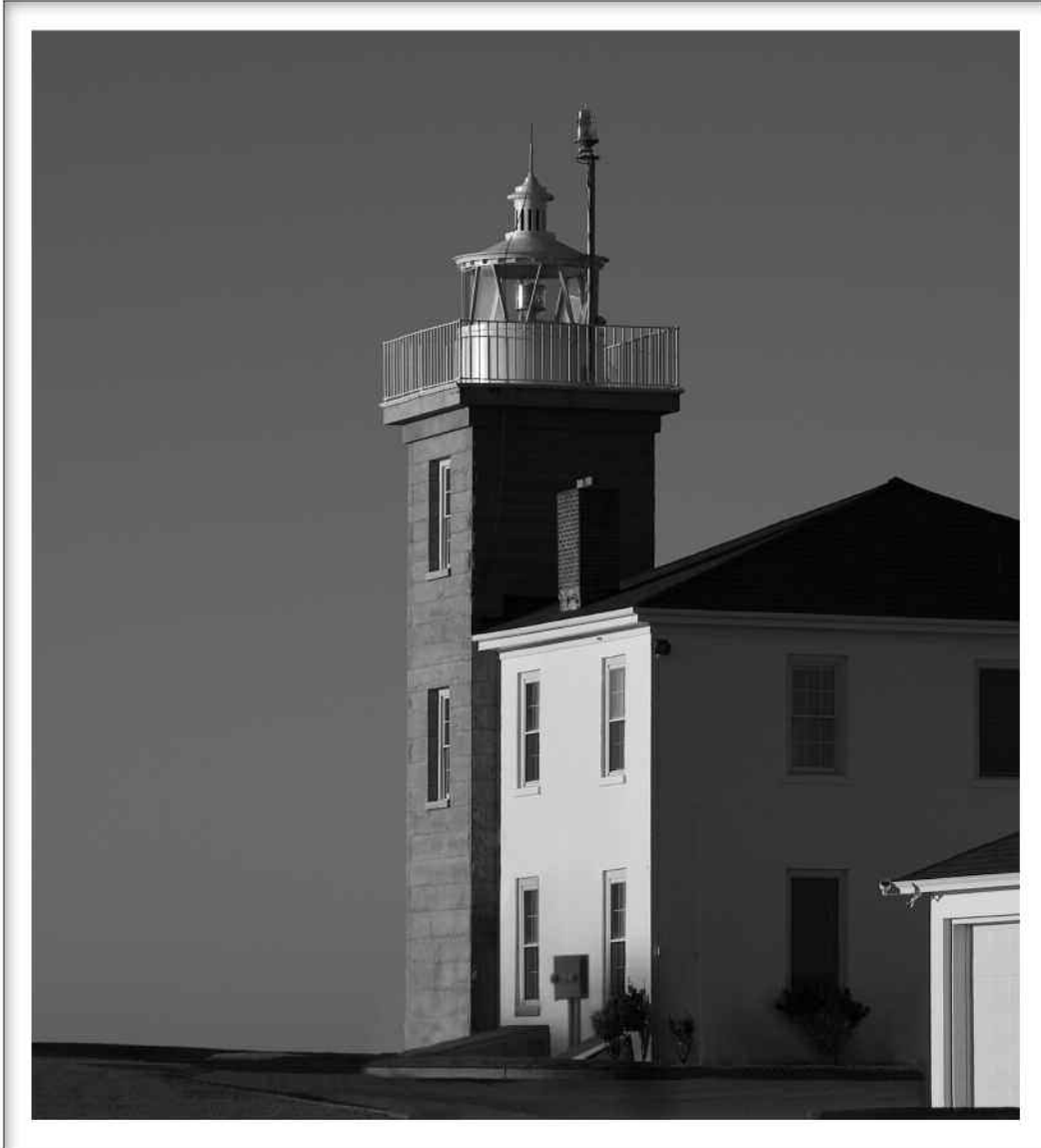


# 2007 Annual Report



Washington Trust Bancorp, Inc.

**THE WATCH HILL LIGHTHOUSE**, featured on our cover, has long been a symbol of strength, guidance, and safe harbor for navigators on Long Island Sound. Authorized by an Act of Congress and signed into law by President Thomas Jefferson, the lighthouse celebrated its 200<sup>th</sup> anniversary in 2007. The present tower, built in 1855-1856 of Westerly granite, has stood tall in good weather and bad, including the Great Hurricane of 1938 and Hurricane Carol in 1954. As such, we have chosen it as a symbol of our Corporation in 2007.

