

WASHINGTON TRUST BANCORP INC  
Form 10-Q/A  
November 20, 2007

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

**FORM 10-Q/A**  
(Amendment No. 1 to)

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **MARCH 31, 2007** or

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: 000-13091**

**WASHINGTONTRUSTBANCORP,INC.**

(Exact name of registrant as specified in its charter)

**RHODE ISLAND**

(State or other jurisdiction of  
incorporation or organization)

**05-0404671**

(I.R.S. Employer  
Identification No.)

**23 BROAD STREET**

**WESTERLY, RHODE ISLAND**

(Address of principal executive  
offices)

**02891**

(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.

Yes       No

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

Large accelerated filer   

Accelerated

filer   

Non-accelerated filer   

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes       No

The number of shares of common stock of the registrant outstanding as of May 3, 2007 was 13,356,244.

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**EXPLANATORY NOTE**

We are filing this Amendment No. 1 to our Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2007, originally filed with the Securities and Exchange Commission (the "SEC") on May 9, 2007 (the "Original Filing"), to add a subsequent event footnote to disclose certain second quarter 2007 investment securities transactions in the Condensed Notes to Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q/A.

In the Condensed Notes to Consolidated Financial Statements in Item 1 Part I, we added the following new Note 16:

"Based on our assessment of the provisions of Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Liabilities" ("SFAS No. 159"), on April 12, 2007 we decided to implement early adoption of SFAS No. 159. In connection with this, we selected the fair value option for certain U.S. Government sponsored agency and mortgage-backed securities with lower coupons and slower prepayment characteristics in the held to maturity portfolio totaling approximately \$61.9 million. A portfolio restructuring plan was also undertaken to reduce interest rate risk and improve net interest margin, which included the sale of these securities. On Friday April 13, 2007 we executed sale trades for these held to maturity securities. At the time of the sales transactions the historical amortized cost basis of the sold securities exceeded the total sales price by \$1.7 million. On Monday April 16, 2007 additional information became available regarding clarifications of the interpretation of the application of SFAS No. 159 by applicable regulatory and accounting industry bodies that led us to conclude that the application of SFAS No. 159 to our transactions might be inconsistent with the intent and spirit of SFAS No. 159. Consequently, we decided not to early-adopt SFAS No. 159.

As a result, in April 2007 we recognized a realized securities loss of \$1.7 million and the remaining held to maturity portfolio was reclassified to the available for sale category. This reclassification has been recognized as of April 13, 2007. The Corporation will not be able to classify securities in the held to maturity category for a period of two years from the April 13, 2007 sales date as a result of this action."

We have also added a cross-reference to this Note 16 in Note 2 to the Consolidated Financial Statements.

We have not modified or updated disclosures presented in the Original Filing in this Form 10-Q/A. Accordingly, this Form 10-Q/A does not reflect events occurring after the filing of the Original Filing on May 9, 2007 or modify or update those disclosures affected by subsequent events or discoveries. Information not affected by this disclosure is unchanged and reflects the disclosures made at the time of the Original Filing on May 9, 2007. Accordingly, this Form 10-Q/A should be read in conjunction with our filings that we have made with the SEC subsequent to the filing of the Original Filing, which include our Form 10-Q for the quarterly period ended June 30, 2007, as amended, and our Current Reports on Form 8-K.

We have only amended disclosures presented in the Original Filing as required to reflect the matters described above and accordingly, have amended only the following items:

- Part I—Item 1—Financial Statements
- Part II—Item 6—Exhibits

The other items of the Original Filing have not been amended and, accordingly, have not been repeated in this Form 10-Q/A.

In addition, in accordance with applicable SEC rules, this Form 10-Q/A includes updated certifications from our chief executive officer and chief financial officer as Exhibits 31.1, 31.2, 32.1 and 32.2.

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**FORM 10-Q/A**  
**WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES**  
For the Quarter Ended March 31, 2007

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SUBSIDIARIES****(Dollars in thousands)****CONSOLIDATED BALANCE SHEETS**

	Unaudited	
	March 31, 2007	December 31, 2006
<b>Assets:</b>		
Cash and due from banks	\$ 30,058	\$ 54,337
Federal funds sold	29,625	16,425
Other short term investments	683	1,147
Mortgage loans held for sale	2,122	2,148
Securities:		
Available for sale, at fair value; amortized cost \$540,650 in 2007 and \$525,966 in 2006	541,942	526,396
Held to maturity, at cost; fair value \$162,974 in 2007 and \$175,369 in 2006	164,464	177,455
Total securities	706,406	703,851
Federal Home Loan Bank stock, at cost	28,727	28,727
Loans:		
Commercial and other	599,170	587,397
Residential real estate	589,565	588,671
Consumer	281,465	283,918
Total loans	1,470,200	1,459,986
Less allowance for loan losses	19,360	18,894
Net loans	1,450,840	1,441,092
Premises and equipment, net	24,603	24,307
Accrued interest receivable	11,572	11,268
Investment in bank-owned life insurance	40,161	39,770
Goodwill	44,558	44,558
Identifiable intangible assets, net	12,448	12,816
Other assets	18,159	18,719
Total assets	\$ 2,399,962	\$ 2,399,165
<b>Liabilities:</b>		
Deposits:		
Demand deposits	\$ 175,010	\$ 186,533
NOW accounts	176,006	175,479
Money market accounts	290,273	286,998
Savings accounts	204,465	205,998
Time deposits	837,838	822,989
Total deposits	1,683,592	1,677,997
Dividends payable	2,682	2,556
Federal Home Loan Bank advances	457,145	474,561
Junior subordinated debentures	22,681	22,681
Other borrowings	25,792	14,684
Accrued expenses and other liabilities	32,543	33,630
Total liabilities	2,224,435	2,226,109
<b>Shareholders' Equity:</b>		
Common stock of \$.0625 par value; authorized 30,000,000 shares; issued 13,492,110 in 2007 and 2006	843	843
Paid-in capital	35,697	35,893

