,052		M.2.c.
3. Amortized cost of held-to-maturity securities sold or transferred to available-for-sale or trading securities during the calendar year-to-date (report the amortized cost at date of sale or transfer).....	1778		0		M.3.
4. Structured notes (included in the held-to-maturity and available-for-sale accounts in Schedule HC-B, items 2, 3, 5, and 6):					
a. Amortized cost.....	8782		0		M.4.a.
b. Fair value.....	8783		0		M.4.b.

Memorandum item 5 is to be completed by bank holding companies with total assets over \$1 billion or with foreign offices.

	Held-to-Maturity								Available-for-Sale								
	(Column A)				(Column B)				(Column C)				(Column D)				
	Amortized Cost				Fair Value				Amortized Cost				Fair Value				
	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	
5. Asset-backed securities (ABS) (sum of Memorandum items 5.a through 5.f must equal Schedule HC-B, item 5):																	
a. Credit card receivables .....	B838		0		B839		0		B840		0		B841		0		5.a.
b. Home equity lines .....	B842		0		B843		0		B844		0		B845		0		5.b.
c. Automobile loans .....	B846		0		B847		0		B848		0		B849		0		5.c.
d. Other consumer loans .....	B850		0		B851		0		B852		0		B853		0		5.d.
e. Commercial and industrial loans .....	B854		0		B855		0		B856		0		B857		0		5.e.
f. Other .....	B858		0		B859		0		B860		0		B861		0		5.f.

(1) Includes held-to-maturity securities at amortized cost and available-for-sale securities at fair value.  
 (2) Exclude investments in mutual funds and other equity securities with readily determinable fair values.  
 (3) Report fixed rate debt securities by remaining maturity and floating debt securities by next repricing date.

**Schedule HC-C — Loans and Lease Financing Receivables**

Do not deduct the allowance for loan and lease losses from amounts reported in this schedule. Report (1) loans and leases held for sale at the lower of cost or fair value, (2) loans and leases held for investment, net of unearned income, and (3) loans and leases accounted for at fair value under a fair value option. Exclude assets held for trading and commercial paper.

	Dollar Amounts in Thousands								
	Consolidated (Column A)				Domestic Offices (Column B)				
	BHCK	Bil	Mil	Thou	BHDM	Bil	Mil	Thou	
1. Loans secured by real estate.....	1410			2,197,689					1.
a. Construction, land development, and other land loans:					BHCK				
(1) 1-4 family residential construction loans.....					F158		83,839		1.a.(1)
(2) Other construction loans and all land development and other land loans.....					F159		626,871		1.a.(2)
b. Secured by farmland.....					BHDM				
c. Secured by 1-4 family residential properties:					1420		38,776		1.b.
(1) Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.....									
(2) All other loans secured by 1-4 family residential properties:									
(a) Secured by first liens.....					1797		334,394		1.c.(1)
(b) Secured by junior liens.....									
d. Secured by multifamily (5 or more) residential properties.....									
e. Secured by nonfarm nonresidential properties:									
(1) Loans secured by owner-occupied nonfarm nonresidential properties.....					BHCK				
(2) Loans secured by other nonfarm nonresidential properties.....					F160		343,538		1.e.(1)
2. Loans to depository institutions and acceptances of other banks.....									
a. To U.S. banks and other U.S. depository institutions.....									
b. To foreign banks.....									
3. Loans to finance agricultural production and other loans to farmers.....									
4. Commercial and industrial loans.....									
a. To U.S. addressees (domicile).....									
b. To non-U.S. addressees (domicile).....									
5. Not applicable									
6. Loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) (includes purchased paper).....									
a. Credit cards.....									
b. Other revolving credit plans.....									
c. Other consumer loans (includes single payment, installment, and all student loans).....									
7. Loans to foreign governments and official institutions (including foreign central banks).....									
8. Not applicable									
9. a. Loans for purchasing and carrying securities (secured and unsecured).....									
b. All other loans.....									
10. Lease financing receivables (net of unearned income).....									
a. Leases to individuals for household, family, and other personal expenditures (i.e., consumer leases).....									
b. All other leases.....									
11. LESS: Any unearned income on loans reflected in items 1-9 above.....									
12. Total (sum of items 1 through 10 minus item 11) (total of column A must equal Schedule HC, sum of items 4.a and 4.b).....	2122			3,201,227	2122		3,201,227		12.



Schedule HC-C—Continued

MEMORANDA

Dollar Amounts in Thousands

	BHDM	Bil	Mil	Thou	
1. Loans and leases restructured and in compliance with modified terms (included in Schedule HC-C, above and not reported as past due or nonaccrual in Schedule HC-N, memorandum item 1):					
a. Loans secured by 1-4 family residential properties in domestic offices.....	F576		0		M.1.a.
b. Other loans and all other leases (exclude loans to individuals for household, family, and other personal expenditures).....	BHCK		0		M.1.b.
2. Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule HC-C, items 4 and 9, column A, above.....	BHCK		64,868		M.2.
3. Loans secured by real estate to non-U.S. addressees (domicile) (included in Schedule HC-C, item 1, column A).....	B837		0		M.3.
<i>Memorandum item 4 is to be completed by (1) bank holding companies that, together with affiliated institutions, have outstanding credit card receivables (as defined in the instructions) that exceed \$500 million as of the report date or (2) bank holding companies that on a consolidated basis are credit card specialty holding companies (as defined in the instructions).</i>					
4. Outstanding credit card fees and finance charges (included in Schedule HC-C, item 6.a., column A).....	C391		0		M.4.
<i>Memorandum item 5 is to be completed by all bank holding companies.</i>					
5. Purchased impaired loans held for investment accounted for in accordance with AICPA Statement of Position 03-3 (exclude loans held for sale):					
a. Outstanding balance.....	C779		0		M.5.a.
b. Carrying amount included in Schedule HC-C, items 1 through 9.....	C780		0		M.5.b.
6. Closed-end loans with negative amortization features secured by 1-4 family residential properties in domestic offices:					
a. Total carrying amount of closed-end loans with negative amortization features secured by 1-4 family residential properties (included in Schedule HC-C, items 1.c.(2)(a) and (b)).....	F230		0		M.6.a.
<i>Memorandum items 6.b and 6.c are to be completed by bank holding companies that had closed-end loans with negative amortization features secured by 1-4 family residential properties (as reported in Schedule HC-C, Memorandum item 6.a) as of December 31, 2007, that exceeded the lesser of \$100 million or 5 percent of total loans and leases, net of unearned income in domestic offices (as reported in Schedule HC-C, item 12, column B).</i>					
b. Total maximum remaining amount of negative amortization contractually permitted on closed-end loans secured by 1-4 family residential properties.....	F231		0		M.6.b.
c. Total amount of negative amortization on closed-end loans secured by 1-4 family residential properties included in the carrying amount reported in Memorandum item 6.a above.....	F232		0		M.6.c.
7. Not applicable					
8. Not applicable					
9. Loans secured by 1-4 family residential properties in domestic offices in process of foreclosure (included in Schedule HC-C, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b)).....	BHDM		606		M.9.

Schedule HC-C—Continued

MEMORANDA (continued)

Memorandum items 10 and 11 are to be completed by bank holding companies that have elected to measure loans included in Schedule HC-C, items 1 through 9, at fair value under a fair value option.

	Dollar Amounts in Thousands								
	Consolidated (Column A)			Domestic Offices (Column B)					
	BHCK	Bil	Mil	Thou	BHDM	Bil	Mil	Thou	
10. Loans measured at fair value:									
a. Loans secured by real estate.....	F608			0				M.10.a.	
(1) Construction, land development, and other land loans.....					F578			0	M.10.a.(1)
(2) Secured by farmland (including farm residential and other improvements).....					F579			0	M.10.a.(2)
(3) Secured by 1-4 family residential properties:									
(a) Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.....					F580			0	M.10.a.(3)(a)
(b) Closed-end loans secured by 1-4 family residential properties:									
(i) Secured by first liens.....					F581			0	M.10.a.(3)(b)(i)
(ii) Secured by junior liens.....					F582			0	M.10.a.(3)(b)(ii)
(4) Secured by multifamily (5 or more) residential properties.....					F583			0	M.10.a.(4)
(5) Secured by nonfarm nonresidential properties.....					F584			0	M.10.a.(5)
b. Commercial and industrial loans.....	F585			0	F585			0	M.10.b.
c. Loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) (includes purchased paper):									
(1) Credit cards.....	F586			0	F586			0	M.10.c.(1)
(2) Other revolving credit plans.....	F587			0	F587			0	M.10.c.(2)
(3) Other consumer loans (includes single payment, installment, and all student loans).....	F588			0	F588			0	M.10.c.(3)
d. Other loans.....	F589			0	F589			0	M.10.d.
11. Unpaid principal balances of loans measured at fair value (reported in memorandum item 10):									
a. Loans secured by real estate.....	F609			0					M.11.a.
(1) Construction, land development, and other land loans.....					F590			0	M.11.a.(1)
(2) Secured by farmland (including farm residential and other improvements).....					F591			0	M.11.a.(2)
(3) Secured by 1-4 family residential properties:									
(a) Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.....					F592			0	M.11.a.(3)(a)
(b) Closed-end loans secured by 1-4 family residential properties:									
(i) Secured by first liens.....					F593			0	M.11.a.(3)(b)(i)
(ii) Secured by junior liens.....					F594			0	M.11.a.(3)(b)(ii)
(4) Secured by multifamily (5 or more) residential properties.....					F595			0	M.11.a.(4)
(5) Secured by nonfarm nonresidential properties.....					F596			0	M.11.a.(5)
b. Commercial and industrial loans.....	F597			0	F597			0	M.11.b.
c. Loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) (includes purchased paper):									
(1) Credit cards.....	F598			0	F598			0	M.11.c.(1)
(2) Other revolving credit plans.....	F599			0	F599			0	M.11.c.(2)
(3) Other consumer loans (includes single payment, installment, and all student loans).....	F600			0	F600			0	M.11.c.(3)
d. Other loans.....	F601			0	F601			0	M.11.d.

**Schedule HC-D—Trading Assets and Liabilities**

Schedule HC-D is to be completed by bank holding companies that reported average trading assets (Schedule HC-K, Item 4.a) of \$2 million or more in any of the four preceding quarters.