This report contains certain statements that may be considered "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, including statements regarding our strategy, effectiveness of investment programs, evaluations of future interest rate trends and liquidity, expectations as to growth in assets, deposits and results of operations, success of acquisitions, future operations, market position, financial position, and prospects, plans, goals and objectives of management are forward-looking statements. The actual results, performance or achievements of the Corporation could differ materially from those projected in the forward-looking statements as a result of, among other factors, changes in general national or regional economic conditions, reductions in net interest income resulting from interest rate volatility as well as changes in the balance and mix of loans and deposits, reductions in the market value of wealth management assets under administration, reductions in loan demand, changes in loan collectibility, default and charge-off rates, changes in the size and nature of the Corporation's competition, changes in legislation or regulation and accounting principles, policies and guidelines, and changes in the assumptions used in making such forward-looking statements. In addition, the factors described under "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the Securities and Exchange Commission, may result in these differences. You should carefully review all of these factors, and you should be aware that there may be other factors that could cause these differences. The Corporation assumes no obligation to update forward-looking statements or update the reasons actual results, performance or achievements could differ materially from those provided in the forward-looking statements, except as required by law.



*The original Fresnel lens from the Watch Hill Lighthouse. The lens features beautiful cut glass prisms, set in brass frames, that collected and concentrated light emitted from a 1000-watt bulb and directed it out along horizontal beams.*



*John C. Warren, Chairman and CEO; John F. Treanor, President and COO*

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2007 was the most difficult year that the banking industry has experienced since the early 1990s. A flat yield curve, the sub-prime mortgage crisis, a worldwide liquidity crisis, and declining real estate values all contributed to create an environment that was challenging at best. Unfortunately, the industry is not “out of the woods” yet. The conditions at the core of 2007 will continue to affect the economy and the financial markets in 2008.

Against this backdrop, however, there is good news to report: despite unfavorable conditions, your Corporation performed well, especially when compared with our peers. Washington Trust’s return on equity for 2007 exceeded the results of well over 80 percent of banks and thrifts in the Northeast and Mid-Atlantic regions.<sup>1</sup> This achievement reflects our ongoing commitment to being one of the region’s premier financial institutions.

Our performance was spearheaded by an excellent year in wealth management and commercial lending. Our asset quality was strong. And for the 15th consecutive year, we increased our dividend, declaring cash dividends of 80 cents per share.

How did Washington Trust perform better than the majority of banks in our region in 2007? By remaining true to classic values that have distinguished our organization since its founding. Amid the turmoil of the past year – as well as the events leading up to it – we never lost focus on our commitment to providing superior service, maintaining asset quality, generating diversified earnings, and investing in our future. The collective experience of our management team and employees was critical to our success. We have been through difficult cycles before. Many of us remember not only the challenges of the early 1990s, but also those of the early 1970s. Our experience continually strengthens our decision-making and benefits our customers and clients at every level of our business.

One of the keys to our success in 2007 was the performance of our wealth management group, which enjoyed another outstanding year. Revenues from the group were up 10 percent and assets under management

<sup>1</sup>Based on comparison of Washington Trust’s return on equity for 2007 to reported results of 184 banks and thrifts for nine months ended September 30, 2007; most recent information available at time of printing.

eclipsed the \$4 billion mark, a significant milestone. Washington Trust Investors' equity composite was up 20%, outperforming the S&P 500 by more than three times. Equally important, the group continued its evolution into an integrated wealth management solution for high net worth individuals and institutions. We have positioned ourselves as one of the leading and most-respected firms in New England, with an unwavering focus on our clients, complemented by a comprehensive service offering.

Our commercial lending group also had a banner year, as its portfolio increased by 16 percent and included loan originations with many new customers. Our Commercial & Industrial and Commercial Real Estate teams both delivered outstanding production. Increasingly, Washington Trust is looked to as a preferred resource for everything from start-up financing and acquisition funding to multi-million-dollar deals.

Washington Trust also earned recognition as Rhode Island's top SBA lender in both loan and dollar volume for the quarter ending December 31, 2007. For the calendar year, we approved 90 loans totaling more than \$14.8 million. This financing helped small businesses across the state start up, grow, and prosper.

