WASHINGTON TRUST BANCORP INC Form 10-Q November 07, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

#### FORM 10-Q

(Mark One)

- x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended SEPTEMBER 30, 2012 or
- O Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_.

Commission file number: 001-32991

WASHINGTON TRUST BANCORP, INC. (Exact name of registrant as specified in its charter)

RHODE ISLAND	05-0404671
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
23 BROAD STREET	
WESTERLY, RHODE ISLAND	02891
(Address of principal executive offices)	(Zip Code)

(401) 348-1200 (Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Mark one)

Large accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Accelerated filer x Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

The number of shares of common stock of the registrant outstanding as of November 2, 2012 was 16,371,272.

### FORM 10-Q WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES For the Quarter Ended September 30, 2012

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PART I. FINANCIAL INFORMATION				
ITEM 1. FINANCIAL STATEMENTS				
WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES		s in thousands,		
CONSOLIDATED BALANCE SHEETS (unaudited)	except	par value)		
		September 30,		Ι,
		2012	2011	
Assets:		¢ 40,025	<b>\$22.22</b>	
Cash and due from banks		\$49,935	\$82,238	
Short-term investments	1	3,599	4,782	
Mortgage loans held for sale, at fair value; amortized cost \$33,737 in 2012	and	35,409	20,340	
\$19,624 in 2011 Securities:				
	026 in			
Available for sale, at fair value; amortized cost \$424,194 in 2012 and \$524. 2011	,050 III	440,289	541,253	
Held to maturity, at cost; fair value \$45,031 in 2012 and \$52,499 in 2011		43,569	52,139	
Total securities		483,858	593,392	
Federal Home Loan Bank stock, at cost		40,418	42,008	
Loans:		40,410	42,000	
Commercial		1,219,327	1,124,628	
Residential real estate		715,412	700,414	
Consumer		321,958	322,117	
Total loans		2,256,697	2,147,159	
Less allowance for loan losses		30,752	29,802	
Net loans		2,225,945	2,117,357	
Premises and equipment, net		27,482	26,028	
Investment in bank-owned life insurance		54,344	53,783	
Goodwill		58,114	58,114	
Identifiable intangible assets, net		6,346	6,901	
Other assets		63,418	59,155	
Total assets		\$3,048,868	\$3,064,098	
Liabilities:				
Deposits:				
Demand deposits		\$352,330	\$339,809	
NOW accounts		267,495	257,031	
Money market accounts		459,671	406,777	
Savings accounts		268,191	243,904	
Time deposits		886,972	878,794	
Total deposits		2,234,659	2,126,315	
Federal Home Loan Bank advances		417,675	540,450	
Junior subordinated debentures		32,991	32,991	
Other borrowings		229	19,758	
Other liabilities		64,920	63,233	
Total liabilities		2,750,474	2,782,747	
Commitments and contingencies				
Shareholders' Equity:				
Common stock of \$.0625 par value; authorized 30,000,000 shares; issued a	ind	1,023	1,018	
outstanding 16,371,272 shares in 2012 and 16,292,471 shares in 2011				
Paid-in capital		90,829	88,030	
Retained earnings		208,639	194,198	
Accumulated other comprehensive loss		(2,097)	(1,895	)

Total shareholders' equity	298,394	281,351
Total liabilities and shareholders' equity	\$3,048,868	\$3,064,098

The accompanying notes are an integral part of these unaudited consolidated financial statements. 3