	Dollar Amounts In Thousands								
	Consolidated (Column A)				Domestic Offices (Column B)				
	BHCM	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	
<b>ASSETS</b>									
1. U.S. Treasury securities.....	3531			0	3531			0	1.
2. U.S. government agency obligations (exclude mortgage-backed securities).....	3532			0	3532			0	2.
3. Securities issued by states and political subdivisions in the U.S.....	3533			0	3533			0	3.
4. Mortgage-backed securities (MBS):									
a. Pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA.....	3534			0	3534			0	4.a.
b. Other mortgage-backed securities issued or guaranteed by FNMA, FHLMC, or GNMA (include CMOs, REMICs, and stripped MBS).....	3535			0	3535			0	4.b.
c. All other mortgage-backed securities.....	3536			0	3536			0	4.c.
5. Other debt securities.....	3537			0	3537			0	5.
6. Loans:	BHCK								
a. Loans secured by real estate.....	F610			0					6.a.
(1) Construction, land development, and other land loans.....					BHDM				
(2) Secured by farmland (including farm residential and other improvements).....					F604			0	6.a.(1)
(3) Secured by 1-4 family residential properties:					F605			0	6.a.(2)
(a) Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.....					F606			0	6.a.(3)(a)
(b) Closed-end loans secured by 1-4 family residential properties:									
(i) Secured by first liens.....					F607			0	6.a.(3)(b)(i)
(ii) Secured by junior liens.....					F611			0	6.a.(3)(b)(ii)
(4) Secured by multifamily (5 or more) residential properties.....					F612			0	6.a.(4)
(5) Secured by nonfarm nonresidential properties.....					F613			0	6.a.(5)
b. Commercial and industrial loans.....	F614			0	F614			0	8.b.
c. Loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) (includes purchased paper):									
(1) Credit cards.....	F615			0	F615			0	6.c.(1)
(2) Other revolving credit plans.....	F616			0	F616			0	6.c.(2)
(3) Other consumer loans (includes single payment, installment, and all student loans).....	F617			0	F617			0	6.c.(3)
d. Other loans.....	F618			0	F618			0	6.d.
7. Not applicable									
8. Not applicable	BHCM				BHCK				
9. Other trading assets.....	3541			0	3541			0	9.
10. Not applicable									
11. Derivatives with a positive fair value.....	3543			0	3543			0	11.
12. Total trading assets (sum of items 1 through 11) (total of column A must equal Schedule HC, item 5).....	bhct				BHDM				
	3545			0	3545			0	12.
<b>LIABILITIES</b>									
13. a. Liabilities for short positions.....	BHCK								
b. All other trading liabilities.....	3546			0	3546			0	13.a.
	F624			0	F624			0	13.b.
14. Derivatives with a negative fair value.....	3547			0	3547			0	14.
15. Total trading liabilities (sum of items 13.a through 14) (total of column A must equal Schedule HC, item 15).....	bhct								
	3548			0	3548			0	15.

Schedule HC-D—Continued

MEMORANDA

		Dollar Amounts in Thousands					
		Consolidated (Column A)			Domestic Offices (Column B)		
		BHCK	Bil	Thou	BHDM	Bil	Thou
1. Unpaid principal balance of loans measured at fair value (reported in Schedule HC-D, items 6.a through 6.d.)							
a.	Loans secured by real estate.....	F790		0			M.1.a.
	(1) Construction, land development, and other land loans.....				F625		0 M.1.a.(1)
	(2) Secured by farmland (including farm residential and other improvements).....				F626		0 M.1.a.(2)
	(3) Secured by 1-4 family residential properties:						
	(a) Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.....				F627		0 M.1.a.(3)(a)
	(b) Closed-end loans secured by 1-4 family residential properties:						
	(i) Secured by first liens.....				F628		0 M.1.a.(3)(b)(i)
	(ii) Secured by junior liens.....				F629		0 M.1.a.(3)(b)(ii)
	(4) Secured by multifamily (5 or more) residential properties.....				F630		0 M.1.a.(4)
	(5) Secured by nonfarm nonresidential properties.....				F631		0 M.1.a.(5)
b.	Commercial and industrial loans.....	F632		0	F632		0 M.1.b.
c. Loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) (includes purchased paper):							
	(1) Credit cards.....	F633		0	F633		0 M.1.c.(1)
	(2) Other revolving credit plans.....	F634		0	F634		0 M.1.c.(2)
	(3) Other consumer loans (includes single payment, installment, and all student loans).....	F635		0	F635		0 M.1.c.(3)
d.	Other loans.....	F636		0	F636		0 M.1.d.
2. Not applicable							
3. Loans measured at fair value that are past due 90 days or more:							
a.	Fair value.....	F639		0	F639		0 M.3.a.
b.	Unpaid principal balance.....	F640		0	F640		0 M.3.b.

		Dollar Amounts in Thousands			
		BHCK	Bil	Mil	Thou
<i>Memoranda items 4 through 10 are to be completed by bank holding companies that reported average trading assets (Schedule HC-K, item 4.a.) of \$1 billion or more in any of the four preceding quarters.</i>					
4. Asset-backed securities:					
a.	Residential mortgage-backed securities.....	F641			0 M.4.a.
b.	Commercial mortgage-backed securities.....	F642			0 M.4.b.
c.	Credit card receivables.....	F643			0 M.4.c.
d.	Home equity lines.....	F644			0 M.4.d.
e.	Automobile loans.....	F645			0 M.4.e.
f.	Other consumer loans.....	F646			0 M.4.f.
g.	Commercial and industrial loans.....	F647			0 M.4.g.
h.	Other.....	F648			0 M.4.h.

**Schedule HC-D—Continued**

MEMORANDA (continued)

		Dollar Amounts in Thousands				
		BHCK	Bil	Mil	Thou	
5.	Collateralized debt obligations:					
a.	Synthetic.....	F649		0		M.5.a.
b.	Other.....	F650		0		M.5.b.
6.	Retained beneficial interests in securitizations (first-loss or equity tranches)	F651		0		M.6.
7.	Equity securities:					
a.	Readily determinable fair values.....	F652		0		M.7.a.
b.	Other.....	F653		0		M.7.b.
8.	Loans pending securitization	F654		0		M.8.
9.	Other trading assets (itemize and describe amounts included in Schedule HC-D, item 9 that are greater than \$25,000 and exceed 25% of the item)					
a.	BHTX					
	F655	F655		0		M.9.a.
b.	BHTX					
	F656	F656		0		M.9.b.
c.	BHTX					
	F657	F657		0		M.9.c.
10.	Other trading liabilities (itemize and describe amounts included in Schedule HC-D, item 13 that are greater than \$25,000 and exceed 25% of the item)					
a.	BHTX					
	F658	F658		0		M.10.a.
b.	BHTX					
	F659	F659		0		M.10.b.
c.	BHTX					
	F660	F660		0		M.10.c.

**Schedule HC-E—Deposit Liabilities <sup>(1)</sup>**

		Dollar Amounts in Thousands				
		BHCB	Bil	Mil	Thou	
1.	Deposits held in domestic offices of commercial bank subsidiaries of the reporting bank holding company:					
a.	Demand deposits.....	2210		246,503		1.a.
b.	NOW, ATS, and other transaction accounts.....	3187		40,716		1.b.
c.	Money market deposit accounts and other savings accounts.....	2389		1,522,687		1.c.
d.	Time deposits of less than \$100,000.....	6648		591,680		1.d.
e.	Time deposits of \$100,000 or more.....	2804		579,413		1.e.
2.	Deposits held in domestic offices of other depository institutions that are subsidiaries of the reporting bank holding company:					
a.	Noninterest-bearing balances.....	BHOD		0		2.a.
		3189		0		
b.	NOW, ATS, and other transaction accounts.....	3187		0		2.b.
c.	Money market deposit accounts and other savings accounts.....	2389		0		2.c.
d.	Time deposits of less than \$100,000.....	6648		0		2.d.
e.	Time deposits of \$100,000 or more.....	2604		0		2.e.

MEMORANDA

		BHDM	Bil	Mil	Thou	
1.	Brokered deposits less than \$100,000 with a remaining maturity of one year or less.....	A243		177,014		M.1.
2.	Brokered deposits less than \$100,000 with a remaining maturity of more than one year.....	A164		22,608		M.2.
3.	Time deposits of \$100,000 or more with a remaining maturity of one year or less.....	A242		514,567		M.3.
		BHFN				
4.	Foreign office time deposits with a remaining maturity of one year or less.....	A245		0		M.4.

(1) The sum of items 1.a through 1.e and items 2.a through 2.e must equal the sum of Schedule HC, items 13.a.(1) and 13.a.(2).

**Schedule HC-F—Other Assets**

		Dollar Amounts in Thousands				
		BHCK	Bil	Mil	Thou	
1.	Accrued interest receivable(1).....	B556		17,396		1.
2.	Net deferred tax assets (2).....	2148		26,516		2.
3.	Interest-only strips receivable (not in the form of a security) (3) on:					
	a. Mortgage loans.....	A519		0		3.a.
	b. Other financial assets.....	A520		0		3.b.
4.	Equity securities that DO NOT have readily determinable fair values (4).....	1752		15,240		4.
5.	Life insurance assets.....	C009		24,335		5.
6.	Other.....	2188		16,514		6.
		bhct				
7.	Total (sum of items 1 through 6) (must equal Schedule HC, item 11).....	2180		100,001		7.

- (1) Include accrued interest receivable on loans, losses, debt securities, and other interest-bearing assets.  
 (2) See discussion of deferred income taxes in Glossary entry on "income taxes."  
 (3) Report interest-only strips receivable in the form of a security as available-for-sale securities in Schedule HC, item 2.b, or as trading assets in Schedule HC, item 5, as appropriate.  
 (4) Include Federal Reserve stock, Federal Home Loan Bank stock, and bankers' bank stock.

**Schedule HC-G—Other Liabilities**

		Dollar Amounts in Thousands				
		BHCK	Bil	Mil	Thou	
1.	Not applicable					
2.	Net deferred tax liabilities (1).....	3049		0		2.
3.	Allowance for credit losses on off-balance sheet credit exposures.....	B557		1,000		3.
4.	Other.....	B984		45,370		4.
		bhct				
5.	Total (sum of items 2 through 4) (must equal Schedule HC, item 20).....	2750		46,370		5.

- (1) See discussion of deferred income taxes in Glossary entry on "income taxes."

**Schedule HC-H—Interest Sensitivity (1)**

		Dollar Amounts in Thousands				
		BHCK	Bil	Mil	Thou	
1.	Earning assets that are repriceable within one year or mature within one year.....	3197		2,022,075		1.
2.	Interest-bearing deposit liabilities that reprice within one year or mature within one year included in item 13.a.(2) and 13.b.(2) on Schedule HC, Balance Sheet.....	3296		980,976		2.
3.	Long-term debt with a remaining maturity of more than one year but reprices within one year included in items 16 and 19.a on Schedule HC, Balance Sheet.....	3298		0		3.
4.	Variable rate preferred stock (includes both limited-life and perpetual preferred stock).....	3408		0		4.
5.	Long-term debt reported in Schedule HC, item 19.a on the Balance Sheet that is scheduled to mature within one year.....	3409		0		5.

- (1) Bank holding companies with foreign offices have the option of excluding the smallest of such non-U.S. offices from coverage in this schedule. Such bank holding companies may omit the smallest of their offices in foreign countries when arrayed by total assets provided that the assets of the excluded offices do not exceed 50 percent of the total assets of the holding company's assets in foreign countries and 10 percent of the holding company's total consolidated assets as of the report date.

**Schedule HC-I—Insurance-Related Underwriting Activities (including reinsurance)**

**Part I. Property and Casualty Underwriting**

Schedule HC-I must be completed by all top-tier bank holding companies.  
(See instructions for additional information.)