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Retained earnings	144,841	141,548
Accumulated other comprehensive loss	(2,876)	(3,515)
Treasury stock, at cost; 109,575 shares in 2007 and 62,432 shares in 2006	(2,978)	(1,713)
Total shareholders' equity	175,527	173,056
Total liabilities and shareholders' equity	\$ 2,399,962	\$ 2,399,165

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

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**WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

**(Dollars and shares in thousands, except per share amounts)**

Three months ended March 31,	Unaudited	
	2007	2006
<b>Interest income:</b>		
Interest and fees on loans	\$ 23,934	\$ 21,897
<b>Interest on securities:</b>		
Taxable	7,792	8,412
Nontaxable	668	328
Dividends on corporate stock and Federal Home Loan Bank stock	718	677
Interest on federal funds sold and other short-term investments	191	115
Total interest income	33,303	31,429
<b>Interest expense:</b>		
Deposits	12,977	10,238
Federal Home Loan Bank advances	4,968	5,359
Junior subordinated debentures	338	338
Other	150	79
Total interest expense	18,433	16,014
Net interest income	14,870	15,415
Provision for loan losses	300	300
Net interest income after provision for loan losses	14,570	15,115
<b>Noninterest income:</b>		
<b>Wealth management services</b>		
Trust and investment advisory fees	5,038	4,627
Mutual fund fees	1,262	1,130
Financial planning, commissions and other service fees	570	683
Wealth management services	6,870	6,440
Service charges on deposit accounts	1,125	1,119
Merchant processing fees	1,204	1,047
Income from bank-owned life insurance	391	279
Net gains on loan sales and commissions on loans originated for others	264	276
Net realized gains on sales of securities	1,036	59
Other income	358	300
Total noninterest income	11,248	9,520
<b>Noninterest expense:</b>		
Salaries and employee benefits	9,812	9,619
Net occupancy	1,017	954
Equipment	832	799
Merchant processing costs	1,019	887
Outsourced services	519	518
Advertising and promotion	429	437
Legal, audit and professional fees	450	376
Amortization of intangibles	368	405
Debt prepayment penalties	1,067	-
Other	1,596	1,709
Total noninterest expense	17,109	15,704
Income before income taxes	8,709	8,931

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Income tax expense		2,734		2,858
Net income		\$ 5,975	\$	6,073
Weighted average shares outstanding - basic		13,412.1		13,386.8
Weighted average shares outstanding - diluted		13,723.0		13,698.6
Per share information: Basic earnings per share		\$ 0.45	\$	0.45
Diluted earnings per share		\$ 0.44	\$	0.44
Cash dividends declared per share		\$ 0.20	\$	0.19

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

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BANCORP, INC. AND  
SUBSIDIARIES****(Dollars in thousands)****CONSOLIDATED STATEMENTS OF CASH FLOWS**

Three months ended March 31,	(Unaudited)	
	2007	2006
<b>Cash flows from operating activities:</b>		
Net income	\$ 5,975	\$ 6,073
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	300	300
Depreciation of premises and equipment	728	729
Loss on disposal of premises and equipment	21	-
Net amortization of premium and discount	204	416
Net amortization of intangibles	368	405
Share-based compensation	171	181
Earnings from bank-owned life insurance	(391)	(279)
Net gains on loan sales	(264)	(276)
Net realized gains on sales of securities	(1,036)	(59)
Proceeds from sales of loans	11,364	6,819
Loans originated for sale	(11,201)	(8,364)
Increase in accrued interest receivable, excluding purchased interest	(295)	(567)
Decrease (increase) in other assets	266	(681)
(Decrease) increase in accrued expenses and other liabilities	(1,018)	761
Other, net	-	6
Net cash provided by operating activities	5,192	5,464
<b>Cash flows from investing activities:</b>		
Purchases of:		
Mortgage-backed securities available for sale	(17,065)	(12,851)
Other investment securities available for sale	(15,873)	(18,608)
Other investment securities held to maturity	(10,302)	(6,141)
Other investment securities available for sale	2,001	193
Proceeds from sale of:		
Mortgage-backed securities available for sale	14,177	23,787
Other investment securities available for sale	2,982	-
Mortgage-backed securities held to maturity	2,980	4,291
Other investment securities held to maturity	20,265	1,335
Net increase in loans	(8,339)	(349)
Purchases of loans, including purchased interest	(1,630)	(16,616)
Purchases of premises and equipment	(1,045)	(1,098)
Net cash used in investing activities	(11,849)	(26,057)
<b>Cash flows from financing activities:</b>		
Net increase in deposits	5,595	21,363

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Net increase (decrease) in other borrowings	11,108	(3,666)
Proceeds from Federal Home Loan Bank advances	170,400	160,204
Repayment of Federal Home Loan Bank advances	(187,805)	(149,463)
Purchases of treasury stock, including deferred compensation plan activity	(1,930)	(69)
Proceeds from the issuance of common stock under dividend reinvestment plan	–	313
Proceeds from the exercise of share options	113	530
Tax benefit from share option exercises	189	201
Cash dividends paid	(2,556)	(2,408)
Net cash (used in) provided by financing activities	(4,886)	27,005
Net (decrease) increase in cash and cash equivalents	(11,543)	6,412
Cash and cash equivalents at beginning of year	71,909	66,163
Cash and cash equivalents at end of period	\$ 60,366	\$ 72,575
<b>Noncash Investing and Financing Activities:</b> Loans charged off	\$ 25	\$ 38
<b>Supplemental Disclosures:</b> Interest payments	18,393	14,727
Income tax payments	125	240

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

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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES  
CONDENSED NOTES TO CONSOLIDATED FINANCIAL  
STATEMENTS**

**General**

Washington Trust Bancorp, Inc. (the “Bancorp”) is a publicly-owned registered bank holding company and financial holding company. The Bancorp owns all of the outstanding common stock of The Washington Trust Company (the “Bank”), a Rhode Island chartered commercial bank founded in 1800. Through its subsidiaries, the Bancorp offers a complete product line of financial services to individuals and businesses including commercial, residential and consumer lending, retail and commercial deposit products, and wealth management services through its branch offices in Rhode Island, Massachusetts and southeastern Connecticut, ATMs, and its Internet web site ([www.washtrust.com](http://www.washtrust.com)).

