

State of Idaho

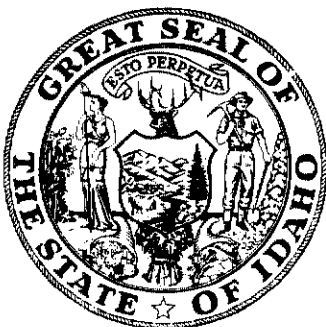
Department of State

CERTIFICATE OF MERGER OR CONSOLIDATION

I, PETE T. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that duplicate originals of Articles of Merger of NORTHERN STATE BANK, an Idaho corporation, into WASHINGTON TRUST BANK, a Washington corporation, duly executed pursuant to the provisions of the Idaho Business Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I issue this certificate of merger, and attach hereto a duplicate original of the Articles of Merger.

Dated: March 17, 1997



Pete T. Cenarrusa
SECRETARY OF STATE

By

[Signature]

MAR 17 9 19 AM '97
SECRETARY OF STATE
STATE OF IDAHO

ARTICLES OF MERGER

RECEIVED
MAR 10 1997
DEPARTMENT OF FINANCE

TO: The Secretaries of State of the
States of Washington and Idaho

Pursuant to the provisions of RCW Chapter 30.49, and I.C. Title 26, Chapter 16, the undersigned corporations, having received the approval of the Washington State Department of Financial Institutions and the Idaho State Department of Finance, do hereby submit the following Articles of Merger for filing for the purpose of merging NORTHERN STATE BANK, an Idaho banking corporation, with and into WASHINGTON TRUST BANK, a Washington banking corporation.

1. The Agreement of Merger between NORTHERN STATE BANK and WASHINGTON TRUST BANK is attached hereto as Exhibit "A".
2. The merger was duly approved by the Boards of Directors and Shareholders of each of NORTHERN STATE BANK and WASHINGTON TRUST BANK.
3. The merger shall be effective on March 17, 1997.

DATED this 17th day of March, 1997.

NORTHERN STATE BANK

By: Parker G. Woodall
Parker G. Woodall, President

IDAHO SECRETARY OF STATE
DATE 03/17/1997
0900 73645 2
CK #: 237176 CUST# 1285
MERGER 1@ 30.00= 30.00

WASHINGTON TRUST BANK

By: Peter F. Stanton
Peter F. Stanton, President

**AGREEMENT AND
PLAN OF REORGANIZATION
AND MERGER**

This Agreement made and entered into this ND 22 day of July, 1996, among W.T.B. FINANCIAL CORPORATION, a Delaware Corporation registered with the Board of Governors of the Federal Reserve System as a bank holding company pursuant to the Bank Holding Company Act of 1956, as amended (hereinafter "WTBFC"), WASHINGTON TRUST BANK, a Washington state chartered bank and trust company (hereinafter "WTB") and NORTHERN STATE BANK, an Idaho state chartered bank (hereinafter "NSB").

RECITALS:

A. WTBFC owns all of the issued and outstanding stock of WTB and NSB and has so owned such stock for more than ten years.

B. WTB and NSB have determined to merge pursuant to RCW 30.49 and Idaho Code, Title 26, Chapter 16 subject to receipt of applicable regulatory approval as a tax-free reorganization pursuant to Internal Revenue Code of 1986 section 368(a)(1) with WTB the resulting bank of such merger.

C. WTB and NSB have determined that their businesses can be better conducted in a merged entity as a result of providing a greater range of services to the NSB market, reducing the expenses of duplication, and making available a higher lending limit in the NSB market without adverse impact on market acceptance.

D. The parties have reached agreement upon the terms of such merger as hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants hereinafter set forth, the parties agree as follows:

1. Agreement to Merge and Terms.

1.1 Agreement to Merger. WTB and NSB hereby agree to effect and consummate an interstate statutory merger pursuant to RCW 30.49 and Idaho Code, Title 26, Chapter 16 upon the terms and conditions hereinafter set forth.

1.2 Surviving Corporation. WTB shall be the surviving corporation of such merger and upon consummation of such merger at Closing, WTB shall by operation of law succeed to all the rights, privileges, franchises and other assets of NSB and shall assume and be subject to all the duties, responsibilities and liabilities of NSB without further action, consent or approval. WTB also shall be the resulting bank within the meaning of RCW 30.49.010, et. seq.