		Dollar Amounts in Thousands				
ASSETS		BHCK	Bil	Mil	Thou	
1.	Reinsurance recoverables.....	B988			0	1.
2.	Total assets.....	C244			0	2.
LIABILITIES						
3.	Claims and claims adjustment expense reserves.....	B990			0	3.
4.	Unearned premiums.....	B991			0	4.
5.	Total equity.....	C245			0	5.
6.	Net Income.....	C246			0	6.

**Part II. Life and Health Underwriting**

		Dollar Amounts in Thousands				
ASSETS		BHCK	Bil	Mil	Thou	
1.	Reinsurance recoverables.....	C247			0	1.
2.	Separate account assets.....	B992			0	2.
3.	Total assets.....	C248			0	3.
LIABILITIES						
4.	Policy holder benefits and contract holder funds.....	B994			0	4.
5.	Separate account liabilities.....	B996			0	5.
6.	Total equity.....	C249			0	6.
7.	Net income.....	C250			0	7.

**Schedule HC-K—Quarterly Averages**

		Dollar Amounts in Thousands				
ASSETS		BHCK	Bil	Mil	Thou	
1.	Securities.....	3515		649,914		1.
2.	Federal funds sold and securities purchased under agreements to resell.....	3365		2,311		2.
3.	Loans and leases.....	3516		3,146,941		3.
	a. Loans secured by 1-4 family residential properties in domestic offices.....	BHDM		663,492		3.a.
	b. All other loans secured by real estate in domestic offices.....	3466		1,488,385		3.b.
	c. All other loans in domestic offices.....	F724		995,064		3.c.
4.	a. Trading assets.....	3401		0		4.a.
	b. Other earning assets.....	B985		15,768		4.b.
5.	Total consolidated assets.....	3366		3,972,664		5.
LIABILITIES						
6.	Interest-bearing deposits (domestic).....	3517		2,641,328		6.
7.	Interest-bearing deposits (foreign).....	3404		0		7.
8.	Federal funds purchased and securities sold under agreements to repurchase.....	3353		368,281		8.
9.	All other borrowed money.....	2635		339,832		9.
10.	Not applicable					
EQUITY CAPITAL						
11.	Equity capital (excludes limited-life preferred stock).....	3519		340,129		11.

For Federal Reserve Bank Use  
Only  
C.I. | |

(Report only transactions with nonrelated institutions)  
Schedule HC-L—Derivatives and Off-Balance-Sheet Items

		Dollar Amounts in Thousands				
		BHCK	Bil	Mil	Thou	
1.	Unused commitments (report only the unused portions of commitments that are fee paid or otherwise legally binding):					
	a. Revolving, open-end loans secured by 1-4 family residential properties, e.g., home equity lines .....	3814		231,265		1.a.
	b. Credit card lines .....	3815		81,636		1.b.
	c. (1) Commitments to fund commercial real estate, construction, and land development loans secured by real estate (sum of items 1.c.(1)(a) and (b) must equal item 1.c.(1)).....	3816		244,381		1.c.(1)
	(a) 1-4 family residential construction loan commitments.....	F164		62,804		1.c.(1)(a)
	(b) Commercial real estate, other construction loan, and land development loan commitments.....	F165		181,577		1.c.(1)(b)
	(2) Commitments to fund commercial real estate, construction, and land development loans NOT secured by real estate.....	6550		31,147		1.c.(2)
	d. Securities underwriting .....	3817		0		1.d.
	e. Other unused commitments .....	3818		736,115		1.e.
2.	Financial standby letters of credit and foreign office guarantees .....	6566		61,063		2.
	a. Amount of financial standby letters of credit conveyed to others .....	3820		0		2.a.
3.	Performance standby letters of credit and foreign office guarantees .....	6570		42,391		3.
	a. Amount of performance standby letters of credit conveyed to others .....	3822		0		3.a.
4.	Commercial and similar letters of credit .....	3411		894		4.
5.	Not applicable					
6.	Securities lent .....	3433		0		6.

	Guarantor (Column A)				Beneficiary (Column B)				
	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	
7. Credit derivatives:									
a. Notional amounts:									
(1) Credit default swaps.....	C968		0		C969		0		7.a.(1)
(2) Total return swaps.....	C970		0		C971		0		7.a.(2)
(3) Credit options.....	C972		0		C973		0		7.a.(3)
(4) Other credit derivatives.....	C974		0		C975		0		7.a.(4)
b. Gross fair values:									
(1) Gross positive fair value.....	C219		0		C221		0		7.b.(1)
(2) Gross negative fair value.....	C220		0		C222		0		7.b.(2)

		Dollar Amounts in Thousands				
		BHCK	Bil	Mil	Thou	
8.	Spot foreign exchange contracts	6765			0	8.
9.	All other off-balance-sheet items (exclude derivatives)(include in item 9 the aggregate amount of all other off-balance sheet items that individually exceed 10% of Schedule HC, item 28, "Total equity capital") (itemize and describe in items 9.a through 9.g only amounts that exceed 25% of Schedule HC, item 28)					
	a. Securities borrowed.....	3430			0	9.
	b. Commitments to purchase when-issued securities.....	3432			0	9.a.
	c. Commitments to sell when-issued securities.....	3434			0	9.b.
		3435			0	9.c.
d.	TEXT					
	6561	6561			0	9.d.
e.	TEXT					
	6562	6562			0	9.e.
f.	TEXT					
	6568	6568			0	9.f.
g.	TEXT					
	6586	6586			0	9.g.
10.	Not applicable					



Schedule HC-L—Continued

Dollar Amounts in Thousands

Derivatives Position Indicators	(Column A) Interest Rate Contracts				(Column B) Foreign Exchange Contracts				(Column C) Equity Derivative Contracts				(Column D) Commodity and Other Contracts				
	Tril	Bil	Mil	Thou	Tril	Bil	Mil	Thou	Tril	Bil	Mil	Thou	Tril	Bil	Mil	Thou	
11. Gross amounts (e.g., notional amounts (for each column, sum of items 11.a through 11.e must equal the sum of items 12 and 13):																	
a. Futures contracts .....	0				0				0				0				11.a.
	BHCK 8693				BHCK 8694				BHCK 8695				BHCK 8696				
b. Forward contracts .....	1,703				0				0				0				11.b.
	BHCK 8697				BHCK 8698				BHCK 8699				BHCK 8700				
c. Exchange-traded option contracts:																	
(1) Written options .....	0				0				0				0				11.c.(1)
	BHCK 8701				BHCK 8702				BHCK 8703				BHCK 8704				
(2) Purchased options .....	0				0				0				0				11.c.(2)
	BHCK 8705				BHCK 8706				BHCK 8707				BHCK 8708				
d. Over-the-counter option contracts:																	
(1) Written options .....	1,413				0				0				0				11.d.(1)
	BHCK 8709				BHCK 8710				BHCK 8711				BHCK 8712				
(2) Purchased options .....	0				0				0				0				11.d.(2)
	BHCK 8713				BHCK 8714				BHCK 8715				BHCK 8716				
e. Swaps .....	43,374				0				0				0				11.e.
	BHCK 3450				BHCK 3826				BHCK 8719				BHCK 8720				
12. Total gross amount of derivative contracts held for trading .....	0				0				0				0				12.
	BHCK A128				BHCK A127				BHCK 8723				BHCK 8724				
13. Total gross amount of derivative contracts held for purposes other than trading .....	46,490				0				0				0				13.
	BHCK 8725				BHCK 8726				BHCK 8727				BHCK 8728				
14. Gross fair values of derivative contracts:																	
a. Contracts held for trading:																	
(1) Gross positive fair value .....	0				0				0				0				14.a.(1)
	BHCK 8733				BHCK 8734				BHCK 8735				BHCK 8736				
(2) Gross negative fair value .....	0				0				0				0				14.a.(2)
	BHCK 8737				BHCK 8738				BHCK 8739				BHCK 8740				
b. Contracts held for purposes other than trading:																	
(1) Gross positive fair value .....	18				0				0				0				14.b.(1)
	BHCK 8741				BHCK 8742				BHCK 8743				BHCK 8744				
(2) Gross negative fair value .....	1,150				0				0				0				14.b.(2)
	BHCK 8745				BHCK 8748				BHCK 8747				BHCK 8748				

Schedule HC-M—Memoranda

		Dollar Amounts in Thousands					
		NUMBER (UNROUNDED)	BHCK	Bil	Mil	Thou	
1.	Total number of bank holding company common shares outstanding.....	3459				2,317,851	1.
2.	Debt maturing in one year or less (included in Schedule HC, items 16 and 19.a) that is issued to unrelated third parties by bank subsidiaries.....		6555			230,181	2.
3.	Debt maturing in more than one year (included in Schedule HC, items 16 and 19.a) that is issued to unrelated third parties by bank subsidiaries.....		6556			110,000	3.
4.	Other assets acquired in satisfaction of debts previously contracted.....		6557			0	4.
5.	Securities purchased under agreements to reselln offset against securities sold under agreements to repurchase on Schedule HC.....		A288			0	5.
6.	Investments in real estate (to be reported only by bank holding companies authorized by the Federal Reserve to have real estate investments).....		3656			0	6.
7.	Not applicable						
8.	Has the bank holding company entered into a business combination during the calendar year that was accounted for by the purchase method of accounting? (Enter "1" for yes; enter "0" for no).....		BHCK				
			C251			0	8.
9.	Has the bank holding company restated its financial statements during the last quarter as a result of new or revised Statemets of Financial Accounting Standards? (Enter "1" for yes; enter "0" for no).....		BHCK				
			6689			0	9.
10.	Not applicable						
11.	Have all changes in investments and activities been reported to the Federal Reserve on the Bank Holding Company Report of Changes in Organizational Structure (FR Y-10)? Bank holding companies must not leave blank or enter "N/A." The bank holding company must enter "1" for yes or for no changes to report; or enter "0" for no. If the answer to this question is no, complete the FR Y-10. ....		BHCK				
			6416			1	11.
	<b>TEXT</b> 6428 Lawrence V. Sorensen Name of bank holding company official verifying FR Y-10 reporting (Please type or print)						
						509-358-8122	
						Area Code and Phone Number (TEXT 9009)	
12.	Intangible assets other than goodwill:		BHCK	Bil	Mil	Thou	
a.	Mortgage servicing assets.....		3164			1,698	12.a.
	(1) Estimated fair value of mortgage servicing assets.....	6438				2,906	12.a.(1)
b.	Purchased credit card relationships and nonmortgage servicing assets.....		8026			0	12.b.
c.	All other identifiable intangible assets.....		5507			0	12.c.
			bhct				
d.	Total (sum of items 12.a, 12.b, and 12.c) (must equal Schedule HC, item 10.b).....		0426			1,698	12.d.
13.	Other real estate owned:		BHCK				
a.	Real estate acquired in satisfaction of debts previously contracted.....		2744			5,795	13.a.
b.	Other real estate owned.....		2745			0	13.b.
			bhct				
c.	Total (sum or items 13.a and 13.b) (must equal Schedule HC, item 7).....		2150			5,795	13.c.
14.	Other borrowed money:		BHCK				
a.	Commercial paper.....		2309			0	14.a.
b.	Other borrowed money with a remaining maturity of one year or less.....		2332			230,181	14.b.
c.	Other borrowed money with a remaining maturity of more than one year.....		2333			110,000	14.c.
			bhct				
d.	Total (sum of items 14.a, 14.b, and 14.c) (must equal Schedule HC, item 16).....		3190			340,181	14.d.
15.	Does the holding company sell private label or third party mutual funds and annuities? (Enter "1" for yes; enter "0" for no).....		BHCK				
			B569			1	15.
16.	Assets under management in proprietary mutual funds and annuities.....		BHCK	Bil	Mil	Thou	
			B570			0	16.