Periods ended September 30, Interest an fores on loans     2012     2011     2012     2011       Interest an fores on loans     S25,840     \$25,069     \$76,547     \$74,035       Interest an fores on loans     S25,840     \$25,069     \$76,547     \$74,035       Interest an fores on loans     S25,840     \$22,069     \$76,547     \$74,035       Dividends on corporate stock and Federal Home Loan Bank stock     \$2     64     20,35     \$2,273       Dividends on corporate stock and Federal Home Loan Bank stock     \$2     64     20,05     \$2,273       Total interest income     30,251     30,534     90,971     90,839       Interest stepense:     T     E     Popoisis     \$3,91     3,808     10,201     12,040       Federal Home Loan Bank advances     3,726     4,539     11,809     13,956     1,117       Other interest expense     5     245     244     728     104     1043     1033     303     1,176     1,045       Notinterest income     22,736     21,549     65,432     59,240     1,370     1,043	WASHINGTON TRUST BANCO CONSOLIDATED STATEMENT		-	t per share a	es in thousar mounts) Nine Mont	
Interest on securities:     \$25,840     \$25,840     \$25,640     \$26,547     \$74,035       Interest on securities:     Taxable     3,672     4,640     12,118     14,282       Nontaxable     660     746     2,035     2,273       Other interest income     27     15     64     207       Other interest income     30,534     90,917     90,837       Interest expense:     1     15     64     27       Deposits     3,791     3,808     1,176     1,175       Other interest expense     3,726     4,539     11,809     13,956       Junior subordinated debentures     393     393     1,176     1,175       Other interest expense     7,151     8,985     24,40     2,894       Provision for loan losses     600     1,000     2,100     3,700       Net interest income     22,136     20,549     65,422     59,240       Notiniterest income     1,024     1,035     3,051     3,293       Financial planning, commissions and other service fees     2	Periods ended September 30,					
Interest on securities:Taxable3,6724,64012,11814,282Nontaxable6607462,0352,273Dividends on corporate stock and Federal Home Loan Bank stock5264207197Other interest income30,25130,53490,97190,839Interest expense:77156452Deposits3,3913,80810,21012,040Federal Home Loan Bank advances3,3913,9311,761,175Other interest expense5245244728Total interest expense521,54967,32262,940Other interest expense7,5158,98523,43927,899Not interest income22,73661,0002,1003,700Not interest income22,13620,54965,43259,240Noninterest income1,0241,0353,0513,293Financial planning, commissions and other service fees2922091,3261,043Wealth management services7,1936,79121,8411,665Income from bank-owned life insurance1,0064881,9691,446Net ariset also and sales and commissions on loans originated for ther3,081,4731,229Notinterest income, excluding other-than-temporary impairment losse6,755,9771,8441,665Income from bank-owned life insurance1,0064,881,9691,446Net ariset also no scurities299 <td>Interest income:</td> <td></td> <td></td> <td></td> <td></td> <td></td>	Interest income:					
securities:     Taxable     3,672     4,640     12,118     14,282       Nontaxable     660     746     2,035     2,273       Other interest income     30,251     30,534     90,971     90,839       Interest expense:     27     15     64     52       Deposits     3,931     3,808     11,809     13,956       Junior subordinated debentures     393     933     1,176     1,175       Other interest expense     5     245     22,439     72,899       Net interest income     22,736     21,549     67,532     62,940       Provision for loan losses     600     1,000     2,100     3,700       Net interest income fler provision for loan losses     22,136     21,549     67,532     62,940       Nonitatrest income after provision for loan losses     1,024     1,035     3,051     3,293       Financial planning, commissions and other service fees     292     209     1,326     1,043       Wealth management services     7,193     6,791     21,815     21,381	Interest and fees on loans		\$25,840	\$25,069	\$76,547	\$74,035
Dividends on corporate stock and Federal Home Loan Bank stock     52     64     207     197       Other interest income     27     15     64     52       Total interest stincome     30.251     30.534     90.971     90.839       Interest expense:     20     3.391     3.808     10.210     12.040       Federal Home Loan Bank advances     3726     4.539     11.809     13.956       Junior subordinated debentures     393     933     1,176     1.175       Other interest expense     5     245     244     728       Total interest expense     7.515     8.985     23.439     27.899       Net interest income     22,136     0.549     65.432     59.240       Noninterest income after provision for loan losses     20,104     1,003     3,001     3,293       Net interest income after provision for loan losses     5.877     5.547     17.44     17.045       Mutal fund fees     1,004     1,033     3,051     3,293     13.33     821     2,356     2,662       Merath management service	Taxable		3,672	4,640	12,118	14,282