While the residential mortgage crisis dominated headlines in 2007, we grew our mortgage origination volume by 26 percent by sticking to what we've always done: making quality loans to creditworthy individuals. We have never offered a sub-prime or Alt-A residential mortgage loan program. As foreclosures mounted in the mortgage industry throughout the year, the wisdom of our decision was underscored.

The opening of our second Cranston branch in June was a resounding success, attracting more than \$20 million in deposits in less than six months. We continue to expand our branch footprint and broaden our presence in the Greater Providence marketplace. In 2008, we will relocate our downtown Providence branch closer to the financial district and plan to build a second branch in Warwick in 2009.<sup>1</sup>

<sup>1</sup>Subject to approval of state and federal regulators.

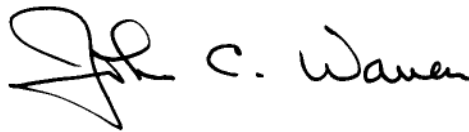


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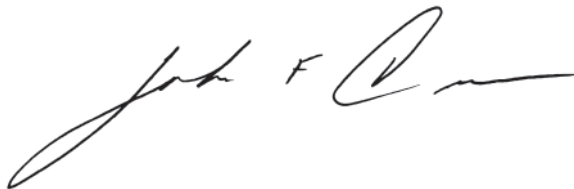
We have always believed that one of our most important responsibilities is to support communities where we work and live. Whether we are educating young people about financing, supporting local food banks, rolling up our sleeves to help build affordable housing, or championing the arts, Washington Trust is a committed community partner. We are especially proud of the volunteer efforts of our employees, which reached new levels of participation in 2007. As an organization and as individuals, we are helping to address the critical needs around us.

As we look to 2008, we take strength from the enduring values that have allowed your Corporation to succeed with distinction, despite challenging economic conditions both past and present. On January 2, 2008, *The Wall Street Journal* made the following observation about the economy in the new year: “Thought 2007 was over? Better put down the party favors – there might be a hangover coming.” While no one can know for certain what 2008 will bring, you can be certain that Washington Trust will continue to invest in the future and pursue growth opportunities while holding true to the classic principles that have held us in good stead for 207 years.

As always, we are grateful for the tremendous talents and ongoing efforts of our employees, our customers, and for the unwavering support of our shareholders. We are proud to lead your Corporation.

A handwritten signature in black ink that reads "John C. Warren". The signature is fluid and cursive, with the first name being particularly stylized.

John C. Warren  
*Chairman and Chief Executive Officer*

A handwritten signature in black ink that reads "John F. Treanor". The signature is fluid and cursive, with the first name being particularly stylized.

John F. Treanor  
*President and Chief Operating Officer*

## Corporate Profile

### Washington Trust Profile

As of December 31, 2007  
 \$2.5 billion in assets  
 \$337 million in market capitalization

Washington Trust Bancorp, Inc. is the publicly-owned holding company of The Washington Trust Company (the Bank), a Rhode Island chartered commercial bank founded in 1800. Through the Bank and its other subsidiaries, Washington Trust offers a broad range of financial services, including wealth management, by way of its branch offices in Rhode Island, Massachusetts and southeastern Connecticut.

At December 31, 2007, Washington Trust had 474 employees. The Corporation has an Affirmative Action Plan and is an Equal Opportunity Employer. Washington Trust is also a member of the FDIC and an Equal Housing Lender.

### Market and Dividend Information

Washington Trust's common stock trades on the NASDAQ Global Market® under the symbol WASH. As of December 31, 2007, there were 2,039 shareholders of record.