Schedule HC-M—Continued

The following two questions (items 17 and 18) will be used to determine if the reporting bank holding company must complete the Consolidated Bank Holding Company Report of Equity Investments in Nonfinancial Companies (FR Y-12). In most cases, these questions are only applicable to the top-tier BHC. See the line item instructions for further details.

17. Does the bank holding company hold, either directly or indirectly through a subsidiary or affiliate, any nonfinancial equity investments (see instructions for definition) within a Small Business Investment Company (SBIC) structure, or under section 4(c)(6) or 4(c)(7) of the Bank Holding Company Act, or pursuant to the the merchant banking authority of section 4(k)(4)(H) of the Bank Holding Company Act, or pursuant to the investment authority granted by Regulation K?  
(Enter "1" for yes; enter "0" for no).....
- |      |   |
|------|---|
| BHCK |   |
| C161 | 0 |
- 17.

If the answer to item 17 is no, your organization does not need to complete the FR Y-12. Skip item 18 and proceed to items 19.a and 19.b below.  
If the answer to item 17 is yes, proceed to item 18.

18. Do your aggregate nonfinancial equity investments (see instructions for definition) equal or exceed the lesser of \$100 million (on an acquisition cost basis) or 10 percent of the bank holding company's consolidated Tier 1 capital as of the report date?  
(Enter "1" for yes; enter "0" for no).....
- |      |     |
|------|-----|
| BHCK |     |
| C159 | N/A |
- 18.

If the answer to both item 17 and item 18 is yes, your organization must complete the FR Y-12.  
Skip items 19.a and 19.b and proceed to item 20 below.

If the answer to either item 17 or item 18 is no, your organization does not need to complete the FR Y-12.  
Proceed to items 19.a and 19.b below.

Items 19.a and 19.b are to be completed by all bank holding companies that are not required to file the FR Y-12.

19. a. Has the bank holding company sold or otherwise liquidated its holding of any nonfinancial equity investment since the previous reporting period?  
(Enter "1" for yes; enter "0" for no).....
- |      |   |
|------|---|
| BHCK |   |
| C700 | 0 |
- 19.a.
- b. Does the bank holding company manage any nonfinancial equity investments for the benefit of others?  
(Enter "1" for yes; enter "0" for no).....
- |      |   |
|------|---|
| BHCK |   |
| C701 | 0 |
- 19.b.

Memoranda items 20 and 21 are to be completed only by top-tier bank holding companies who have made an effective election to become a financial holding company. See the line item instructions for further details.

20. Balances of broker-dealer subsidiaries engaged in underwriting or dealing securities pursuant to Section 4(k)(4)(E) of the Bank Holding Company Act as amended by the Gramm-Leach-Bliley Act:
- | BHCK | Bil | Mil | Thou |          |
|------|-----|-----|------|----------|
|      |     |     |      |          |
| C252 |     |     | 0    | 20.a.    |
|      |     |     |      |          |
| 4832 |     |     | 0    | 20.b.(1) |
| 4833 |     |     | 0    | 20.b.(2) |
| 4834 |     |     | 0    | 20.b.(3) |
|      |     |     |      |          |
| 5041 |     |     | 0    | 20.c.(1) |
| 5043 |     |     | 0    | 20.c.(2) |
| 5045 |     |     | 0    | 20.c.(3) |
|      |     |     |      |          |
| 5047 |     |     | 0    | 20.d.    |
|      |     |     |      |          |
| C253 |     |     | 0    | 21.      |
- a. Net assets.....
- b. Balances due from related institutions:
- (1) Due from the bank holding company (parent company only), gross.....
- (2) Due from the subsidiary banks of the bank holding company, gross.....
- (3) Due from nonbank subsidiaries of the bank holding company, gross.....
- c. Balances due to related institutions:
- (1) Due to bank holding company (parent company only), gross.....
- (2) Due to subsidiary banks of the bank holding company, gross.....
- (3) Due to nonbank subsidiaries of the bank holding company, gross.....
- d. Intercompany liabilities reported in items 20.c.(1), 20.c.(2), and 20.c.(3) above that qualify as liabilities subordinated to claims of general creditors.....
21. Net assets of subsidiaries engaged in insurance or reinsurance underwriting pursuant to Section 4(k)(4)(B) of the Bank Holding Company Act as amended by the Gramm-Leach-Bliley Act.....

**Schedule HC-M—Continued**

Memoranda item 22 is to be completed by bank holding companies with total assets of \$30 billion or more.

22. Address (URL) for the reporting bank holding company's web page that displays risk disclosures, including those about credit and market risk.  
(Example: www.examplebhc.com/riskdisclosures)

TEXT  
C497 http://

22.

Memoranda item 23 is to be completed by all bank holding companies.

23. Secured liabilities:

- a. Amount of "Federal funds purchased in domestic offices" that are secured (included in Schedule HC, item 14.a).....
- b. Amount of "Other borrowings" that are secured (included in Schedule HC-M, item 14.d).....

Dollar Amounts in Thousands

BHCK	Bi	Mil	Thou	
F064			0	23.a.
F065			340,181	23.b.

9/06

Schedule HC-N—Past Due and Nonaccrual Loans, Leases, and Other Assets

	(Column A) Past due 30 through 89 days and still accruing			(Column B) Past due 90 days or more and still accruing			(Column C) Nonaccrual					
	BHCK	Bil	Mill	Thou	BHCK	Bil	Mill	Thou	BHCK	Bil	Mill	Thou
1. Loans secured by real estate:												
a. Construction, land development, and other land loans in domestic offices:												
(1) 1-4 family residential construction loans.....	F172		542	F174		0	F176		6,667	1.a.(1)		
(2) Other construction loans and all land development and other land loans.....	F173		4,485	F175		0	F177		11,808	1.a.(2)		
b. Secured by farmland in domestic offices.....	3493		0	3494		0	3495		6	1.b.		
c. Secured by 1-4 family residential properties domestic offices:												
(1) Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.....	5398		1,962	5399		459	5400		191	1.c.(1)		
(2) Closed-end loans secured by 1-4 family residential properties:												
(a) Secured by first liens.....	C236		9	C237		310	C229		53	1.c.(2).(a)		
(b) Secured by junior liens.....	C238		169	C239		36	C230		0	1.c.(2).(b)		
d. Secured by multifamily (5 or more) residential properties in domestic offices.....	3499		0	3500		86	3501		0	1.d.		
e. Secured by nonfarm non-residential properties in domestic offices:												
(1) Loans secured by owner-occupied nonfarm non-residential properties.....	F178		324	F180		0	F182		609	1.e.(1)		
(2) Loans secured by other nonfarm nonresidential properties.....	F179		26	F181		0	F183		145	1.e.(2)		
f. In foreign offices.....	B572		0	B573		0	B574		0	1.f.		

Schedule HC-N—Continued

	(Column A) Past due 30 through 89 days and still accruing			(Column B) Past due 90 days or more and still accruing			(Column C) Nonaccrual			
	BHCK	Bil	Thou	BHCK	Bil	Thou	BHCK	Bil	Thou	
	2. Loans to depository institutions and acceptances of other banks:									
a. U.S. banks and other U.S. depository institutions.....	5377		0	5378		0	5379		0	2.a.
b. Foreign banks.....	5380		0	5381		0	5382		0	2.b.
3. Loans to finance agricultural production and other loans to farmers.....	1594		0	1597		0	1583		29	3.
4. Commercial and Industrial loans.....	1606		3,747	1607		824	1608		3,219	4.
5. Loans to individuals for household, family, and other personal expenditures:										
a. Credit Cards.....	B575		197	B576		106	B577		0	5.a.
b. Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards).....	B578		317	B579		53	B580		37	5.b.
6. Loans to foreign governments and official institutions.....	5389		0	5390		0	5391		0	6.
7. All other loans.....	5459		0	5460		0	5461		0	7.
8. Lease financing receivables:										
a. Leases to individuals for household, family, and other personal expenditures.....	F166		0	F167		0	F168		0	8.a.
b. All other leases.....	F169		0	F170		0	F171		0	8.b.
9. Debt securities and other assets (exclude other real estate owned and other repossessed assets).....	3505		0	3506		0	3507		0	9.
10. TOTAL (sum of items 1 through 9).....	5524		11,768	5525		1,874	5526		22,764	10.

**Schedule HC-N—Continued**

Amounts reported in Schedule HC-N, items 1 through 8, above include guaranteed and unguaranteed portions of past due and nonaccrual loans and leases. Report in item 11 below certain guaranteed loans and leases that have already been included in the amounts reported in items 1 through 8.

	(Column A) Past due 30 through 89 days and still accruing			(Column B) Past due 90 days or more and still accruing			(Column C) Nonaccrual						
	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	
	11. Loans and leases reported in items 1 through 8 above which are wholly or partially guaranteed by the U.S. Government.....	5612			33	5613			0	5614			768
a. Guaranteed portion of loans and leases (exclude rebooked "GNMA loans") included in item 11 above.....	5615			28	5616			0	5617			579	11.a.
b. Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included in item 11 above.....	C866			0	C867			0	C868			0	11.b.

**MEMORANDA**

	(Column A) Past due 30 through 89 days and still accruing			(Column B) Past due 90 days or more and still accruing			(Column C) Nonaccrual						
	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	
	1. Restructured loans and leases included in items 1 through 8 above (and not reported in Schedule HC-C, memoranda item 1):												
a. Loans secured by 1-4 family residential properties in domestic offices.....	F661			0	F662			0	F663			0	M.1.a.
b. Other loans and all other leases (exclude loans to individuals for household, family, and other personal expenditures).....	1658			0	1659			0	1661			0	M.1.b.