Other interest income     27     15     64     52       Total interest income     30,251     30,534     90,971     90,839       Interest expense:     2     2,430     11,809     13,956       Junior subordinated debentures     3,33     393     11,809     13,956       Junior subordinated debentures     393     393     11,76     1,175       Other interest expense     5     245     244     728       Total interest expense income     22,736     21,549     67,532     62,940       Provision for loan losses     060     1,000     2,100     3,700       Net interest income after provision for loan losses     2,21,36     20,549     65,432     59,240       Noninterest income:     Wealth management services:     7     17,474     17,045       Mutual fund fees     1,024     1,035     3,051     3,293       Financial planning, commissions and other service fees     292     209     1,326     1,043       Wealth management services     7,193     6,791     21,851     21,381 <t< td=""><td>Nontaxable</td><td></td><td>660</td><td>746</td><td>2,035</td><td>2,273</td></t<>	Nontaxable		660	746	2,035	2,273
Total interest income     30,251     30,534     90,971     90,839       Interest expense:     9     3,391     3,808     10,210     12,040       Federal Home Loan Bank advances     3,726     4,539     11,809     13,956       Junior subordinated debentures     393     393     1,776     1,175       Other interest expense     7,515     8,985     23,439     27,899       Net interest income     22,736     21,549     67,532     62,940       Provision for loan losses     600     1,000     2,100     3,700       Net interest income after provision for loan losses     22,136     20,549     65,432     59,240       Noninterest income:     """"""""""""""""""""""""""""""""""""	Dividends on corporate stock and	Federal Home Loan Bank stock	52	64	207	197
Interest expense:3,3913,80810,21012,040Deposits3,3913,80810,21012,040Federal Home Loan Bank advances3,7264,53911,80913,956Junior subordinated debentures3933931,1761,175Other interest expense5245244728Total interest expense7,5158,98523,43927,899Net interest income after provision for loan losses6001,0002,1003,700Net interest income after provision for loan losses22,13620,54965,43259,240Noninterest income:Wealth management services:Trust and investment advisory fees5,8775,54717,47417,045Mutual fund fees1,0241,0353,0513,2931,043Service charges on deposit accounts8338212,3562,662Merchant processing fees3,2073,2377,8741,665Income from bank-owned life insurance1,0064881,9691,446Net realized gains on securities299197Net gains (losses) of unconsolidated subsidiaries27(144)(1471,31Other income(85)(541)Portion of loss recognized in earnings(158)(191)Total interest rate swap contracts(85)(541)Not realized gains on securities(16	Other interest income		27	15	64	52
Deposits     3,391     3,808     10,210     12,040       Pederal Home Loan Bank advances     3,726     4,539     11,809     13,956       Junior subordinated debentures     393     393     1,176     1.175       Other interest expense     5     245     244     728       Total interest expense     7,515     8,985     23,439     27,899       Net interest income     22,736     21,549     67,532     62,940       Provision for loan losses     600     1,000     2,100     3,700       Net interest income after provision for loan losses     22,136     20,549     65,432     59,240       Noninterest income:     Wealth management services:     Trust and investment advisory fees     5,877     5,547     17,474     17,045       Mutual fund fees     1,024     1,035     3,293     Financial planning, commissions and other service fees     209     1,326     1,043       Wealth management services     7,193     6,791     21,851     21,381       Service charges on deposit accounts     833     821     2,356     2,	Total interest income		30,251	30,534	90,971	90,839
Federal Home Loan Bank advances   3,726   4,539   11,809   13,956     Junior subordinated debentures   393   393   1,176   1,175     Other interest expense   5   245   244   728     Total interest expense   7,515   8,985   23,439   27,899     Net interest income after provision for loan losses   22,736   21,549   65,532   62,940     Noninterest income after provision for loan losses   22,136   20,549   65,432   59,240     Noninterest income:   Trust and investment advisory fees   5,877   5,547   17,474   17,045     Mutual fund fees   1,024   1,035   3,051   3,293     Financial planning, commissions and other service fees   292   209   1,326   1,043     Wealth management services   7,193   6,791   21,851   21,381     Service charges on deposit accounts   833   821   2,356   2,662     Merchant processing fees   3,207   3,223   7,927   7,849     Card interchange fees   675   597   1,844   1,665     Income from bank-owned life						
Junior subordinated debentures     393     393     1,176     1,175       Other interest expense     5     245     244     728       Total interest expense     7,515     8,985     23,439     27,899       Net interest income     22,736     21,549     67,532     62,940       Provision for loan losses     600     1,000     2,100     3,700       Net interest income     22,136     20,549     65,432     59,240       Noninterest income:			3,391			