**(1) Basis of Presentation**

The consolidated financial statements include the accounts of the Bancorp and its subsidiaries (collectively, the “Corporation” or “Washington Trust”). All significant intercompany transactions have been eliminated. Certain prior year amounts have been reclassified to conform to the current year classification. Such reclassifications have no effect on previously reported net income or shareholders’ equity.

The accounting and reporting policies of the Corporation conform to U.S. generally accepted accounting principles (“GAAP”) and to general practices of the banking industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to change are the determination of the allowance for loan losses and the review of goodwill and other intangible assets for impairment.

In the opinion of management, the accompanying consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) and disclosures necessary to present fairly the Corporation’s financial position as of March 31, 2007 and December 31, 2006, respectively, and the results of operations and cash flows for the interim periods presented. Interim results are not necessarily reflective of the results of the entire year. The unaudited consolidated financial statements of the Corporation presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission (“SEC”) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by GAAP. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in Washington Trust’s Annual Report on Form 10-K for the year ended December 31, 2006.

**(2) New Accounting Pronouncements**

In February 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 155, “Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140.” This Statement eliminates the exemption from applying SFAS No. 133 to interests in securitized financial assets so that similar instruments are accounted for similarly regardless of the form of the instruments. This Statement also allows a preparer to elect fair value measurement at acquisition, at issuance, or when a previously recognized financial instrument is subject to a remeasurement event, on an instrument-by-instrument basis, in cases in which a derivative would otherwise have to be bifurcated. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity’s first fiscal year that begins after September 15, 2006. Provisions of this Statement may be applied to instruments that an entity holds at the date of adoption on an instrument-by-instrument basis. Prior periods should not be restated. The adoption of SFAS No. 155 did not have a material impact on the Corporation’s financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140." This Statement requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value. SFAS No. 156 permits, but does not require, the subsequent measurement of servicing assets and servicing liabilities at fair value. An entity that used derivative instruments to mitigate the risks inherent in servicing assets and servicing liabilities is required to account for those derivative instruments at fair value. SFAS No. 156 is effective as of the beginning of the first fiscal year that begins after September 15, 2006. The adoption of SFAS No. 156 did not have a material impact on the Corporation's financial position or results of operations.

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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES** (Continued)  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Effective January 1, 2007, the Corporation adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48 did not have a material impact on the Corporation's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures of fair value measurements. SFAS No. 157 applies to the accounting principles that currently use fair value measurement, and does not require any new fair value measurements. The expanded disclosures focus on the inputs used to measure fair value as well as the effect of the fair value measurements on earnings. This Statement is effective as of the beginning of the first fiscal year beginning after November 15, 2007 and interim periods within that fiscal year. The Corporation believes the adoption of SFAS No. 157 will not have a material impact on the Corporation's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans (an amendment of FASB Statements No. 87, 88, 106 and 132R)". The recognition and disclosure provisions of SFAS No. 158 were adopted by the Corporation for the year ended December 31, 2006. Upon adoption, the funded status of an employer's postretirement benefit plan was recognized in the statement of financial position and the changes in funded status of the defined benefit plan, including actuarial gains and losses and prior service costs and credits were recognized in comprehensive income. The requirement to measure the plan's assets and obligations as of the employers fiscal year end is effective for fiscal years ending after December 15, 2008. The Corporation is currently evaluating the impact the measurement date provisions of SFAS No. 158 will have on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Liabilities - Including an amendment to FASB No. 115". This Statement permits entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) may be applied instrument-by-instrument with certain exceptions, (ii) is irrevocable (unless a new election date occurs) and (iii) is applied only to entire instruments and not to portions of instruments. This Statement is effective as of the beginning of the first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157, "Fair Value Instruments." Retrospective application is allowed for early adopters, prohibited for others. The choice to adopt early must be made within 120 days of the beginning of the fiscal year of adoption, provided the entity has not yet issued financial statements. This Statement permits application to eligible items existing at the effective date (or early adoption date). The Corporation is currently evaluating the impact that SFAS No. 159 will have on its consolidated financial statements. See further discussion on SFAS No. 159 in Note 16.

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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES** (Continued)  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(3) Securities**

Securities available for sale are summarized as follows:

(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2007</b>				
U.S. Treasury obligations and obligations of U.S. government-sponsored agencies	\$ 164,394	\$ 846	\$ (551)	\$ 164,689
Mortgage-backed securities	300,793	1,085	(4,189)	297,689
Trust preferred securities	36,161	281	(151)	36,291
Corporate bonds	24,983	81	(20)	25,044
Corporate stocks	14,319	4,071	(161)	18,229
Total	540,650	6,364	(5,072)	541,942
<b>December 31, 2006</b>				
U.S. Treasury obligations and obligations of U.S. government-sponsored agencies	157,383	778	(876)	157,285
Mortgage-backed securities	298,038	923	(5,174)	293,787
Trust preferred securities	30,571	208	(205)	30,574
Corporate bonds	24,998	83	(47)	25,034
Corporate stocks	14,976	4,915	(175)	19,716
Total	\$ 525,966	\$ 6,907	\$ (6,477)	\$ 526,396