Schedule HC-N—Continued

MEMORANDA (continued)

	(Column A) Past due 30 through 89 days and still accruing			(Column B) Past due 90 days or more and still accruing			(Column C) Nonaccrual						
	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	
2. Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule HC-N, items 4 and 7 above.....	6558		185		6559		0		6560		0		M.2.
3. Loans and leases included in Schedule HC-N, items 1, 2, 4, 5, 6, 7, and 8 extended to non-U.S. addressees above.....	3508		0		1912		0		1913		0		M.3.
4. Not Applicable													
5. Loans and leases held-for-sale and loans measured at fair value (included in Schedule (HC-N, items 1 through 8 above):													
a. Loans and leases held for sale.....	C240		0		C241		0		C226		0		M.5.a.
b. Loans measured at fair value:													
(1) Fair value.....	F664		0		F665		0		F666		0		M.5.b.(1)
(2) Unpaid principal balance.....	F667		0		F668		0		F669		0		M.5.b.(2)

Item 6 is to be reported only by bank holding companies with total consolidated assets of \$1 billion or more, or with \$2 billion or more in par/notional amounts of off-balance-sheet derivative contracts (as reported in Schedule HC-L, items 11.a through 11.e).

	BHCK			Bil	Mil	Thou	BHCK			Bil	Mil	Thou	
	BHCK	Bil	Mil				BHCK	Bil	Mil				Thou
6. Interest rate, foreign exchange rate, and commodity and equity contracts: Fair value of amounts carried as assets.....	3529		0		3530		0						M.6.

	BHCK			Bil	Mil	Thou	
	BHCK	Bil	Mil				Thou
7. Additions to nonaccrual assets during the quarter.....	C410		21,794				M.7.
8. Nonaccrual assets sold during the quarter.....	C411		0				M.8.



**Schedule HC-P—1-4 Family Residential Mortgage Banking Activities in Domestic Offices**

Schedule HC-P is to be completed by (1) all bank holding companies with \$1 billion or more in total assets<sup>1</sup> and (2) bank holding companies with less than \$1 billion in total assets at which either 1-4 family residential mortgage loan originations and purchases for resale<sup>2</sup> from all sources, loan sales, or quarter-end loans held for sale in domestic offices exceed \$10 million for two consecutive quarters.

		Dollar Amounts in Thousands				
		BHCK	Bit	Mil	Thou	
<b>1. Retail originations during the quarter of 1-4 family residential mortgage loans for sale:(2)</b>						
a.	Closed-end first liens.....	F066		20,297		1.a.
b.	Closed-end junior liens.....	F067		0		1.b.
c. Open-end loans extended under lines of credit:						
	(1) Total commitment under the lines of credit.....	BHDM				
	(2) Principal amount funded under the lines of credit.....	F670		0		1.c.(1)
		F671		0		1.c.(2)
<b>2. Wholesale originations and purchases during the quarter of 1-4 family residential mortgage loans for sale:(2)</b>						
a. Closed-end first liens.....						
		F068		0		2.a.
b. Closed-end junior liens.....						
		F069		0		2.b.
c. Open-end loans extended under lines of credit:						
	(1) Total commitment under the lines of credit.....	BHDM				
	(2) Principal amount funded under the lines of credit.....	F672		0		2.c.(1)
		F673		0		2.c.(2)
<b>3. 1-4 family residential mortgages sold during the quarter:</b>						
a.	Closed-end first liens.....	BHCK				
		F070		19,410		3.a.
b.	Closed-end junior liens.....	F071		0		3.b.
c. Open-end loans extended under lines of credit:						
	(1) Total commitment under the lines of credit.....	BHDM				
	(2) Principal amount funded under the lines of credit.....	F674		0		3.c.(1)
		F675		0		3.c.(2)
<b>4. 1-4 family residential mortgages held for sale at quarter-end (included in Schedule HC, item 4.a):</b>						
a.	Closed-end first liens.....	BHCK				
		F072		4,829		4.a.
b.	Closed-end junior liens.....	F073		0		4.b.
c. Open-end loans extended under lines of credit:						
	(1) Total commitment under the lines of credit.....	BHDM				
	(2) Principal amount funded under the lines of credit.....	F676		0		4.c.(1)
		F677		0		4.c.(2)
<b>5. Noninterest income for the quarter from the sale, securitization, and servicing of 1-4 family residential mortgage loans (included in Schedule HI, items 5.f, 5.g, and 5.l):</b>						
a.	Closed-end 1-4 family residential mortgage loans.....	BHCK				
		F184		198		5.a.
b.	Open-end 1-4 family residential mortgage loans extended under lines of credit.....	BHDM				
		F560		0		5.b.
<b>6. Repurchase and indemnifications of 1-4 family residential mortgage loans during the quarter.</b>						
a.	Closed-end first liens.....	F678		0		6.a.
b.	Closed-end junior liens.....	F679		0		6.b.
c. Open-end loans extended under lines of credit:						
	(1) Total commitment under the lines of credit.....	BHDM				
	(2) Principal amount funded under the lines of credit.....	F680		0		6.c.(1)
		F681		0		6.c.(2)

(1) The \$1 billion asset size test is generally based on the total assets reported as of June 30, 2007.  
(2) Exclude originations and purchases of 1-4 family residential mortgage loans that are held for investment.

Schedule HC-Q—Financial Assets and Liabilities Measured at Fair Value

Schedule HC-Q is to be completed by bank holding companies that have adopted FASB Statement No. 157, "Fair Value Measurements," and (1) have elected to account for financial instruments or servicing assets and liabilities at fair value under a fair value option or (2) are required to complete Schedule HC-D--Trading Assets and Liabilities.

Fair Value Measurements for Assets and Liabilities under a Fair Value Option and Trading Assets and Liabilities (Included in Schedule HC)																			
(Column A) Total Fair Value Reported on Schedule HC				(Column B) LESS: Amounts Netted in the Determination of Total Fair Value				(Column C) Level 1 Fair Value Measurements				(Column D) Level 2 Fair Value Measurements				(Column E) Level 3 Fair Value Measurements			
Dollar Amounts in Thousands																			
BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou
<b>ASSETS</b>																			
1.	F243		0	F682		0	F690		0	F244		0	F245		0				
2.	F246		0	F683		0	F691		0	F247		0	F248		0				
a. Nontrading securities at fair value with changes in fair value reported in current earnings (included in Schedule HC-Q, item 2, above)																			
2.a.	F240		0	F684		0	F692		0	F241		0	F242		0				
3.	F249		0	F685		0	F693		0	F250		0	F251		0				
<b>LIABILITIES</b>																			
4.	F252		0	F686		0	F694		0	F253		0	F254		0				
5.	F255		0	F687		0	F695		0	F256		0	F257		0				
6.	F258		0	F688		0	F696		0	F259		0	F260		0				
7.	F261		0	F689		0	F697		0	F262		0	F263		0				

**Schedule HC-R—Regulatory Capital**

This schedule is to be submitted on a consolidated basis.

Dollar Amounts in Thousands

**Tier 1 capital**

bhcx	Bil	Mil	Thou	
3210		330,578		1.
BHCK				
8434		(9,652)		2.
A221		0		3.
4336		(8,012)		4.
B588		0		5.
B589		0		6.a.
C502		0		6.b.
B590		0		7.a.
F264		0		7.b.
C227		348,242		8.
B591		0		9.a.
5610		0		9.b.
B592		0		10.
8274		348,242		11.

**Tier 2 capital**

5306		0		12.
B593		0		13.
5310		45,848		14.
2221		0		15.
B594		0		16.
5311		45,848		17.
8275		45,848		18.

1395		0		19.
B595		0		20.
3792		394,090		21.

**Total assets for leverage ratio**

bhct				
3368		3,972,654		22.
B590		0		23.
B591		0		24.
5610		0		25.
BHCK				
B596		4,314		26.
A224		3,968,340		27.

**Capital ratios**

BHCK	Percentage	
7204	8.78 %	31.
7206	9.48 %	32.
7205	10.73 %	33.

(1) Report amount included in Schedule HC, item 26.b, "Accumulated other comprehensive income."

(2) Includes subordinated notes payable to unconsolidated trusts issuing trust preferred securities net of the bank holding company's investment in the trust, and trust preferred securities issued by consolidated special purpose entities, that qualify as Tier 1 capital.

**Schedule HC-R—Continued**

Bank holding companies are not required to risk-weight each on-balance sheet asset and the credit equivalent amount of each off-balance sheet item that qualifies for a risk weight of less than 100 percent (50 percent for derivatives) at its lower risk weight. When completing items 34 through 54 of Schedule HC-R, each bank holding company should decide for itself how detailed a risk-weighted analysis it wishes to perform. In other words, a bank holding company can choose from among its assets and off-balance sheet items that have a risk weight of less than 100 percent which ones to risk-weight at an appropriate lower risk weight, or it can simply risk-weight some or all of these items at a 100 percent risk weight (50 percent for derivatives).

C000

	(Column A) Totals (from Schedule HC)			(Column B) Items Not Subject to Risk-Weighting			(Column C)			(Column D)			(Column E)			(Column F)							
	Allocation by Risk Weight Category																						
	0%						20%						50%						100%				
Dollar Amounts in Thousands	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou					
Balance Sheet Asset Categories	BHCE			BHC0			BHC2			BHC5			BHC8										
34. Cash and due from depository institutions (Column A equals the sum of Schedule HC, items 1.a, 1.b.(1) and 1.b.(2)).....	BHCK 0010	80,148		0			17,900			62,248						0			34.				
35. Held-to-maturity securities.....	BHCX 1754	0		0			0			0			0			0			35.				
36. Available-for-sale securities.....	BHCX 1773	670,811		(14,848)			168,937			479,431			37,291			0			36.				
37. Federal funds sold and securities purchased under agreements to resell.....	BHCK C225	3,520					0			3,520						0			37.				
38. Loans and leases held for sale.....	BHCT 5369	4,829		0			0			0			4,829			0			38.				
39. Loans and leases, net of unearned income.....	BHCT B526	3,196,398		0			0			36,027			330,533			2,829,838			39.				
40. LESS: Allowance for loan and lease losses.....	BHCX 3123	45,447		45,447															40.				
41. Trading assets.....	BHCX 3545	0		0			0			0			0			0			41.				
42. All other assets (1).....	BHCK B639	153,042		9,511			777			18,054			227			124,473			42.				
43. Total assets (sum of items 34 through 42).....	BHCT 2170	4,063,301		(50,784)			187,614			599,280			372,880			2,954,311			43.				

(1) Includes premises and fixed assets, other real estate owned, investments in unconsolidated subsidiaries and associated companies, customers' liability on acceptances outstanding, intangible assets, and other assets.