Other interest expense     5     245     244     728       Total interest expense     7,515     8,985     23,439     27,399       Net interest income     22,736     21,549     67,532     62,940       Provision for loan losses     22,136     20,549     65,432     59,240       Noninterest income after provision for loan losses     22,136     20,549     65,432     59,240       Noninterest income:     Wealth management services:     7     17,474     17,045       Mutual fund fces     1,024     1,035     3,051     3,293       Financial planning, commissions and other service fees     292     209     1,326     1,043       Wealth management services     7,193     6,771     21,851     21,381       Service charges on deposit accounts     833     821     2,356     2,662       Merchant processing fees     3,207     3,237     7,927     7,849       Income from bank-owned life insurance     1,006     488     1,969     1,446       Net gains on loan sales and commissions on loans originated for others     3,504 <td< td=""><td>Federal Home Loan Bank advance</td><td>es</td><td>3,726</td><td>4,539</td><td>11,809</td><td>13,956</td></td<>	Federal Home Loan Bank advance	es	3,726	4,539	11,809	13,956
Total interest expense   7,515   8,985   23,439   27,899     Net interest income   22,736   21,549   67,532   62,940     Provision for loan losses   600   1,000   2,100   3,700     Net interest income after provision for loan losses   22,136   20,549   65,432   59,240     Noninterest income:   Wealth management services:   Trust and investment advisory fees   5,877   5,547   17,474   17,045     Mutual fund fees   1,024   1,035   3,051   3,293   1,043     Financial planning, commissions and other service fees   292   209   1,326   1,043     Wealth management services   7,193   6,791   21,851   21,381     Service charges on deposit accounts   833   821   2,356   2,662     Merchant processing fees   3,207   3,223   7,927   7,849     Card interchange fees   675   597   1,844   1,665     Income from bank-owned life insurance   1,006   488   1,969   1,446     Net gains on loan sales and commissions on loans originated for others   3,504   1,777 <t< td=""><td>Junior subordinated debentures</td><td></td><td>393</td><td>393</td><td>1,176</td><td>1,175</td></t<>	Junior subordinated debentures		393	393	1,176	1,175
Net interest income     22,736     21,549     67,532     62,940       Provision for loan losses     600     1,000     2,100     3,700       Net interest income after provision for loan losses     22,136     20,549     65,432     59,240       Noninterest income:     """"""""""""""""""""""""""""""""""""	Other interest expense		5	245		728
Provision for loan losses     600     1,000     2,100     3,700       Net interest income after provision for loan losses     22,136     20,549     65,432     59,240       Noninterest income:     22,136     20,549     65,432     59,240       Noninterest income:     3,001     45,432     59,240       Wealth management services:     1,024     1,035     3,051     3,293       Financial planning, commissions and other service fees     292     209     1,326     1,043       Wealth management services     7,193     6,791     21,881     21,381     2,356     2,662       Merchant processing fees     3,207     3,223     7,927     7,849     Card interchange fees     675     597     1,844     1,665       Income from bank-owned life insurance     1,006     488     1,969     1,446       Net gains (losses) on interest rate swap contracts     63     (477)     876     2,139       Net realized gains on securities     —     —     299     197       Net gains (losses) on unconsolidated subsidiaries     27     (144)	Total interest expense		7,515	8,985	23,439	27,899
Net interest income after provision for loan losses   22,136   20,549   65,432   59,240     Noninterest income:   Wealth management services:   1   17.474   17.045     Trust and investment advisory fees   5,877   5,547   17.474   17.045     Mutual fund fees   1,024   1,035   3,051   3,293     Financial planning, commissions and other service fees   292   209   1,326   1,043     Wealth management services   7,193   6,791   21,851   21,381     Service charges on deposit accounts   833   821   2,356   2,662     Merchant processing fees   3,207   3,223   7,927   7,849     Card interchange fees   675   597   1,844   1,665     Income from bank-owned life insurance   1,006   488   1,969   1,446     Net gains (losses) on interest rate swap contracts   63   (47   87   (6   )     Equity in earnings (losses) of unconsolidated subsidiaries   27   (144   ) 114   (433   )     Other income   1,016   1,024   1,133   1308   1,473 <t< td=""><td>Net interest income</td><td></td><td>22,736</td><td>21,549</td><td></td><td>62,940</td></t<>	Net interest income		22,736	21,549		62,940
Noninterest income:   Wealth management services:     Trust and investment advisory fees   5,877   5,547   17,474   17,045     Mutual fund fees   1,024   1,035   3,051   3,293     Financial planning, commissions and other service fees   292   209   1,326   1,043     Wealth management services   7,193   6,791   21,851   21,381     Service charges on deposit accounts   833   821   2,356   2,662     Merchant processing fees   3,207   3,223   7,927   7,849     Card interchange fees   675   597   1,844   1,665     Income from bank-owned life insurance   1,006   488   1,969   1,446     Net gains on loan sales and commissions on loans originated for others   3,504   1,077   9,616   2,139     Net realized gains on securities   —   —   299   197     Net gains (losses) on interest rate swap contracts   63   (47   )   87   (6   )     Equity in earnings (losses) of unconsolidated subsidiaries   27   (144   )   114   (433   )     Other	Provision for loan losses		600	1,000	2,100	3,700