Securities held to maturity are summarized as follows:

(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2007</b>				
U.S. Treasury obligations and obligations of U.S. government-sponsored agencies	\$ 22,000	\$ –	\$ (246)	\$ 21,754
Mortgage-backed securities	66,319	496	(1,351)	65,464
States and political subdivisions	76,145	108	(497)	75,756
Total	164,464	604	(2,094)	162,974
<b>December 31, 2006</b>				
U.S. Treasury obligations and obligations of U.S. government-sponsored agencies	42,000	–	(422)	41,578
Mortgage-backed securities	69,340	440	(1,604)	68,176
States and political subdivisions	66,115	88	(588)	65,615
Total	\$ 177,455	\$ 528	\$ (2,614)	\$ 175,369

Securities available for sale and held to maturity with a fair value of \$555.2 million and \$557.4 million were pledged in compliance with state regulations concerning trust powers and to secure Treasury Tax and Loan deposits, borrowings, and certain public deposits at March 31, 2007 and December 31, 2006, respectively. In addition, securities available for sale and held to maturity with a fair value of \$9.3 million and \$9.6 million were collateralized for the discount window at the Federal Reserve Bank at March 31, 2007 and December 31, 2006, respectively. There were no borrowings with the Federal Reserve Bank at either date. Securities available for sale with a fair value of

\$2.1 million were designated in a rabbi trust for a nonqualified retirement plan at March 31, 2007 and December 31, 2006. As of March 31, 2007, securities available for sale with a fair value of \$20.4 million were pledged as collateral to secure securities sold under agreements to repurchase.

At March 31, 2007 and December 31, 2006, the available for sale and held to maturity securities portfolio included \$200 thousand and \$1.7 million of net pretax unrealized losses, respectively. Included in these net amounts were gross unrealized losses amounting to \$7.2 million and \$9.1 million at March 31, 2007 and December 31, 2006, respectively.

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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES** (Continued)  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following tables summarize, for all securities in an unrealized loss position at March 31, 2007 and December 31, 2006, respectively, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position.

(Dollars in thousands)	Less than 12 Months			12 Months or Longer			Total		
	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
<b>At March 31, 2007</b>									
U.S. Treasury obligations and obligations of U.S. government-sponsored agencies	6	\$ 35,884	\$ 82	13	\$ 82,765	\$ 715	19	\$ 118,649	\$ 797
Mortgage-backed securities	10	27,705	74	69	230,984	5,466	79	258,689	5,540
States and political subdivisions	62	49,347	343	12	6,758	154	74	56,105	497
Trust preferred securities	–	–	–	6	13,896	151	6	13,896	151
Corporate bonds	3	11,148	8	1	3,002	12	4	14,150	20
Subtotal, debt securities	81	124,084	507	101	337,405	6,498	182	461,489	7,005
Corporate stocks	5	5,834	107	4	1,505	54	9	7,339	161
Total temporarily impaired securities	86	\$ 129,918	\$ 614	105	\$ 338,910	\$ 6,552	191	\$ 468,828	\$ 7,166

(Dollars in thousands)	Less than 12 Months			12 Months or Longer			Total		
	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
<b>At December 31, 2006</b>									
U.S. Treasury obligations and obligations of U.S. government-sponsored agencies	8	\$ 52,751	\$ 211	14	\$ 94,393	\$ 1,087	22	\$ 147,144	\$ 1,298
Mortgage-backed securities	7	20,620	122	69	240,457	6,656	76	261,077	6,778
States and political subdivisions	61	45,948	419	12	6,747	169	73	52,695	588
Trust preferred securities	–	–	–	7	14,840	205	7	14,840	205
Corporate bonds	2	6,130	34	1	3,006	13	3	9,136	47
Subtotal, debt securities	78	125,449	786	103	359,443	8,130	181	484,892	8,916
Corporate stocks	5	5,823	110	4	1,494	65	9	7,317	175
Total temporarily impaired securities	83	\$ 131,272	\$ 896	107	\$ 360,937	\$ 8,195	190	\$ 492,209	\$ 9,091

For those debt securities whose amortized cost exceeds fair value, the primary cause is related to interest rates. The majority of debt securities reported in an unrealized loss position at March 31, 2007 were purchased during 2005, 2004 and 2003, during which time interest rates were at or near historical lows. The Corporation believes that the nature and duration of impairment on its debt security holdings are primarily a function of interest rate movements and changes in investment spreads, and does not consider full repayment of principal on the reported debt obligations to be at risk. The Corporation has the ability and intent to hold these investments to full recovery of the cost basis. The debt securities in an unrealized loss position at March 31, 2007 consisted of 182 debt security



holdings. The largest loss percentage of any single holding was 4.50% of its amortized cost.

Causes of conditions whereby the fair value of corporate stock equity securities is less than cost include the timing of purchases and changes in valuation specific to individual industries or issuers. The relationship between the level of market interest rates and the dividend rates paid on individual equity securities may also be a contributing factor. The Corporation believes that the nature and duration of impairment on its equity securities holdings are considered to be a function of general financial market movements and industry conditions. The equity securities in an unrealized loss position at March 31, 2007 consisted of 9 holdings of financial and commercial entities.

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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES** (Continued)  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(4) Loan Portfolio**

The following is a summary of loans:

(Dollars in thousands)	March 31, 2007		December 31, 2006	
	Amount	%	Amount	%
<b>Commercial:</b>				
Mortgages (1)	\$ 271,817	18%	\$ 282,019	19%
Construction and development (2)	33,092	2%	32,233	2%
Other (3)	294,261	21%	273,145	19%
Total commercial	599,170	41%	587,397	40%
<b>Residential real estate:</b>				
Mortgages (4)	577,823	39%	577,522	40%
Homeowner construction	11,742	1%	11,149	—%
Total residential real estate	589,565	40%	588,671	40%
<b>Consumer</b>				
Home equity lines	142,548	10%	145,676	10%
Home equity loans	94,521	6%	93,947	6%
Other	44,396	3%	44,295	4%
Total consumer	281,465	19%	283,918	20%
Total loans (5)	\$ 1,470,200	100%	\$ 1,459,986	100%

(1) Amortizing mortgages, primarily secured by income producing property.