Schedule HC-R—Continued

	(Column A) Face Value or Notional Amount			Credit Conversion Factor	(Column B) Credit Equivalent Amount (1)			(Column C)			(Column D)			(Column E)			(Column F)		
	Dollar Amounts in Thousands				Bil	Mil	Thou	Allocation by Risk Weight Category											
	Bil	Mil	Thou					0%			20%			50%			100%		
	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	
<b>Derivatives and Off-Balance Sheet Items</b>	BHCK B546				BHCE			BHCO			BHC2			BHCS			BHC9		
44. Financial standby letters of credit....	61,063			1.00 or 12.5 <sup>2</sup>	61,063			0			0			0			61,063		
45. Performance standby letters of credit.....	bhct 6570																		
	42,391			.50	21,196			0			0			0			21,196		
46. Commercial and similar letters of credit.....	bhct 3411																		
	894	20			179			0			0			0			179		
47. Risk participations in bankers acceptances acquired by the reporting institution.....	BHCK 3429																		
	0			1.00	0			0			0			0			0		
48. Securities lent.....	bhct 3433																		
	0			1.00	0			0			0			0			0		
49. Retained recourse on small business obligations sold with recourse.....	bhct A250																		
	0			1.00	0			0			0			0			0		
50. Recourse and direct credit substitutes (other than financial standby letters of credit) subject to the low-level exposure rule and residual interests subject to a dollar-for-dollar capital requirement (3)	0			12.50	0												0		
51. All other financial assets sold with recourse.....	BHCK B675																		
	0			1.00	0			0			0			0			0		
52. All other off-balance sheet liabilities.....	BHCK B681																		
	0			1.00	0			0			0			0			0		
53. Unused commitments with an original maturity exceeding one year.....	BHCK 6572																		
	658,618			50	329,309			0			0			0			329,309		
54. Derivative contracts.....	BHCE A167																		
					337			253			81			3					

(1) Column A multiplied by credit conversion factor.  
 (2) For financial standby letters of credit to which the low-level exposure rule applies, use a credit conversion factor of 12.5 or an institution specific factor. For other financial standby letters of credit, use a credit conversion factor of 1.00. See instructions for further information.  
 (3) Or institution-specific factor.

Schedule HC-R—Continued

	(Column C)			(Column D)			(Column E)			(Column F)			
	Allocation by Risk Weight Category												
	0%			20%			50%			100%			
	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	
<b>Totals</b>													
55. Total assets, derivatives, and off-balance sheet items by risk weight category (for each column, sum of items 43 through 54).....	187,867			599,361			372,883			3,366,058			55.
56. Risk weight factor.....	x 0%			x 20%			x 50%			x 100%			56.
57. Risk-weighted assets by risk weight category (for each column, item 55 multiplied by item 56).....	0			119,872			186,442			3,366,058			57.
58. Market risk equivalent assets.....										BHCK 1651			58.
59. Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve (sum of item 57, columns C through F, and item 58).....										0			59.
60. LESS: Excess allowance for loan and lease losses.....										BHCK B704			60.
61. LESS: Allocated transfer risk reserve.....										3,672,372			61.
62. Total risk-weighted assets (item 59 minus items 60 and 61).....										BHCK A222			62.
										599			
										BHCK 3128			
										0			
										BHCK A223			
										3,671,773			

Dollar Amounts in Thousands

Schedule HC-R—Continued

MEMORANDA

Dollar Amounts in Thousands

BHCK	Bil	Mil	Thou
8764			18

1. Current credit exposure across all derivative contracts covered by the risk-based capital standards..... M.1.

With a remaining maturity of														
(Column A) One year or less					(Column B) Over one year through five years					(Column C) Over five years				
BHCK	Tril	Bil	Mil	Thou	BHCK	Tril	Bil	Mil	Thou	BHCK	Tril	Bil	Mil	Thou
3809		1,703			8766		33,146			8767		10,228		
3812		0			8769		0			8770		0		
8771		0			8772		0			8773		0		
8774		0			8775		0			8776		0		
8777		0			8778		0			8779		0		
A000		0			A001		0			A002		0		
C980		0			C981		0			C982		0		
C983		0			C984		0			C985		0		

2. Notional principal amounts of derivative contracts: (1)

- a. Interest rate contracts
- b. Foreign exchange contracts .....
- c. Gold contracts .....
- d. Other precious metals contracts .....
- e. Other commodity contracts .....
- f. Equity derivative contracts .....
- g. Credit derivative contracts:
  - (1) Investment grade .....
  - (2) Subinvestment grade .....

M.2.a.  
M.2.b.  
M.2.c.  
M.2.d.  
M.2.e.  
M.2.f.  
M.2.g.(1)  
M.2.g.(2)

3. Preferred stock (including related surplus) eligible for inclusion in Tier 1 capital:

- a. Noncumulative perpetual preferred stock (included and reported in "Total equity capital," on Schedule HC) .....
- b. Cumulative perpetual preferred stock (included and reported in "Total equity capital," on Schedule HC) .....
- c. Other noncumulative preferred stock eligible for inclusion in Tier 1 capital (e.g., REIT preferred securities)(included in Schedule HC, item 22)
- d. Other cumulative preferred stock eligible for inclusion in Tier 1 capital (excluding trust preferred securities) (included in Schedule HC, item 20 or 22) .....
- 4. Offsetting debit to the liability (i.e., the contra account) for Employee Stock Ownership Plan (ESOP) debt guaranteed by the reporting bank holding company (included in Schedule HC, item 27) .....
- 5. Treasury stock (including offsetting debit to the liability for ESOP debt) (included in Schedule HC, item 27):
  - a. In the form of perpetual preferred stock .....
  - b. In the form of common stock .....
- 6. Market risk equivalent assets attributable to specific risk (included in Schedule HC-R, item 58).....

BHCK	Bil	Mil	Thou
5479		0	
5990		0	
C498		0	
A507		0	
2771		0	
5483		0	
5484		23,980	
F031		0	

3.a.  
3.b.  
3.c.  
3.d.  
4.  
5.a.  
5.b.  
6.

(1) Excluding foreign exchange contracts with an original maturity of 14 days or less and all futures contracts.

**Schedule HC-5—Servicing, Securitization, and Asset Sale Activities**

C000

Dollar Amounts in Thousands

	(Column A) 1-4 Family Residential Loans			(Column B) Home Equity Lines			(Column C) Credit Card Receivables			(Column D) Auto Loans			(Column E) Other Consumer Loans			(Column F) Commercial and Industrial Loans			(Column G) All Other Loans All Leases, and All Other Assets			
	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	
<b>Securitization Activities</b>																						
1. Outstanding principal balance of assets sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements.....	BHCK B705			BHCK B706			BHCK B707			BHCK B708			BHCK B709			BHCK B710			BHCK B711			1.
	0			0			0			0			0			0			0			
2. Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to structures reported in item 1 in the form of:																						
a. Credit enhancing interest-only strips (included in HC-B, HC-D, or HC-F).....	BHCK B712			BHCK B713			BHCK B714			BHCK B715			BHCK B716			BHCK B717			BHCK B718			2.a.
	0			0			0			0			0			0			0			
b. Subordinated securities, and other residual interests.....	BHCK C393			BHCK C394			BHCK C395			BHCK C396			BHCK C397			BHCK C398			BHCK C399			2.b.
	0			0			0			0			0			0			0			
c. Standby letters of credit and other enhancements.....	BHCK C400			BHCK C401			BHCK C402			BHCK C403			BHCK C404			BHCK C405			BHCK C406			2.c.
	0			0			0			0			0			0			0			
3. Reporting institution's unused commitments to provide liquidity to structures reported in item 1.....	BHCK B726			BHCK B727			BHCK B728			BHCK B729			BHCK B730			BHCK B731			BHCK B732			3.
	0			0			0			0			0			0			0			
4. Past due loan amounts included in item 1:																						
a. 30-89 days past due.....	BHCK B733			BHCK B734			BHCK B735			BHCK B736			BHCK B737			BHCK B738			BHCK B739			4.a.
	0			0			0			0			0			0			0			
b. 90 days or more past due.....	BHCK B740			BHCK B741			BHCK B742			BHCK B743			BHCK B744			BHCK B745			BHCK B746			4.b.
	0			0			0			0			0			0			0			
5. Charge-offs and recoveries on assets sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements (calendar year-to-date)																						
a. Charge-offs.....	BHCK B747			BHCK B748			BHCK B749			BHCK B750			BHCK B751			BHCK B752			BHCK B753			5.a.
	0			0			0			0			0			0			0			
b. Recoveries.....	BHCK B754			BHCK B755			BHCK B756			BHCK B757			BHCK B758			BHCK B759			BHCK B760			5.b.
	0			0			0			0			0			0			0			



Schedule HC-S—Continued

	(Column A) 1-4 Family Residential Loans			(Column B) Home Equity Lines			(Column C) Credit Card Receivables			(Column D) Auto Loans			(Column E) Other Consumer Loans			(Column F) Commercial and Industrial Loans			(Column G) All Other Loans All Leases, and All Other Assets			
	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	Bil	Mil	Thou	
Dollar Amounts in Thousands																						
6. Amount of ownership (or seller's) interests carried as:																						
a. Securities (included in HC-B).....	BHCK B761			BHCK B762									BHCK B763									6.a.
	0			0									0									
b. Loans (included in HC-C).....	BHCK B500			BHCK B501									BHCK B502									6.b.
	0			0									0									
7. Past due loan amounts included in interests reported in item 6.a:																						
a. 30-89 days past due.....	BHCK B764			BHCK B765									BHCK B766									7.a.
	0			0									0									
b. 90 days or more past due.....	BHCK B767			BHCK B768									BHCK B769									7.b.
	0			0									0									
8. Charge-offs and recoveries on loan amounts included in interests reported in item 6.a (calendar year-to-date)																						
a. Charge-offs.....	BHCK B770			BHCK B771									BHCK B772									8.a.
	0			0									0									
b. Recoveries.....	BHCK B773			BHCK B774									BHCK B775									8.b.
	0			0									0									
<b>For Securitization Facilities Sponsored By or Otherwise Established By Other Institutions</b>																						
9. Maximum amount of credit exposure arising from credit enhancements provided by the reporting institution to other institutions' securitization structures in the form of standby letters of credit, purchased subordinated securities, and other enhancements.....	BHCK B776			BHCK B777			BHCK B778			BHCK B779			BHCK B780			BHCK B781			BHCK B782			9.
	0			0			0			0			0			0			0			
10. Reporting institution's unused commitments to provide liquidity to other institution's securitization structures.....	BHCK B783			BHCK B784			BHCK B785			BHCK B786			BHCK B787			BHCK B788			BHCK B789			10.
	0			0			0			0			0			0			0			
<b>Asset Sales</b>																						
11. Assets sold with recourse or other seller-provided credit enhancements and not securitized.....	BHCK B790			BHCK B791			BHCK B792			BHCK B793			BHCK B794			BHCK B795			BHCK B796			11.
	0			0			0			0			0			0			0			
12. Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to assets reported in item 11...	BHCK B797			BHCK B798			BHCK B799			BHCK B800			BHCK B801			BHCK B802			BHCK B803			12.
	0			0			0			0			0			0			0			

Schedule HC-S—Continued

MEMORANDA

Dollar Amounts in Thousands

	BHCK	Bil	Mil	Thou	
1. Small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994:					
a. Outstanding principal balance.....	A249		0		M.1.a.
b. Amount of retained recourse or other seller-provided credit enhancements on these obligations as of the report date.....	A250		0		M.1.b.
2. Outstanding principal balance of assets serviced for others (Includes participations serviced for others):					
a. 1-4 family residential mortgages serviced with recourse or other servicer-provided credit enhancements.....	B804		0		M.2.a.
b. 1-4 family residential mortgages serviced with no recourse or other servicer-provided credit enhancements.....	B805		372,543		M.2.b.
c. Other financial assets (1).....	A591		0		M.2.c.
d. 1-4 family residential mortgages serviced for others that are in process of foreclosure at quarter-end (include closed-end and open-end loans).....	F699		413		M.2.d.
3. Asset-backed commercial paper conduits:					
a. Maximum amount of credit exposure arising from credit enhancements provided to conduit structures in the form of standby letters of credit, subordinated securities, and other enhancements:					
(1) Conduits sponsored by the bank, a bank affiliate, or the bank holding company.....	B806		0		M.3.a.(1)
(2) Conduits sponsored by other unrelated institutions.....	B807		0		M.3.a.(2)
b. Unused commitments to provide liquidity to conduit structures:					
(1) Conduits sponsored by the bank, a bank affiliate, or the bank holding company.....	B808		0		M.3.b.(1)
(2) Conduits sponsored by other unrelated institutions.....	B809		0		M.3.b.(2)
4. Outstanding credit card fees and finance charges (included in Schedule HC-S, item 1, column C)(2).....	C407		0		M.4.