Wealth management services:   5,877   5,547   17,474   17,045     Mutual fund fees   1,024   1,035   3,051   3,293     Financial planning, commissions and other service fees   292   209   1,326   1,043     Wealth management services   7,193   6,791   21,851   21,381     Service charges on deposit accounts   833   821   2,356   2,662     Merchant processing fees   3,207   3,223   7,927   7,849     Card interchange fees   675   597   1,844   1,665     Income from bak-owned life insurance   1,006   488   1,969   1,446     Net gains on loan sales and commissions on loans originated for others   3,504   1,077   9,616   2,139     Net realized gains on securities   —   —   299   197     Net gains (losses) on interest rate swap contracts   63   (47   )   87   (6   )     Equity in earnings (losses) of unconsolidated subsidiaries   27   (144   )   114   (433   )     Other income   413   308   1,473   1,229   No	Net interest income after provision	n for loan losses	22,136	20,549	65,432	59,240
Trust and investment advisory fees $5,877$ $5,547$ $17,474$ $17,045$ Mutual fund fees $1,024$ $1,035$ $3,051$ $3,293$ Financial planning, commissions and other service fees $292$ $209$ $1,326$ $1,043$ Wealth management services $7,193$ $6,791$ $21,851$ $21,381$ Service charges on deposit accounts $833$ $821$ $2,356$ $2,662$ Merchant processing fees $3,207$ $3,223$ $7,927$ $7,849$ Card interchange fees $675$ $597$ $1,844$ $1,665$ Income from bank-owned life insurance $1,006$ $488$ $1,969$ $1,446$ Net gains on loan sales and commissions on loans originated for others $3,504$ $1,077$ $9,616$ $2,139$ Net realized gains on securities $  299$ $197$ Net gains (losses) on interest rate swap contracts $63$ $(47)$ $87$ $(6)$ Equity in earnings (losses) of unconsolidated subsidiaries $27$ $(144)$ $114$ $(433)$ Other income $61321$ $13,114$ $47,536$ $38,129$ Noninterest income, excluding other-than-temporary impairment losses $  (855)$ $(54)$ Portion of loss recognized in other comprehensive income (before tax) $ (158)$ $(124)$ $(137)$ Net impairment losses recognized in earnings $ (158)$ $(209)$ $(191)$ $)$ Total noninterest income $16,921$ $12,912$ $44,125$ $37,138$ <tr< td=""><td>Noninterest income:</td><td></td><td></td><td></td><td></td><td></td></tr<>	Noninterest income:					
Mutual fund fees1,0241,0353,0513,293Financial planning, commissions and other service fees2922091,3261,043Wealth management services7,1936,79121,85121,381Service charges on deposit accounts8338212,3562,662Merchant processing fees3,2073,2237,9277,849Card interchange fees6755971,8441,665Income from bank-owned life insurance1,0064881,9091,446Net gains on loan sales and commissions on loans originated for others3,5041,0779,6162,139Net realized gains on securities——299197Net gains (losses) on interest rate swap contracts63(47)87(6)Equity in earnings (losses) of unconsolidated subsidiaries27(144)1114(433))Other income4133081,4731,229Noninterest income, excluding other-than-temporary impairment losses16,92113,11447,53638,129Total other-than-temporary impairment losses——(158)(124)(137))Net impairment losses recognized in earnings——(158)(209)(191))Total noninterest income16,92112,95647,32737,938Noninterest expense:——(158)(209)(191))Salaries and employee benefits15,21412,91244,12537,138Net						
Financial planning, commissions and other service fees2922091,3261,043Wealth management services7,1936,79121,85121,381Service charges on deposit accounts8338212,3562,662Merchant processing fees3,2073,2237,9277,849Card interchange fees6755971,8441,665Income from bank-owned life insurance1,0064881,9691,446Net gains on loan sales and commissions on loans originated for others3,5041,0779,6162,139Net realized gains on securities——299197Net gains (losses) on interest rate swap contracts63(47)87(6)Equity in earnings (losses) of unconsolidated subsidiaries27(144)114(433)Other income4133081,4731,229Noninterest income, excluding other-than-temporary impairment losses16,92113,11447,53638,129Total other-than-temporary impairment losses on securities——(158)(137)Net impairment losses recognized in other comprehensive income (before tax)—(158)(191)Total noninterest income16,92112,95647,32737,938Noninterest expense:Salaries and employee benefits15,21412,91244,12537,138Net occupancy1,4681,3624,5213,919Equipment1,1681,0923,	Trust and investment advisory fee	s	5,877	5,547	17,474	17,045
Wealth management services7,1936,79121,85121,381Service charges on deposit accounts8338212,3562,662Merchant processing fees3,2073,2237,9277,849Card interchange fees6755971,8441,665Income from bank-owned life insurance1,0064881,9691,446Net gains on loan sales and commissions on loans originated for others3,5041,0779,6162,139Net realized gains on securities——299197Net gains (losses) on interest rate swap contracts63(47)87(6)Equity in earnings (losses) of unconsolidated subsidiaries27(144)114(433)Other income4133081,4731,229Noninterest income, excluding other-than-temporary impairment losses16,92113,11447,53638,129Total other-than-temporary impairment losses——(158)(144))Net impairment losses recognized in other comprehensive income (before tax)—(158)(209)(191)Total onninterest income16,92112,91244,12537,138Noninterest expense:3,2141,291244,12537,138Net occupancy1,4681,3624,5213,9191,2141,6141,6141,614Legal, audit and professional fees5984301,5991,3891,361	Mutual fund fees		1,024	1,035		3,293