(2) Loans for construction of residential and commercial properties and for land development.

(3) Loans to businesses and individuals, a substantial portion of which are fully or partially collateralized by real estate.

(4) A substantial portion of these loans is used as qualified collateral for FHLB borrowings (See Note 8 for additional discussion of FHLB borrowings).

(5) Net of unamortized loan origination fees, net of costs, totaling \$80 thousand and \$277 thousand at March 31, 2007 and December 31, 2006, respectively. Also includes \$300 thousand and \$342 thousand of premium, net of discount, on purchased loans at March 31, 2007 and December 31, 2006, respectively.

**(5) Allowance for Loan Losses**

The following is an analysis of the allowance for loan losses:

(Dollars in thousands)

Three months ended March 31,	2007	2006
Balance at beginning of period	\$ 18,894	\$ 17,918
Provision charged to expense	300	300
Recoveries of loans previously charged off	191	67
Loans charged off	(25)	(38)
Balance at end of period	\$ 19,360	\$ 18,427



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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES** (Continued)  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(6) Goodwill and Other Intangibles**

The changes in the carrying value of goodwill and other intangible assets for the nine months ended March 31, 2007 are as follows:

**Goodwill**

(Dollars in thousands)

	Commercial Banking Segment	Wealth Management Service Segment	Total
Balance at December 31, 2006	\$ 22,591	\$ 21,967	\$ 44,558
Additions to goodwill during the period	—	—	—
Impairment recognized	—	—	—
Balance at March 31, 2007	\$ 22,591	\$ 21,967	\$ 44,558

**Other Intangible Assets**

	Core Deposit Intangible	Advisory Contracts	Non-compet Agreements	Total
Balance at December 31, 2006	\$ 650	\$ 11,937	\$ 229	\$ 12,816
Amortization	50	306	12	368
Balance at March 31, 2007	\$ 600	\$ 11,631	\$ 217	\$ 12,448

Amortization of intangible assets for the three months ended March 31, 2007 totaled \$368 thousand. Estimated annual amortization expense of current intangible assets with finite useful lives, absent any impairment or change in estimated useful lives, is summarized below.

(Dollars in thousands)

Estimated amortization expense:	Core Deposits	Advisory Contracts	Non-compet Agreements	Total
2007 (full year)	\$ 140	\$ 1,194	\$ 49	\$ 1,383
2008	120	1,111	49	1,280
2009	120	1,040	49	1,209
2010	120	922	49	1,091
2011	120	768	33	921

The components of intangible assets at March 31, 2007 are as follows:

(Dollars in thousands)

	Core Deposits	Advisory Contracts	Non-compet Agreements	Total
Gross carrying amount	\$ 2,997	\$ 13,657	\$ 1,147	\$ 17,801
Accumulated amortization	2,397	2,026	930	5,353
Net amount	\$ 600	\$ 11,631	\$ 217	\$ 12,448

**(7) Income Taxes**

Effective January 1, 2007, the Corporation adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). The adoption of FIN 48 did not result in any adjustment to retained earnings as of January 1, 2007.

As of the adoption date, the Corporation had gross tax affected unrecognized tax benefits of \$1.2 million. If recognized this amount would be recorded as a component of income tax expense. There have been no significant changes to these amounts during the quarter ended March 31, 2007.

The Corporation recognizes potential accrued interest related to unrecognized tax benefits in income tax expense in the Consolidated Statements of Income. As of the adoption date of January 1, 2007, accrued interest amounted to

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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES** (Continued)  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

\$70 thousand. To the extent interest is not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision. Penalties, if incurred, would be recognized as a component of income tax expense.

The Corporation files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Corporation is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2003. With a few exceptions, the Corporation is no longer subject to state income tax examinations by tax authorities for years before 2000.

**(8) Borrowings****Federal Home Loan Bank Advances**

Advances payable to the Federal Home Loan Bank (“FHLB”) are summarized as follows:

(Dollars in thousands)	March 31, 2007	December 31, 2006
FHLB advances	\$ 457,145	\$ 474,561

During the first quarter of 2007, the Corporation prepaid \$26.5 million in advances payable to the FHLB resulting in a debt prepayment penalty charge, recorded in noninterest expense, of \$1.1 million. See additional discussion in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations, under the caption “Noninterest Expense.”

In addition to outstanding advances, the Corporation also has access to an unused line of credit amounting to \$8.0 million at March 31, 2007. Under an agreement with the FHLB, the Corporation is required to maintain qualified collateral, free and clear of liens, pledges, or encumbrances that, based on certain percentages of book and market values, has a value equal to the aggregate amount of the line of credit and outstanding advances (“FHLB borrowings”). The FHLB maintains a security interest in various assets of the Corporation including, but not limited to, residential mortgages loans, U.S. government or agency securities, U.S. government-sponsored agency securities, and amounts maintained on deposit at the FHLB. The Corporation maintained qualified collateral in excess of the amount required to collateralize the line of credit and outstanding advances at March 31, 2007. Included in the collateral were securities available for sale and held to maturity with a fair value of \$432.1 million and \$451.5 million that were specifically pledged to secure FHLB borrowings at March 31, 2007 and December 31, 2006, respectively. Unless there is an event of default under the agreement with the FHLB, the Corporation may use, encumber or dispose of any portion of the collateral in excess of the amount required to secure FHLB borrowings, except for that collateral that has been specifically pledged.