(1) Memorandum item 2.c is to be completed if the principal balance of other financial assets serviced for others is more than \$10 million.

(2) Memorandum item 4 is to be completed by (1) bank holding companies that, together with affiliated institutions, have outstanding credit card receivables (as defined in the instructions) that exceed \$500 million as of the report date or (2) bank holding companies that on a consolidated basis are credit card specialty holding companies (as defined in the instructions).

**Notes to the Balance Sheet—Predecessor Financial Items**

For bank holding companies involved in a business combination(s) during the quarter, provide on the lines below quarterly average information for any acquired company(ies) with aggregated assets of \$10 billion or more or 5 percent of the reporting bank holding company's total consolidated assets as of the previous quarter-end, whichever is less.

		Dollar Amounts in Thousands				
		BHBC	Bit	Mil	Thou	
1.	Average loans and leases (net of unearned income).....	3516			N/A	1.
2.	Average earning assets.....	3402			N/A	2.
3.	Average total consolidated assets.....	3368			N/A	3.
4.	Average equity capital.....	3519			N/A	4.

**Notes to the Balance Sheet—Other**

Enter in the lines provided below any additional information on specific line items on the balance sheet or its supporting schedules that the bank holding company wishes to explain, that has been separately disclosed in the bank holding company's quarterly reports to its shareholders, in its press releases, or on its quarterly reports to the Securities and Exchange Commission (SEC). Also include any transactions which previously would have appeared as footnotes to Schedules HC through HC-S.

Each additional piece of information disclosed should include the appropriate reference to schedule and item number, as well as a description of the additional information and the dollar amount (in thousands of dollars) associated with that disclosure.

**Example**

A bank holding company has guaranteed a new loan for its leveraged Employee Stock Ownership Plan (ESOP) for \$750 thousand and that amount has increased the bank holding company's long-term unsecured debt by a material amount. The bank holding company has disclosed that change to its stockholders and to the SEC. Enter on the line item below the following information:

TEXT	BHCK	Bit	Mil	Thou
0000 Sch. HC, item 16, New loan to holding company's ESOP guaranteed by bank holding company				
	0000			750

**Notes to the Balance Sheet—Other**

		Dollar Amount in Thousands				
		BHCK	Bit	Mil	Thou	
1.	5356					
		5356			N/A	1.
2.	5357					
		5357			N/A	2.
3.	5358					
		5358			N/A	3.
4.	5359					
		5359			N/A	4.
5.	5360					
		5360			N/A	5.
6.	B027					
		B027			N/A	6.
7.	B028					
		B028			N/A	7.
8.	B029					
		B029			N/A	8.
9.	B030					
		B030			N/A	9.
10.	B031					
		B031			N/A	10.

Notes to the Balance Sheet—Other, Continued

		Dollar Amounts in Thousands			
TEXT	BHCK	Bit	Mil	Thou	
11. B032					
	B032			N/A	11.
12. B033					
	B033			N/A	12.
13. B034					
	B034			N/A	13.
14. B035					
	B035			N/A	14.
15. B036					
	B036			N/A	15.
16. B037					
	B037			N/A	16.
17. B038					
	B038			N/A	17.
18. B039					
	B039			N/A	18.
19. B040					
	B040			N/A	19.
20. B041					
	B041			N/A	20.



Board of Governors of the Federal Reserve System

**Parent Company Only Financial Statements  
For Large Bank Holding Companies — FR Y-9LP**

Report at the close of business as of the last calendar day of the quarter

This Report is required by law: Section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844) and Section 225.5(b) of Regulation Y (12 CFR 225.5(b)).

This report form is to be filed by the parent company of large bank holding companies. For purposes of this report, large bank holding companies are bank holding companies with total consolidated assets of \$500 million or more, or bank holding companies that meet certain criteria, regardless of size.

When such bank holding companies are tiered bank holding companies, separate reports are also to be filed by each of the subsidiary bank holding companies. The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

NOTE: The Parent Company Only Financial Statements for Large Bank Holding Companies must be signed and attested by the Chief Financial Officer (CFO) of the reporting bank holding company (or by the individual performing this equivalent function).

Date of Report:  
**September 30, 2008**  
Month / Date / Year (BHCP 9999)

I, the undersigned CFO (or equivalent) of the named bank holding company, attest that the Consolidated Financial Statements for Large Bank Holding Companies for this report date have been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

**Lawrence V. Sorensen, Senior Vice President & CFO**  
Printed Name of Chief Financial Officer (or Equivalent) (BHCP C490)

**W.T.B. Financial Corporation**  
Legal Title of Bank Holding Company (TEXT 9010)

Signature of Chief Financial Officer (or Equivalent)

**P.O. Box 2127**  
Street / P.O. Box (TEXT 9110)  
(Mailing Address of the Bank Holding Company)

Date of Signature

**Spokane** **WA** **99210-2127**  
City (TEXT 9130) State (TEXT 9200) Zip Code (TEXT 9220)

Bank holding companies must maintain in their files a manually signed and attested printout of the data submitted.

Person to whom questions about this report should be directed:

**Laura Gingrich, Vice President**  
Name / Title (TEXT 8901)

**509-353-3842**  
Area Code / Phone Number (TEXT 8902)

**509-624-5746**  
FAX Number (TEXT 9116)

**lgingrich@watrust.com**  
E-mail Address of Contact (TEXT 4086)

**For Federal Reserve Bank Use Only**

RSSD ID \_\_\_\_\_  
C.I. \_\_\_\_\_ S.F. \_\_\_\_\_

Name of Bank Holding Company \_\_\_\_\_

**Parent Company Only Financial Statements  
 for Large Bank Holding Companies**

Report at the close of business September 30, 2008

Report the Income Statement on a calendar year-to-date basis.  
**Schedule PI—Parent Company Only Income Statement**

Dollar Amounts in Thousands

	BHCF	BH	Mil	Thou	
<b>1. Operating Income:</b>					
a. Income from bank subsidiaries and associated banks, excluding equity in undistributed income:					
(1) Dividends.....	0508		12,500		1.a(1)
(2) Interest.....	0512		0		1.a(2)
(3) Management and service fees.....	0515		0		1.a(3)
(4) Other.....	0518		0		1.a(4)
(5) Total (sum of items 1.a(1) through 1.a(4)).....	0520		12,500		1.a(5)
b. Income from nonbank subsidiaries and associated nonbank companies, excluding equity in undistributed income:					
(1) Dividends.....	1275		0		1.b(1)
(2) Interest.....	1276		0		1.b(2)
(3) Management and service fees.....	1277		0		1.b(3)
(4) Other.....	1278		0		1.b(4)
(5) Total (sum of items 1.b(1) through 1.b(4)).....	1279		0		1.b(5)
c. (This item is to be completed only by bank holding companies that have subsidiary bank holding companies or associated bank holding companies) Income from subsidiary bank holding companies and associated bank holding companies, excluding equity in undistributed income:					
(1) Dividends.....	0206		N/A		1.c(1)
(2) Interest.....	0207		N/A		1.c(2)
(3) Management and service fees.....	0208		N/A		1.c(3)
(4) Other.....	0209		N/A		1.c(4)
(5) Total (sum of items 1.c(1) through 1.c(4)).....	0210		N/A		1.c(5)
d. Securities gains/(losses).....	4091		0		1.d.
e. All other operating income.....	0447		386		1.e.
f. Total operating income (sum of items 1.a(5), 1.b(5), 1.c(5), 1.d, and 1.e).....	4000		12,886		1.f.
<b>2. Operating expense:</b>					
a. Salaries and employee benefits.....	4135		1,583		2.a.
b. Interest expense.....	4073		0		2.b.
c. Provisions for loan and lease losses.....	4230		0		2.c.
d. All other expenses.....	0522		1,896		2.d.
e. Total operating expense (sum of items 2.a through 2.d).....	4130		3,479		2.e.
<b>3. Income (loss) before taxes and undistributed income</b> (item 1.f minus item 2.e).....	4250		9,407		3.
<b>4. Applicable income taxes</b> .....	4302		(1,097)		4.
<b>5. Extraordinary items, net of tax effect</b> .....	4320		0		5.
<b>6. Income (loss) before undistributed income of subsidiaries and associated companies</b> (sum of item 3 and 5 minus item 4).....	0496		10,504		6.
<b>7. Equity in undistributed income (losses) of subsidiaries and associated companies:</b>					
a. Bank.....	3156		17,861		7.a.
b. Nonbank.....	3147		0		7.b.
c. Subsidiary bank holding companies.....	3513		0		7.c.
<b>8. Net Income (loss)(sum of items 6, 7.a, 7.b, and 7.c).....</b>	4340		28,365		8.

Schedule PI—Continued

MEMORANDA

Dollar Amounts in Thousands

	BHCP	Bil	Mil	Thou	
1. Noncash items included in operating expense.....	4847			1,013	M.1.
2. Loan and lease financing receivables charged-off.....	4835			0	M.2.
3. Loan and lease financing receivables recoveries.....	4605			0	M.3.
4. Interest expense paid to special-purpose subsidiaries that issued trust preferred securities (included in item 2.d above).....	C254			0	M.4.
<i>Memorandum item 5 is to be completed by bank holding companies that have elected to account for financial instruments or servicing assets and liabilities at fair value under a fair value option.</i>					
5. Net change in fair values of financial instruments accounted for under a fair value option.....	F229			N/A	M.5.



Instructions must be reviewed as this Schedule requires negative entries for certain reported items.

**Schedule PI-A — Cash Flow Statement**

**Part I. Cash Flows from Operating Activities:**

Dollar Amounts in Thousands

BHCP	Bil	Mil	Thou	
bhpa				
4340		28,365		1.
BHCP				
3611		62		2.a.
3612		0		2.b.
3613		(17,861)		2.c.
3614		0		2.d.
3615		1,300		2.e.
3616		490		2.f.
3617		1,009		2.g.
3618		(15,000)		2.h.
3619		13,365		3.