Service charges on deposit accounts $833$ $821$ $2,356$ $2,662$ Merchant processing fees $3,207$ $3,223$ $7,927$ $7,849$ Card interchange fees $675$ $597$ $1,844$ $1,665$ Income from bank-owned life insurance $1,006$ $488$ $1,969$ $1,446$ Net gains on loan sales and commissions on loans originated for others $3,504$ $1,077$ $9,616$ $2,139$ Net realized gains on securities $  299$ $197$ Net gains (losses) on interest rate swap contracts $63$ $(47)$ $87$ $(6)$ Equity in earnings (losses) of unconsolidated subsidiaries $27$ $(144)$ $114$ $(433)$ $)$ Other income $413$ $308$ $1,473$ $1,229$ Noninterest income, excluding other-than-temporary impairment losses $16,921$ $13,114$ $47,536$ $38,129$ Total other-than-temporary impairment losses on securities $   (85)$ $(54)$ Portion of loss recognized in other comprehensive income (before tax) $ (158)$ $(124)$ $(137)$ Net impairment losses recognized in earnings $  (158)$ $(209)$ $(191)$ Total noninterest income $16,921$ $12,956$ $47,327$ $37,938$ Noninterest expense: $  (158)$ $(29)$ $(191)$ Total noninterest income $1,468$ $1,362$ $4,521$ $3,919$ Equipment $1,468$ $1,362$ $4,521$ $3,919$	Financial planning, commissions a	and other service fees	292	209	1,326	1,043
Merchant processing fees $3,207$ $3,223$ $7,927$ $7,849$ Card interchange fees $675$ $597$ $1,844$ $1,665$ Income from bank-owned life insurance $1,006$ $488$ $1,969$ $1,446$ Net gains on loan sales and commissions on loans originated for others $3,504$ $1,077$ $9,616$ $2,139$ Net realized gains on securities $  299$ $197$ Net gains (losses) on interest rate swap contracts $63$ $(47)$ $87$ $(6)$ Equity in earnings (losses) of unconsolidated subsidiaries $27$ $(144)$ $114$ $(433)$ $)$ Other income $413$ $308$ $1,773$ $1,229$ Noninterest income, excluding other-than-temporary impairment losses $  (85)$ $(54)$ $)$ Portion of loss recognized in other comprehensive income (before tax) $ (158)$ $(124)$ $(137)$ $)$ Net impairment losses recognized in earnings $ (158)$ $(209)$ $(191)$ $)$ Total noninterest income $16,921$ $12,956$ $47,327$ $37,938$ Noninterest expense: $ 15,214$ $12,912$ $44,125$ $37,138$ Net occupancy $1,468$ $1,362$ $4,521$ $3,919$ Equipment $1,168$ $1,092$ $3,418$ $3,211$ Merchant processing costs $2,707$ $2,781$ $6,600$ $6,795$ Outsourced services $845$ $863$ $2,660$ $2,610$ FDIC deposit insurance costs </td <td>Wealth management services</td> <td></td> <td>7,193</td> <td>6,791</td> <td>21,851</td> <td></td>	Wealth management services		7,193	6,791	21,851	
Card interchange fees6755971,8441,665Income from bank-owned life insurance1,0064881,9691,446Net gains on loan sales and commissions on loans originated for others3,5041,0779,6162,139Net realized gains on securities——299197Net gains (losses) on interest rate swap contracts63(47))87(6)Equity in earnings (losses) of unconsolidated subsidiaries27(144))114(433)Other income4133081,4731,229Noninterest income, excluding other-than-temporary impairment losses16,92113,11447,53638,129Total other-than-temporary impairment losses on securities———(158)(124)(137)Net impairment losses recognized in other comprehensive income (before tax)—(158)(124)(137))Net impairment losses recognized in earnings—(158)(209)(191))Total onninterest income15,21412,91244,12537,138Noninterest expense:SS3624,5213,919Equipment1,1681,0923,4183,211Merchant processing costs2,7072,7816,6906,795Outsourced services8458632,6602,610FDIC deposit insurance costs4274271,3111,614Legal, audit and professional fees5984301,5991,389<	<b>č</b> 1	ts	833	821		
Income from bank-owned life insurance1,0064881,9691,446Net gains on loan sales and commissions on loans originated for others3,5041,0779,6162,139Net realized gains on securities——299197Net gains (losses) on interest rate swap contracts63(47)87(6)Equity in earnings (losses) of unconsolidated subsidiaries27(144)114(433)Other income4133081,4731,229Noninterest income, excluding other-than-temporary impairment losses16,92113,11447,53638,129Total other-than-temporary impairment losses on securities———(85)(54)Portion of loss recognized in other comprehensive income (before tax)—(158)(209)(191)Total noninterest income16,92112,95647,32737,938Noninterest expense:Satises and employee benefits15,21412,91244,12537,138Net occupancy1,4681,3624,5213,919Equipment1,1681,0923,4183,211Merchant processing costs2,7072,7816,6906,795Outsourced services8458632,6602,610FDIC deposit insurance costs4274271,3111,614Legal, audit and professional fees5984301,5991,389					-	