**Other Borrowings**

The following is a summary of other borrowings:

(Dollars in thousands)	March 31, 2007	December 31, 2006
Treasury, Tax and Loan demand note balance	\$ 2,121	\$ 3,863
Deferred acquisition obligations	3,769	10,372
Securities sold under repurchase agreements	19,500	—

Other		402		449
Other borrowings	\$	25,792	\$	14,684

In the first quarter of 2007, securities sold under repurchase agreements of \$19.5 million were executed. The securities sold under agreements to repurchase are callable at the issuer's option, at one time only, in one year and mature in five years. The securities underlying the agreements are held in safekeeping by the counterparty in the name of the Corporation and are repurchased when the agreement matures. Accordingly, these underlying securities are included in securities available for sale and the obligations to repurchase such securities are reflected as a liability.

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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES** (Continued)  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Stock Purchase Agreement for the August 2005 acquisition of Weston Financial provides for the payment of contingent purchase price amounts based on operating results in each of the years in the three-year earn-out period ending December 31, 2008. Contingent payments are added to goodwill and recorded as deferred acquisition liabilities at the time the payments are determinable beyond a reasonable doubt. Deferred acquisition obligations amounted to \$3.8 million at March 31, 2007 compared to \$10.4 million at December 31, 2006. In the first quarter of 2007 the Corporation paid approximately \$6.7 million in earn-out payments.

**(9) Shareholders' Equity****Stock Repurchase Plan:**

Under the Corporation's 2006 stock repurchase plan, 61,100 shares of stock were repurchased at a total cost of \$1.7 million during the three months ended March 31, 2007. In addition, 11,180 shares were acquired pursuant to the Nonqualified Deferred Compensation Plan.

**Regulatory Capital Requirements:**

The following table presents the Corporation's and the Bank's actual capital amounts and ratios at March 31, 2007 and December 31, 2006, as well as the corresponding minimum regulatory amounts and ratios:

(Dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>As of March 31, 2007:</b>						
Total Capital (to Risk-Weighted Assets):						
Corporation	\$ 163,382	10.84%	\$ 120,581	8.00%	\$ 150,727	10.00%
Bank	\$ 164,163	10.90%	\$ 120,508	8.00%	\$ 150,635	10.00%
Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	\$ 142,772	9.47%	\$ 60,291	4.00%	\$ 90,436	6.00%
Bank	\$ 143,564	9.53%	\$ 60,254	4.00%	\$ 90,381	6.00%
Tier 1 Capital (to Average Assets): (1)						
Corporation	\$ 142,772	6.14%	\$ 92,944	4.00%	\$ 116,180	5.00%
Bank	\$ 143,564	6.18%	\$ 92,900	4.00%	\$ 116,125	5.00%
<b>As of December 31, 2006:</b>						
Total Capital (to Risk-Weighted Assets):						
Corporation	\$ 161,076	10.96%	\$ 117,538	8.00%	\$ 146,922	10.00%
Bank	\$ 168,235	11.46%	\$ 117,465	8.00%	\$ 146,832	10.00%
Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	\$ 140,568	9.57%	\$ 58,769	4.00%	\$ 88,153	6.00%
Bank	\$ 147,738	10.06%	\$ 58,733	4.00%	\$ 88,099	6.00%



Tier 1 Capital (to Average Assets): (1)							
Corporation	\$	140,568	6.01%	\$	93,487	4.00%	\$ 116,858 5.00%
Bank	\$	147,738	6.32%	\$	93,437	4.00%	\$ 116,797 5.00%

## (1) Leverage ratio

The Corporation's capital ratios at March 31, 2007 place the Corporation in the "well-capitalized" category according to regulatory standards.

**(10) Financial Instruments with Off-Balance Sheet Risk and Derivative Financial Instruments**

The Corporation 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 manage the Corporation's exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, standby letters of credit, financial guarantees, and commitments to originate and commitments to sell fixed rate mortgage loans. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Corporation's Consolidated Balance Sheets. The contract or notional amounts of these instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments. The Corporation uses the same credit policies in making commitments and

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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES** (Continued)  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

conditional obligations as it does for on-balance sheet instruments. The contractual and notional amounts of financial instruments with off-balance sheet risk are as follows:

(Dollars in thousands)	March 31, 2007	December 31, 2006
<b>Financial instruments whose contract amounts represent credit risk:</b>		
<b>Commitments to extend credit:</b>		
Commercial loans	\$ 156,944	\$ 122,376
Home equity lines	182,290	185,483
Other loans	11,906	10,671
Standby letters of credit	8,898	9,401
<b>Financial instruments whose notional amounts exceed the amount of credit risk:</b>		
<b>Forward loan commitments:</b>		
Commitments to originate fixed rate mortgage loans to be sold	4,868	2,924
Commitments to sell fixed rate mortgage loans	6,988	5,066

**Commitments to Extend Credit**

Commitments to extend credit are agreements to lend to a customer as long as there are no violations of any conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each borrower's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the borrower.

**Standby Letters of Credit**

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Under the standby letters of credit, the Corporation is required to make payments to the beneficiary of the letters of credit upon request by the beneficiary contingent upon the customer's failure to perform under the terms of the underlying contract with the beneficiary. Standby letters of credit extend up to five years. At March 31, 2007 and December 31, 2006, the maximum potential amount of undiscounted future payments, not reduced by amounts that may be recovered, totaled \$8.9 million and \$9.4 million, respectively. At March 31, 2007 and December 31, 2006, there was no liability to beneficiaries resulting from standby letters of credit. Fee income on standby letters of credit for the three months ended March 31, 2007 and 2006 was insignificant.