1.3 Cancellation of NSB Stock. Upon consummation of the merger, the stock of NSB and all rights and privileges associated therewith shall be canceled and of no further effect, without other consideration.

1.4 Capitalization of WTB. Upon consummation of the merger, the number of shares of authorized and outstanding stock of WTB and the par value and all other rights, privileges and characteristics thereof shall be unchanged. The capital stock account, surplus and retained earnings of NSB shall be combined with the capital accounts of WTB as a pooling of interest in accord with Generally Accepted Accounting Principles (GAAP). Upon consummation of the merger, the capitalization of WTB as the resulting Bank shall consist of 260,000 shares of one class of stock with a par value of \$20.00 per share, all of which shares are now and will then be issued and outstanding representing capital in the amount of \$5,200,000.00

1.5 Effect on Sole Shareholder. WTBFC, as the sole shareholder of WTB and NSB, hereby agrees to and does hereby consent to the aforesaid merger, with the effect of voting all outstanding shares of the stock of WTB and NSB in favor of such merger. WTBFC hereby waives notice of and the conduct of shareholders' meetings of WTB and NSB to consider and act upon such merger and hereby also waives any dissenter's rights in connection with said merger. A certified copy of the Resolutions of the Board of Directors of WTBFC to such effect is attached hereto as Exhibit 1.5

1.6 Effect on Governing Documents. No changes to the Charter (Articles of Incorporation) of WTB, as the resulting bank, shall be effected by the merger. Upon consummation of the merger, the Bylaws of WTB shall be in the form of Exhibit 1.6.

2. Warranties by WTB. WTB warrants and represents to WTBFC and NSB the following matters:

2.1 Due Organization and Good Standing; Insurance of Deposits. WTB has been duly incorporated and is currently in good standing as a bank and trust company pursuant to the laws of

the state of Washington and has full corporate power and authority to conduct its business and to enter and perform this Agreement. The deposits of WTB are insured by the Bank Insurance Fund pursuant to the Federal Deposit Insurance Act, as amended.

2.2 Due Authorization and Execution. The execution and delivery of this Agreement by WTB has been duly authorized by all necessary corporate action and the Agreement has been duly executed and delivered by the authorized officers thereof. A certified copy of the resolution of the Board of Directors authorizing the merger and this Agreement is attached hereto as Exhibit 2.2.

2.3 Financial Statements. The financial statements of WTB attached hereto as Exhibit 2.3 fairly present the condition and results of operations of WTB as of June 30, 1996, and for the indicated period then ended in accord with generally accepted accounting principles.

2.4 Schedule of Directors. Attached as Exhibit 2.4 is a complete and accurate list of the names and addresses of the directors of WTB as of the date of this Agreement.

2.5 Schedule of Officers. Attached as Exhibit 2.5 is a complete and accurate list of the names and addresses of the officers of WTB as of the date of this Agreement.

2.6 Schedule of Employee Benefit Plans. Attached as Exhibit 2.6 is a complete list of all employee retirement or welfare benefit plans maintained by WTB for its employees or in which such employees participate.

3. Warranties by NSB. NSB warrants and represents to WTBFC and WTB the following matters:

3.1 Due Organization and Good Standing; Insurance of Deposits. NSB has been duly incorporated and is currently in good standing as a bank pursuant to the laws of the state of Idaho and has full corporate power and authority to conduct its business and to enter and perform this Agreement. The deposits of NSB are insured by the Bank Insurance Fund pursuant to the Federal Deposit Insurance Act, as amended.

3.2 Due Authorization and Execution. The execution and delivery of this Agreement by NSB has been duly authorized by all necessary corporate action and the Agreement has been duly executed and delivered by the authorized officers thereof. A certified copy of the resolution of the Board of Directors authorizing the merger and this Agreement is attached hereto as Exhibit 3.2.

3.3 Financial Statements. The financial statements of NSB attached hereto as Exhibit 3.3 fairly present the condition and results of operations of NSB as of June 30, 1996, and for the indicated period then ended in accord with generally accepted accounting principles.