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Net realized gains on securities———299197Net gains (losses) on interest rate swap contracts $63$ $(47$ ) $87$ $(6$ )Equity in earnings (losses) of unconsolidated subsidiaries $27$ $(144$ ) $114$ $(433$ )Other income $413$ $308$ $1,473$ $1,229$ Noninterest income, excluding other-than-temporary impairment losses $16,921$ $13,114$ $47,536$ $38,129$ Total other-than-temporary impairment losses on securities——(85) $(54)$ )Portion of loss recognized in other comprehensive income (before tax)— $(158)$ $(124)$ $(137)$ )Net impairment losses recognized in earnings— $(158)$ $(209)$ $(191)$ )Total noninterest income $16,921$ $12,956$ $47,327$ $37,938$ Noninterest expense: $31,168$ $1,362$ $4,521$ $3,919$ Equipment $1,168$ $1,092$ $3,418$ $3,211$ Merchant processing costs $2,707$ $2,781$ $6,690$ $6,795$ Outsourced services $845$ $863$ $2,660$ $2,610$ FDIC deposit insurance costs $427$ $427$ $1,311$ $1,614$ Legal, audit and professional fees $598$ $430$ $1,599$ $1,389$	Income from bank-owned life insu	irance	1,006	488	1,969	1,446
Net gains (losses) on interest rate swap contracts63 $(47)$ $87$ $(6)$ Equity in earnings (losses) of unconsolidated subsidiaries $27$ $(144)$ $114$ $(433)$ Other income $413$ $308$ $1,473$ $1,229$ Noninterest income, excluding other-than-temporary impairment losses $16,921$ $13,114$ $47,536$ $38,129$ Total other-than-temporary impairment losses on securities $  (85)$ $(54)$ $)$ Portion of loss recognized in other comprehensive income (before tax) $ (158)$ $(124)$ $(137)$ $)$ Net impairment losses recognized in earnings $ (158)$ $(209)$ $(191)$ $)$ Total onninterest income $16,921$ $12,956$ $47,327$ $37,938$ Noninterest expense: $ 1,468$ $1,362$ $4,521$ $3,919$ Equipment $1,168$ $1,092$ $3,418$ $3,211$ Merchant processing costs $2,707$ $2,781$ $6,690$ $6,795$ Outsourced services $845$ $863$ $2,660$ $2,610$ FDIC deposit insurance costs $427$ $427$ $1,311$ $1,614$ Legal, audit and professional fees $598$ $430$ $1,599$ $1,389$	-	issions on loans originated for others	3,504	1,077		
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Total other-than-temporary impairment losses on securities—— $(85)$ $(54)$ Portion of loss recognized in other comprehensive income (before tax)— $(158)$ $(124)$ $(137)$ Net impairment losses recognized in earnings— $(158)$ $(209)$ $(191)$ Total noninterest income16,921 $12,956$ $47,327$ $37,938$ Noninterest expense: $15,214$ $12,912$ $44,125$ $37,138$ Net occupancy $1,468$ $1,362$ $4,521$ $3,919$ Equipment $1,168$ $1,092$ $3,418$ $3,211$ Merchant processing costs $2,707$ $2,781$ $6,690$ $6,795$ Outsourced services $845$ $863$ $2,660$ $2,610$ FDIC deposit insurance costs $427$ $427$ $1,311$ $1,614$ Legal, audit and professional fees $598$ $430$ $1,599$ $1,389$						
Portion of loss recognized in other comprehensive income (before tax)— $(158)$ $(124)$ $(137)$ Net impairment losses recognized in earnings— $(158)$ $(209)$ $(191)$ $)$ Total noninterest income16,92112,95647,32737,938Noninterest expense:521412,91244,12537,138Net occupancy1,4681,3624,5213,919Equipment1,1681,0923,4183,211Merchant processing costs2,7072,7816,6906,795Outsourced services8458632,6602,610FDIC deposit insurance costs4274271,3111,614Legal, audit and professional fees5984301,5991,389	÷		16,921	13,114	-	
Net impairment losses recognized in earnings— $(158)$ $(209)$ $(191)$ Total noninterest income16,92112,95647,32737,938Noninterest expense:515,21412,91244,12537,138Salaries and employee benefits15,21412,91244,12537,138Net occupancy1,4681,3624,5213,919Equipment1,1681,0923,4183,211Merchant processing costs2,7072,7816,6906,795Outsourced services8458632,6602,610FDIC deposit insurance costs4274271,3111,614Legal, audit and professional fees5984301,5991,389				—	. ,	
Total noninterest income16,92112,95647,32737,938Noninterest expense:53laries and employee benefits15,21412,91244,12537,138Net occupancy1,4681,3624,5213,919Equipment1,1681,0923,4183,211Merchant processing costs2,7072,7816,6906,795Outsourced services8458632,6602,610FDIC deposit insurance costs4274271,3111,614Legal, audit and professional fees5984301,5991,389	6			· · · · ·		· /
Noninterest expense:Salaries and employee benefits15,21412,91244,12537,138Net occupancy1,4681,3624,5213,919Equipment1,1681,0923,4183,211Merchant processing costs2,7072,7816,6906,795Outsourced services8458632,6602,610FDIC deposit insurance costs4274271,3111,614Legal, audit and professional fees5984301,5991,389		in earnings				
Salaries and employee benefits15,21412,91244,12537,138Net occupancy1,4681,3624,5213,919Equipment1,1681,0923,4183,211Merchant processing costs2,7072,7816,6906,795Outsourced services8458632,6602,610FDIC deposit insurance costs4274271,3111,614Legal, audit and professional fees5984301,5991,389			16,921	12,956	47,327	37,938
Net occupancy1,4681,3624,5213,919Equipment1,1681,0923,4183,211Merchant processing costs2,7072,7816,6906,795Outsourced services8458632,6602,610FDIC deposit insurance costs4274271,3111,614Legal, audit and professional fees5984301,5991,389	<u>^</u>					
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Merchant processing costs2,7072,7816,6906,795Outsourced services8458632,6602,610FDIC deposit insurance costs4274271,3111,614Legal, audit and professional fees5984301,5991,389	- ·					
Outsourced services8458632,6602,610FDIC deposit insurance costs4274271,3111,614Legal, audit and professional fees5984301,5991,389						
FDIC deposit insurance costs4274271,3111,614Legal, audit and professional fees5984301,5991,389						
Legal, audit and professional fees5984301,5991,389						
- · ·	-					
Advertising and promotion     445     561     1,295     1,341	÷ .				-	
	Advertising and promotion		445	561	1,295	1,341