At March 31, 2007, a substantial portion of the standby letters of credit were supported by pledged collateral. The collateral obtained is determined based on management's credit evaluation of the customer. Should the Corporation be required to make payments to the beneficiary, repayment from the customer to the Corporation is required.

**Forward Loan Commitments**

Commitments to originate and commitments to sell fixed rate mortgage loans are derivative financial instruments. Accordingly, the fair value of these commitments is recognized in other assets on the balance sheet and changes in fair value of such commitments are recorded in current earnings in the income statement. The carrying value of such commitments as of March 31, 2007 and December 31, 2006 and the respective changes in fair values for the three months ended March 31, 2007 and 2006 were insignificant.



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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES** (Continued)  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(11) Defined Benefit Pension Plans****Components of Net Periodic Benefit Costs:**

(Dollars in thousands)

	Qualified Pension Plan		Non-Qualified Retirement Plans	
	2007	2006	2007	2006
Three months ended March 31,				
Service cost	\$ 503	\$ 517	\$ 86	\$ 88
Interest cost	462	413	130	116
Expected return on plan assets	(496)	(450)	-	-
Amortization of transition asset	(1)	(1)	-	-
Amortization of prior service cost	(9)	(8)	16	16
Recognized net actuarial loss	47	79	54	54
Net periodic benefit cost	\$ 506	\$ 550	\$ 286	\$ 274

**Assumptions:**

The measurement date and weighted-average assumptions used to determine net periodic benefit cost for the three months ended March 31, 2007 and 2006 were as follows:

	Qualified Pension Plan		Non-Qualified Retirement Plans	
	2006	2005	2006	2005
	Sept. 30,	Sept. 30,	Sept. 30,	Sept. 30,
	2006	2005	2006	2005
Measurement date				
Discount rate	5.90%	5.50%	5.90%	5.50%
Expected long-term return on plan assets	8.25%	8.25%	-	-
Rate of compensation increase	4.25%	4.25%	4.25%	4.25%

As discussed in Note 2, the SFAS No. 158 requirement to measure the plan's assets and obligations as of the employer's fiscal year end is effective December 31, 2008.

**Employer Contributions:**

The Corporation previously disclosed in its financial statements for the year ended December 31, 2006 that it expected to contribute \$1.3 million to its qualified pension plan and \$369 thousand in benefit payments to its non-qualified retirement plans in 2007. As of March 31, 2007, approximately \$1.9 million of contributions have been made to the qualified pension plan and \$84 thousand in benefit payments have been made to the non-qualified retirement plans. The Corporation presently anticipates contributing an additional \$251 thousand in benefit payments to the non-qualified retirement plans in 2007.

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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES** (Continued)  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(12) Business Segments**

Washington Trust segregates financial information in assessing its results among two operating segments: Commercial Banking and Wealth Management Services. The amounts in the Corporate column include activity not related to the segments, such as the investment securities portfolio, wholesale funding activities and administrative units. The Corporate column is not considered to be an operating segment. The methodologies and organizational hierarchies that define the business segments are periodically reviewed and revised. Results may be restated, when necessary, to reflect changes in organizational structure or allocation methodology. The following table presents the statement of operations and total assets for Washington Trust's reportable segments.

(Dollars in thousands)

Three months ended March 31,	Commercial Banking		Wealth Management Services		Corporate		Consolidated Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Net interest income (expense)	\$ 13,201	\$ 13,396	\$ (8)	\$ (24)	\$ 1,677	\$ 2,043	\$ 14,870	\$ 15,415
Noninterest income	2,889	2,749	6,894	6,440	1,465	331	11,248	9,520
Total income	16,090	16,145	6,886	6,416	3,142	2,374	26,118	24,935
Provision for loan losses	300	300	—	—	—	—	300	300
Depreciation and amortization expense	616	558	436	419	44	157	1,096	1,134
Other noninterest expenses	8,643	8,315	4,298	4,342	3,072	1,913	16,013	14,570
Total noninterest expenses	9,559	9,173	4,734	4,761	3,116	2,070	17,409	16,004
Income before income taxes	6,531	6,972	2,152	1,655	26	304	8,709	8,931
Income tax expense (benefit)	2,301	2,425	834	658	(401)	(225)	2,734	2,858
Net income	\$ 4,230	\$ 4,547	\$ 1,318	\$ 997	\$ 427	\$ 529	\$ 5,975	\$ 6,073
Total assets at period end	1,540,794	1,499,729	36,726	33,145	822,442	899,891	2,399,962	2,432,765
Expenditures for long-lived assets	\$ 886	788	69	254	90	56	1,045	1,098

Management uses certain methodologies to allocate income and expenses to the business lines. A funds transfer pricing methodology is used to assign interest income and interest expense to each interest-earning asset and interest-bearing liability on a matched maturity funding basis. Certain indirect expenses are allocated to segments. These include support unit expenses such as technology and processing operations and other support

functions. Taxes are allocated to each segment based on the effective rate for the period shown.

**Commercial Banking**

The Commercial Banking segment includes commercial, commercial real estate, residential and consumer lending activities; mortgage banking, secondary market and loan servicing activities; deposit generation; merchant credit card services; cash management activities; and direct banking activities, which include the operation of ATMs, telephone and internet banking services and customer support and sales.

**Wealth Management Services**

Wealth Management Services includes asset management services provided for individuals and institutions; personal trust services, including services as executor, trustee, administrator, custodian and guardian; corporate trust services, including services as trustee for pension and profit sharing plans; and other financial planning and advisory services.

**Corporate**

Corporate includes the Treasury Unit, which is responsible for managing the wholesale investment portfolio and wholesale funding needs. It also includes income from bank-owned life insurance as well as administrative and executive expenses not allocated to the business lines and the residual impact of methodology allocations such as funds transfer pricing offsets.