3.4 Schedule of Directors. Attached as Exhibit 3.4 is a complete and accurate list of the names and addresses of the directors of NSB as of the date of this Agreement.

3.5 Schedule of Officers. Attached as Exhibit 3.5 is a complete and accurate list of the names and addresses of the officers of NSB as of the date of this Agreement.

3.6 Schedule of Employee Benefit Plans. Attached as Exhibit 3.6 is a complete list of all employee retirement or welfare benefit plans maintained by NSB for its employees or in which such employees participate.

4. Conditions to Closing. The following conditions to closing shall be satisfied, failing which the party or parties to whose benefit the condition exists may at its option terminate this Agreement:

4.1 Warranties True and Correct. The warranties of WTB set forth in Article 2 and the warranties of NSB set forth in Article 3 shall be true and correct in all material respects at Closing.

4.2 No Material Adverse Change. There shall be no material adverse change in the financial condition, business or prospects of WTB or NSB since the date of this Agreement.

4.3 Regulatory Approvals. The parties shall have received all applicable regulatory approvals for the merger, specifically including those of the Washington State Department of Financial Institutions, Division of Banking, the Idaho State Department of Finance and the Federal Deposit Insurance Corporation and all applicable waiting periods associated with such approvals shall have expired.

4.4 Adverse Litigation. There shall not have been commenced or threatened litigation materially adverse to a party or the transaction described herein.

5. Covenants of the Parties.

5.1 Ordinary Course of Business. Until Closing, each of NSB and WTB shall operate their respective business in the ordinary course.

5.2 Continuing Warranties. Promptly upon either NSB or WTB becoming aware of a development which would make a warranty given by it herein become inaccurate, such party shall promptly notify the others.

5.3 Satisfaction of Conditions. Promptly upon the execution hereof by the parties and the approval hereof by the Boards of Directors of the parties, WTB at its expense, shall submit this Agreement for approval by the Director of the Washington State Department of Financial Institutions and the Director of the Department of Finance of the State of Idaho and apply for approval of the transaction from the Federal Deposit Insurance Corporation.

6. Closing - Effective Date.

6.1 The effective date of the merger described herein (the "Closing") shall be upon the opening of business on March 17, 1997, or if later, upon the filing of this Agreement with and approvals described in Paragraph 5.3, above.

6.2 Schedule of Directors. Attached as Exhibit 6.2 is a schedule of the names and addresses of the directors of WTB as the resulting bank.

6.3 Schedule of Officers. Attached as Exhibit 6.3 is a schedule of the names and addresses of the officers of WTB as the resulting bank.

6.4 Schedule of Offices. Attached as Exhibit 6.4 is a schedule of the name and location of the principal office and all branches and offices of WTB as the resulting bank in both Washington and Idaho.

6.5 Right of Termination. Prior to the effective date, the Board of Directors of either NSB or WTB, upon a majority vote, may terminate this Agreement.

7. Employment Benefits and Compensation.

7.1 Employees. Employees of NSB immediately prior to the effective date shall become employees of WTB at the effective date. The terms of such employment shall be the same as the terms governing employment with NSB.

7.2 Employee Benefit Plans. With regard to any employee retirement or welfare benefit plan maintained by WTB for its employees or in which its employees participate and in which, after Closing, the former employees of NSB are eligible to participate as employees of WTB, service with NSB shall count as service for WTB for all purposes under such plans.

8. Miscellaneous.

8.1 Execution in Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same agreement.

8.2 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors in interest of the parties hereto.

8.3 Governing Law. In the event of any action or proceeding arising out of this Agreement, the parties agree that exclusive jurisdiction and venue shall lie in the Superior Court for Spokane County, Washington. This Agreement shall be governed by the laws of the State of Washington.