1. Net income (loss) (must equal Schedule PI, item 8).....
2. Adjustments to reconcile net income to net cash provided by operating activities:
  - a. Provision for deferred income taxes.....
  - b. (Gain) or loss on sales of assets.....
  - c. Equity in undistributed (earnings) losses of subsidiaries.....
  - d. Equity in extraordinary items of subsidiaries.....
  - e. Net change in other liabilities.....
  - f. Net change in other assets.....
  - g. Other, net.....
  - h. Total adjustments (sum of items 2.a through 2.g).....
3. Net cash provided (used) by operating activities (sum of Part I, items 1 and 2.h).....

**Part II. Cash Flows from Investing Activities:**

Dollar Amounts in Thousands

BHCP	Bil	Mil	Thou	
6552		0		1.
6567		0		2.
6571		0		3.
6573		0		4.
F737		0		5.
F817		0		6.
6588		(89)		7.
6589		(89)		8.

1. Purchases of held-to-maturity and available-for-sale securities.....
2. Sales and maturities of held-to-maturity and available-for-sale securities.....
3. Payments for investments in and advances to subsidiaries.....
4. Sale or repayment of investments in and advances to subsidiaries.....
5. Outlays for business acquisitions.....
6. Proceeds from business divestitures.....
7. Other, net.....
8. Net cash provided (used) by investing activities (sum of part II, items 2, 4, 6 and 7 minus items 1, 3 and 5).....

**Part III. Cash Flows from Financing Activities:**

Dollar Amounts in Thousands

BHCP	Bil	Mil	Thou	
F818		0		1.
6592		708		3.
6596		2,160		4.
6600		0		5.
6604		0		6.
6607		0		7.
8518		0		8.
8619		0		9.
6741		0		10.
6742		6,404		11.
6743		(6,705)		12.
6744		(14,561)		13.

1. Net change in purchased funds and other short-term borrowings.....
2. Not applicable
3. Proceeds from advances from subsidiaries.....
4. Repayment of advances from subsidiaries.....
5. Proceeds from issuance of long-term debt.....
6. Repayment of long-term debt.....
7. Proceeds from issuance of common stock.....
8. Payment to repurchase common stock.....
9. Proceeds from issuance of preferred stock.....
10. Payment to repurchase preferred stock.....
11. Dividends paid.....
12. Other, net.....
13. Net cash provided (used) by financing activities (sum of Part III, items 1, 3, 5, 7, 9, and 12 minus items 4, 6, 8, 10, and 11).....

**Part IV. Cash and Cash Equivalents:**

Dollar Amounts in Thousands

BHCP	Bil	Mil	Thou	
6758		(1,285)		1.
6773		5,145		2.
6775		3,860		3.

1. Net (decrease) increase in cash and cash equivalents (sum of Part I, item 3, Part II, item 8, and Part III, item 13).....
2. Cash and cash equivalents at beginning of year.....
3. Cash and cash equivalents, current year-to-date (sum of Part IV, items 1 and 2).....

**Schedule PC — Parent Company Only Balance Sheet**

		Dollar Amounts in Thousands				
		BHCP	Bil	Mil	Thou	
<b>ASSETS</b>						
1.	Cash and balances due from depository institutions:					
	a. Balances with subsidiary or affiliated depository institutions.....	6993		3,859		1.a.
	b. Balances with unrelated depository institutions.....	0010		0		1.b.
2.	Securities:					
	a. U.S. Treasury securities.....	0400		299		2.a.
	b. Securities of U.S. Government agencies and corporations and securities issued by states and political subdivisions.....	6791		0		2.b.
	c. Other debt and equity securities.....	1299		0		2.c.
3.	Securities purchased under agreements to resell.....	0277		0		3.
4.	Loans and lease financing receivables:					
	a. Loans: .....					
	(1) To U.S. addressees (domicile).....	0362		0		4.a(1)
	(2) To non-U.S. addressees (domicile).....	0363		0		4.a(2)
	b. LESS: Unearned income on loans.....	2123		0		4.b.
	c. Loans, net of unearned income (sum of items 4.a(1) and 4.a(2) minus item 4.b.).....	0364		0		4.c.
	d. Lease financing receivables, net of unearned income.....	2165		0		4.d.
	e. LESS: Allowance for loan and lease losses.....	3123		0		4.e.
	f. Loans and leases, net of unearned income and allowance for loan and lease losses (sum of items 4.c and 4.d minus item 4.e.).....	2125		0		4.f.
5.	Investments in and receivables due from subsidiaries and associated companies (from Schedule PC-A, item 4).....	0365		323,937		5.
6.	Premises and fixed assets (including capitalized leases).....	2145		2,932		6.
7.	Intangible assets (other than reported in item 5 above):					
	a. Goodwill.....	3163		0		7.a.
	b. Mortgage servicing assets.....	3164		0		7.b.
	c. Other identifiable intangibles.....	3165		0		7.c.
8.	Other assets.....	2160		1,634		8.
9.	Balances due from related institutions, other than investments:					
	a. Related banks.....	3602		0		9.a.
	b. Related nonbank companies.....	3603		0		9.b.
	c. Related bank holding companies.....	3604		0		9.c.
10.	TOTAL ASSETS (sum of items 1.a through 3 and 4.f through 9.c above).....	2170		332,661		10.

Schedule PC — Continued

Dollar Amounts in Thousands

LIABILITIES AND EQUITY CAPITAL	BHCP	Bil	Mil	Thou	
11. Deposits.....	2200			0	11.
12. Securities sold under agreements to repurchase.....	0279			0	12.
13. Borrowings with a remaining maturity of one year or less:					
a. Commercial paper.....	2309			0	13.a.
b. Other borrowings.....	2332			0	13.b.
14. Other borrowed money with a remaining maturity of more than one year.....	0368			0	14.
15. Not applicable					
16. Subordinated notes and debentures (1).....	4062			0	16.
17. Other liabilities.....	2930			2,030	17.
18. Balances due to subsidiaries and related institutions:					
a. Subsidiary banks.....	3605			54	18.a.
b. Nonbank subsidiaries.....	3606			0	18.b.
c. Related bank holding companies.....	3607			0	18.c.
19. Not applicable					
20. Equity Capital:					
a. Perpetual preferred stock (including related surplus).....	3283			0	20.a.
b. Common stock (par value).....	3230			5,000	20.b.
c. Surplus (exclude all surplus related to preferred stock).....	3240			32,665	20.c.
d. Retained earnings.....	3247			334,556	20.d.
e. Accumulated other comprehensive income (2).....	B530			(17,664)	20.e.
f. Other equity capital components (3).....	A130			(23,980)	20.f.
g. Not applicable.....					
h. TOTAL EQUITY CAPITAL (sum of items 20.a through 20.f).....	3210			330,577	20.h.
21. TOTAL LIABILITIES AND EQUITY CAPITAL (sum of items 11 through 20).....	3300			332,661	21.
<b>MEMORANDA</b>					
<i>Memoranda items 1.a and 1.b are to be completed by bank holding companies that have elected to account for financial instruments or servicing assets and liabilities at fair value under a fair value option.</i>					
1. Financial assets and liabilities measured at fair value:					
a. Total assets.....	F819			N/A	M.1.a.
b. Total liabilities.....	F820			N/A	M.1.b.

(1) Includes limited-life preferred stock and related surplus.

(2) Includes net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, cumulative foreign currency translation adjustments, and minimum pension liability adjustments.

(3) Includes treasury stock and unearned Employee Stock Ownership Plan shares.

**Schedule PC-A — Investments in Subsidiaries  
and Associated Companies**

Dollar Amounts in Thousands

	BHCP	Bl	Mil	Thou	
1. a. Equity investments in bank subsidiaries and associated banks:					
(1) Common and preferred stock (net of amount reported in item 1.a(2)).....	3239		323,937		1.a(1)
(2) Intangible assets:					
(a) Goodwill.....	3238		0		1.a(2)(a)
(b) Other identifiable intangibles.....	4485		0		1.a(2)(b)
b. Nonequity investments in and receivables due from bank subsidiaries and associated banks:					
(1) Loans, advances, notes, bonds, and debentures.....	0533		0		1.b(1)
(2) Other receivables.....	0534		0		1.b(2)
2. a. Equity investments in nonbank subsidiaries and associated nonbank companies:					
(1) Common and preferred stock (net of amount reported in item 2.a(2)).....	1273		0		2.a(1)
(2) Intangible assets:					
(a) Goodwill.....	0087		0		2.a(2)(a)
(b) Other identifiable intangibles.....	0536		0		2.a(2)(b)
b. Nonequity investments in and receivables due from nonbank subsidiaries and associated nonbank companies:					
(1) Loans, advances, notes, bonds, and debentures.....	0537		0		2.b(1)
(2) Other receivables.....	0538		0		2.b(2)
3. (This item is to be completed only by bank holding companies that have subsidiary bank holding companies or associated bank holding companies)					
a. Equity investments in subsidiary bank holding companies and associated bank holding companies:					
(1) Common and preferred stock (net of amount reported in item 3.a(2)).....	0201		N/A		3.a(1)
(2) Intangible assets:					
(a) Goodwill.....	0202		N/A		3.a(2)(a)
(b) Other identifiable intangibles.....	0203		N/A		3.a(2)(b)
b. Nonequity investments in and receivables due from subsidiary bank holding companies and associated bank holding companies:					
(1) Loans, advances, notes, bonds, and debentures.....	0204		N/A		3.b(1)
(2) Other receivables.....	0205		N/A		3.b(2)
4. TOTAL (sum of items 1 through 3) (must equal Schedule PC, item 5).....	bhpa				
	0365		323,937		4.



### Notes to the Parent Company Only Financial Statements

Enter in the lines provided below any additional information on specific line items on the financial statements that the bank holding company wishes to explain, that has been separately disclosed in the bank holding company's quarterly reports to its shareholders, in its press releases, or on its quarterly reports to the Securities and Exchange Commission (SEC).

Also include any transactions which previously would have appeared as footnotes to Schedules PI through PC-B.

Each additional piece of information disclosed should include the appropriate reference to schedule and item number, as well as a description of the additional information and the dollar amount (in thousands of dollars) associated with that disclosure.

### Example

A parent bank holding company has guaranteed a new loan for its leveraged Employee Stock Ownership Plan (ESOP) for \$500 thousand and that amount has increased the parent company's long-term unsecured debt by a material amount. Enter on the line item below the following information:

TEXT	BHCP	Bil	Mil	Thou
0000 Sch. PC, item 14, New loan to holding company's ESOP guaranteed				
by bank holding company parent				
	0000			500

### Notes to the Financial Statements

	TEXT	Dollar Amount in Thousands				
		BHCP	Bil	Mil	Thou	
1	5485					
		5485				N/A 1.
2	5486					
		5486				N/A 2.
3	5487					
		5487				N/A 3.
4	5488					
		5488				N/A 4.
5	5489					
		5489				N/A 5.