Amortization of intangibles		182	230	555	705
Foreclosed prope	erty costs	136	45	604	549
Debt prepayment	penalties	1,173		2,134	221
Other expenses		1,927	1,892	6,005	6,107
Total noninterest	expense	26,290	22,595	74,917	65,599
Income before in	come taxes	12,767	10,910	37,842	31,579
Income tax expense		3,867	3,328	11,791	9,632
Net income		\$8,900	\$7,582	\$26,051	\$21,947
Weighted averag	e common shares outstanding - basic	16,366	16,278	16,351	16,242
Weighted average common shares outstanding - diluted		16,414	16,294	16,392	16,269
Per share information:	Basic earnings per common share	\$0.54	\$0.46	\$1.59	\$1.35
	Diluted earnings per common share Cash dividends declared per share	\$0.54 \$0.24	\$0.46 \$0.22	\$1.58 \$0.70	\$1.34 \$0.66

The accompanying notes are an integral part of these unaudited consolidated financial statements. 4

#### WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

(Dollars in thousands)

	Three Months			Nine Months		hs		
Periods ended September 30,	2012		2011		2012		2011	
Net income	\$8,900	)	\$7,58	2	\$26,051		\$21,947	7
Other comprehensive income, net of tax:								
Securities available for sale:								
Unrealized (losses) gains on securities arising during the period	(218	)	(310	)	(676	)	3,315	
Less: reclassification adjustment for net gains on securities realized in net income	_				138		92	
Net unrealized (losses) gains on securities available for sale	(218	)	(310	)	(814	)	3,223	
Reclassification adjustment for change in non-credit portion of OTTI realized losses transferred to net income			101		80		88	
Cash flow hedges:								
Unrealized losses on cash flow hedges arising during the period	(127	)	(498	)	(331	)	(917	)
Less: reclassification adjustment for amount of gains on cash flow hedges realized in net income	113		123		336		368	
Net unrealized (losses) gains on cash flow hedges	(14	)	(375	)	5		(549	)
Defined benefit plan obligation adjustment	171		60		527		181	
Total other comprehensive (loss) income, net of tax	(61	)	(524	)	(202	)	2,943	
Total comprehensive income	\$8,839 \$7,058 \$25,849		9	\$24,890	0			

The accompanying notes are an integral part of these unaudited consolidated financial statements. 5

### WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES (Dollars and shares in thousands) CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2011	16,172	\$1,011	\$84,889	\$178,939	\$4,025	\$268,864
Net income				21,947		21,947
Total other comprehensive income, ne of tax	t				2,943	2,943
Cash dividends declared				(10,844)		(10,844)
Share-based compensation			1,037			1,037
Exercise of stock options, issuance of						
other compensation-related equity	74	4	789			793
instruments and related tax benefit						
Shares issued – dividend reinvestment	33	2	752			754
plan	16.270	¢1 017	<b>607</b> 467	¢100.04 <b>0</b>	¢C 0C0	¢205 404
Balance at September 30, 2011	16,279	\$1,017	\$87,467	\$190,042	\$6,968	\$285,494

	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	e	Total	
Balance at January 1, 2012 Net income	16,292	\$1,018	\$88,030	\$194,198 26,051	(\$1,895	)	\$281,35 26,051	1
Total other comprehensive loss, net of tax					(202	) (	(202	)
Cash dividends declared Share-based compensation Deferred compensation plan	10	1	1,404 145	(11,610)		``	(11,610 1,404	)