8.4 Notices. All notices, request, demands and other communications which are required to be or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when delivered in person or on receipt after dispatch by certified or registered first class mail, postage pre-paid, to the party to whom the same is given as follows:

If to WTBFC, to the attention of:

Philip H. Stanton, President
W.T.B. Financial Corporation
P.O. Box 2127
Spokane, Washington 99210

If to WTB, to the attention of:

Peter F. Stanton, President
Washington Trust Bank
P.O. Box 2127
Spokane, WA 99210

If to Northern State Bank to the attention of:

Parker W. Woodall, President
Northern State Bank
218 Lakeside Avenue
P.O. Box 939
Coeur d'Alene, ID 83814

8.5 Merger. This Agreement constitutes the complete and entire agreement between the parties hereto and incorporates and supersedes all prior agreements and negotiations, whether oral or written and may not be modified, amended or terminated by evidence of such matters, or by course of dealing, but only by the written agreement of the parties hereto.

8.6 Incorporation of Exhibits. All of the Exhibits attached to this Agreement are incorporated in this Agreement by their respective references as if set forth in verbatim text.

8.7 No Third Party Beneficiaries. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies on any person other than the parties to this Agreement, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third party, nor shall any provision give any third party any right of subrogation or action against any party to this Agreement.

IN WITNESS WHEREOF, the parties have set their hands the day and year first above written.

W.T.B. FINANCIAL CORPORATION

By: Peter F. Stanton
Title: Vice President
Attest: Catharine Cathcart
Title: Secretary

WASHINGTON TRUST BANK

By: Peter F. Stanton
Title: Chairman, CEO, President
Attest: Catharine Cathcart
Title: Secretary

NORTHERN STATE BANK

By: Parker L. Woodall
Title: President
Attest: Randy L. Kell
Title: Vice President & Secretary

EXHIBIT LIST

Exhibit 1.5	Certified copy of Resolution of Board of Directors of WTBFC
Exhibit 1.6	Form of Bylaws of WTB upon consummation of the merger
Exhibit 2.2	Certified copy of Resolution of Board of Directors of WTB
Exhibit 2.3	Financial Statements of WTB
Exhibit 2.4	List of Names and Addresses of the Directors of WTB
Exhibit 2.5	List of Names and Addresses of the officers of WTB
Exhibit 2.6	List of all Employee Retirement or Welfare Benefit Plans Maintained by WTB
Exhibit 3.2	Certified copy of Resolution of Board of Directors of NSB
Exhibit 3.3	Financial Statements of NSB
Exhibit 3.4	List of Names and Addresses of the Directors of NSB
Exhibit 3.5	List of Names and Addresses of the officers of NSB
Exhibit 3.6	List of all Employee Retirement or Welfare Benefit Plans Maintained by NSB
Exhibit 6.2	Schedule of Names and Addresses of the Directors of the Resulting Bank
Exhibit 6.3	Schedule of Names and Addresses of the Officers of the Resulting Bank
Exhibit 6.4	Schedule of Principal Office and all Branches and Offices of Resulting Bank

PHILIP E. BATT
GOVERNOR



GAVIN M. GEE
DIRECTOR

STATE OF IDAHO
DEPARTMENT OF FINANCE
700 W. STATE STREET, 2ND FLOOR
P.O. BOX 83720
BOISE ID 83720-0031

Mar 18 8 48 AM '97

SECRET
STATE OF IDAHO

March 17, 1997

Honorable Pete T. Cenamura
Secretary of State
P.O. Box 83720
Boise, ID 83720-0080

Dear Pete:

Washington Trust Bank, a Washington banking corporation, is in the process of acquiring and merging with Northern State Bank, Coeur d'Alene, Idaho. Washington Trust Bank is hereby approved to conduct banking business in Idaho, effective as of the date this merger is completed, March 17, 1997.

Sincerely,

A handwritten signature in cursive script that reads "Gavin M. Gee".

GAVIN M. GEE
Director of Finance

GMG/GB

Banks and S&L's
Credit Unions
Finance/Mortgage Co's
Collection Agencies

(208) 332-8005
(208) 332-8003
(208) 332-8002
(208) 332-8002

PHONE: (208) 332-8000
FAX: (208) 332-8098
SECURITIES FAX: (208) 332-8099
EQUAL OPPORTUNITY EMPLOYER

Securities
Money Transmitters
Legal
Supporting Services

(208) 332-8004
(208) 332-8003
(208) 332-8000
(208) 332-8001