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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES** (Continued)  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(13) Comprehensive Income**

(Dollars in thousands)

Three months ended March 31,	2007	2006
Net income	\$ 5,975	\$ 6,073
Unrealized holding gains (losses) on securities available for sale, net of \$664 income tax expense in 2007 and \$1,754 income tax benefit in 2006	1,234	(3,211)
Reclassification adjustments for gains arising during the period, net of \$371 income tax expense in 2007 and \$20 income tax expense in 2006	(665)	(39)
Change in funded status of defined benefit plans related to the amortization of net actuarial losses, net prior service credit and net transition asset, net of \$37 income tax expense in 2007	70	-
Total comprehensive income	\$ 6,614	\$ 2,823

**(14) Earnings Per Share**

Basic earnings per share ("EPS") is calculated by dividing net income by the weighted average common stock outstanding, excluding options and other equity instruments. The dilutive effect of options, nonvested share units, non vested share awards and other items is calculated using the treasury stock method for purposes of weighted average dilutive shares. Diluted EPS is computed by dividing net income by the average number of common stock and common stock equivalents outstanding.

(Dollars and shares in thousands, except per share amounts)

Three months ended March 31,	2007	2006
Net income	\$ 5,975	\$ 6,073
Weighted average basic shares	13,412.1	13,386.8
Dilutive effect of:		
Options	244.6	276.2
Other	66.3	35.6
Weighted average diluted shares	13,723.0	13,698.6
Earnings per share:		
Basic	\$ 0.45	\$ 0.45
Diluted	\$ 0.44	\$ 0.44

**(15) Litigation**

The Corporation is involved in various claims and legal proceedings arising out of the ordinary course of business. Management is of the opinion, based on its review with counsel of the development of such matters to date, that the ultimate disposition of such matters will not materially affect the consolidated financial position or results of operations of the Corporation.





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**WASHINGTON TRUST BANCORP INC. AND SUBSIDIARIES** (Continued)  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL**  
**STATEMENTS**

**(16) Subsequent Event**

Based on our assessment of the provisions of SFAS No. 159, on April 12, 2007 we decided to implement early adoption of SFAS No. 159. In connection with this, we selected the fair value option for certain U.S. Government sponsored agency and mortgage-backed securities with lower coupons and slower prepayment characteristics in the held to maturity portfolio totaling approximately \$61.9 million. A portfolio restructuring plan was also undertaken to reduce interest rate risk and improve net interest margin, which included the sale of these securities. On Friday April 13, 2007 we executed sale trades for these held to maturity securities. At the time of the sales transactions the historical amortized cost basis of the sold securities exceeded the total sales price by \$1.7 million. On Monday April 16, 2007 additional information became available regarding clarifications of the interpretation of the application of SFAS No. 159 by applicable regulatory and accounting industry bodies that led us to conclude that the application of SFAS No. 159 to our transactions might be inconsistent with the intent and spirit of SFAS No. 159. Consequently, we decided not to early-adopt SFAS No. 159.

As a result, in April 2007 we recognized a realized securities loss of \$1.7 million and the remaining held to maturity portfolio was reclassified to the available for sale category. This reclassification has been recognized as of April 13, 2007. The Corporation will not be able to classify securities in the held to maturity category for a period of two years from the April 13, 2007 sales date as a result of this action.

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With respect to the unaudited consolidated financial statements of Washington Trust Bancorp, Inc. and Subsidiaries at March 31, 2007 and for the three months ended March 31, 2007 and 2006, KPMG LLP has made a review (based on the standards of the Public Company Accounting Oversight Board (United States)) and not an audit, set forth in their separate report dated May 7, 2007 appearing below. That report does not express an opinion on the interim unaudited consolidated financial information. KPMG LLP has not carried out any significant or additional audit tests beyond those which would have been necessary if their report had not been included. Accordingly, such report is not a “report” or “part of the Registration Statement” within the meaning of Sections 7 and 11 of the Securities Act of 1933, as amended, and the liability provisions of Section 11 of the Securities Act do not apply.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders  
Washington Trust Bancorp, Inc.:

We have reviewed the accompanying consolidated balance sheet of Washington Trust Bancorp, Inc. and Subsidiaries (the “Corporation”) as of March 31, 2007, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 2007 and 2006. These consolidated financial statements are the responsibility of the Corporation’s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards established by the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Washington Trust Bancorp, Inc. and Subsidiaries as of December 31, 2006, and the related consolidated statements of income, changes in shareholders’ equity and cash flows for the year then ended (not presented herein); and in our report dated March 12, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the consolidated balance sheet as of December 31, 2006, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG LLP

Providence, Rhode Island  
May 7, 2007, except for Note 16 which is as of November 19, 2007



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**PART II**

**Other Information**

**Item 6. Exhibits**

(a) Exhibits. The following exhibits are included as part of this Form 10-Q:

Exhibit  
Number

- 15.1 Letter re: Unaudited Interim Financial Information - Filed herewith.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. – Filed herewith.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. – Filed herewith.
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Filed herewith. (1)

- (1) These certifications are not “filed” for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing under the Securities Act or the Exchange Act.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WASHINGTON TRUST BANCORP, INC.  
(Registrant)

Date: November 19, 2007      By: /s/ John C. Warren

John C. Warren  
Chairman and Chief Executive Officer  
(principal executive officer)

Date: November 19, 2007      By: /s/ David V. Devault

David V. Devault  
Executive Vice President, Secretary, Treasurer and Chief  
Financial Officer  
(principal financial and accounting officer)

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**Exhibit Index**

Exhibit  
Number

- 15.1 Letter re: Unaudited Interim Financial Information - Filed herewith.
  - 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. – Filed herewith.
  - 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. – Filed herewith.
  - 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Filed herewith. (1)
- (1) These certifications are not “filed” for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing under the Securities Act or the Exchange Act.

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