Auditors: KPMG LLP, Providence, Rhode Island  
 Counsel: Goodwin Procter LLP, Boston, Massachusetts

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### Annual Meeting of Shareholders

Tuesday, April 22, 2008, 11:00 a.m.  
 Westerly Public Library  
 44 Broad Street, Westerly, Rhode Island 02891

### Vote Your Proxy Online Or By Phone

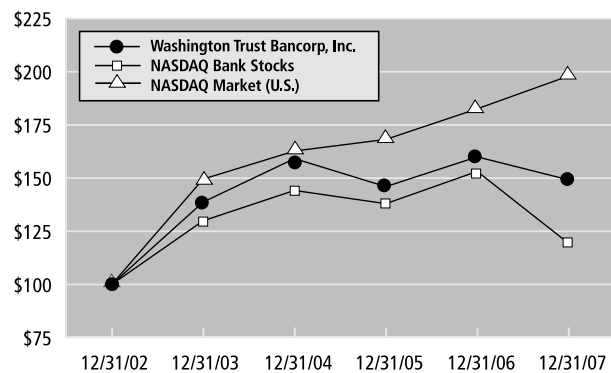
For your convenience, you can vote your shares online or by phone. Please have your proxy card available. INTERNET – Access [www.voteproxy.com](http://www.voteproxy.com) and follow the on-screen instructions.

TELEPHONE – Call toll-free 800-PROXIES (800-776-9437) from any touch-tone telephone and follow the instructions.

| 2007 Quarters     | 1       | 2       | 3       | 4       |
|-------------------|---------|---------|---------|---------|
| Stock prices:     |         |         |         |         |
| High              | \$28.98 | \$27.69 | \$28.42 | \$28.65 |
| Low               | 25.32   | 23.90   | 22.87   | 23.49   |
| Close             | 26.81   | 25.21   | 26.97   | 25.23   |
| Dividend declared | .20     | .20     | .20     | .20     |
| 2006 Quarters     | 1       | 2       | 3       | 4       |
| Stock prices:     |         |         |         |         |
| High              | \$29.49 | \$28.93 | \$27.44 | \$29.30 |
| Low               | 25.45   | 24.07   | 24.01   | 25.31   |
| Close             | 28.07   | 27.72   | 26.51   | 27.89   |
| Dividend declared | .19     | .19     | .19     | .19     |

### Shareholder Return Performance Presentation

At right is a line graph comparing the cumulative total shareholder return on the Corporation's Common Stock against the cumulative total return of the NASDAQ Market (U.S.) and the NASDAQ Bank Stocks index for the five years ended December 31. The historical information below is not necessarily indicative of future performance.



| December 31,                   | 2002     | 2003     | 2004     | 2005     | 2006     | 2007     |
|--------------------------------|----------|----------|----------|----------|----------|----------|
| Washington Trust Bancorp, Inc. | \$100.00 | \$138.74 | \$159.17 | \$145.99 | \$159.99 | \$149.19 |
| NASDAQ Bank Stocks             | \$100.00 | \$129.93 | \$144.21 | \$137.97 | \$153.15 | \$119.35 |
| NASDAQ Market (U.S.)           | \$100.00 | \$149.52 | \$162.72 | \$166.18 | \$182.57 | \$197.98 |

The results presented assume that the value of the Corporation's Common Stock and each index was \$100.00 on December 31, 2002. The total return assumes reinvestment of dividends.

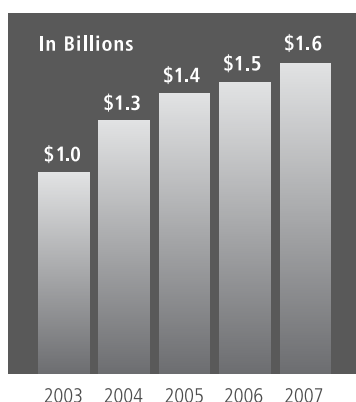


## Financial Highlights

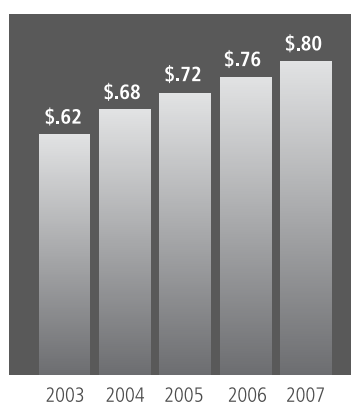
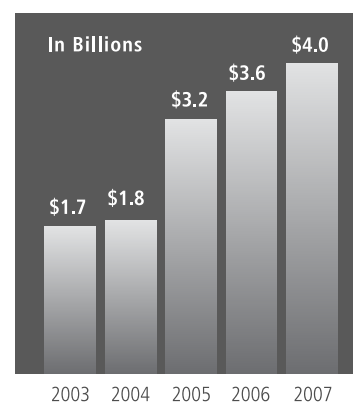
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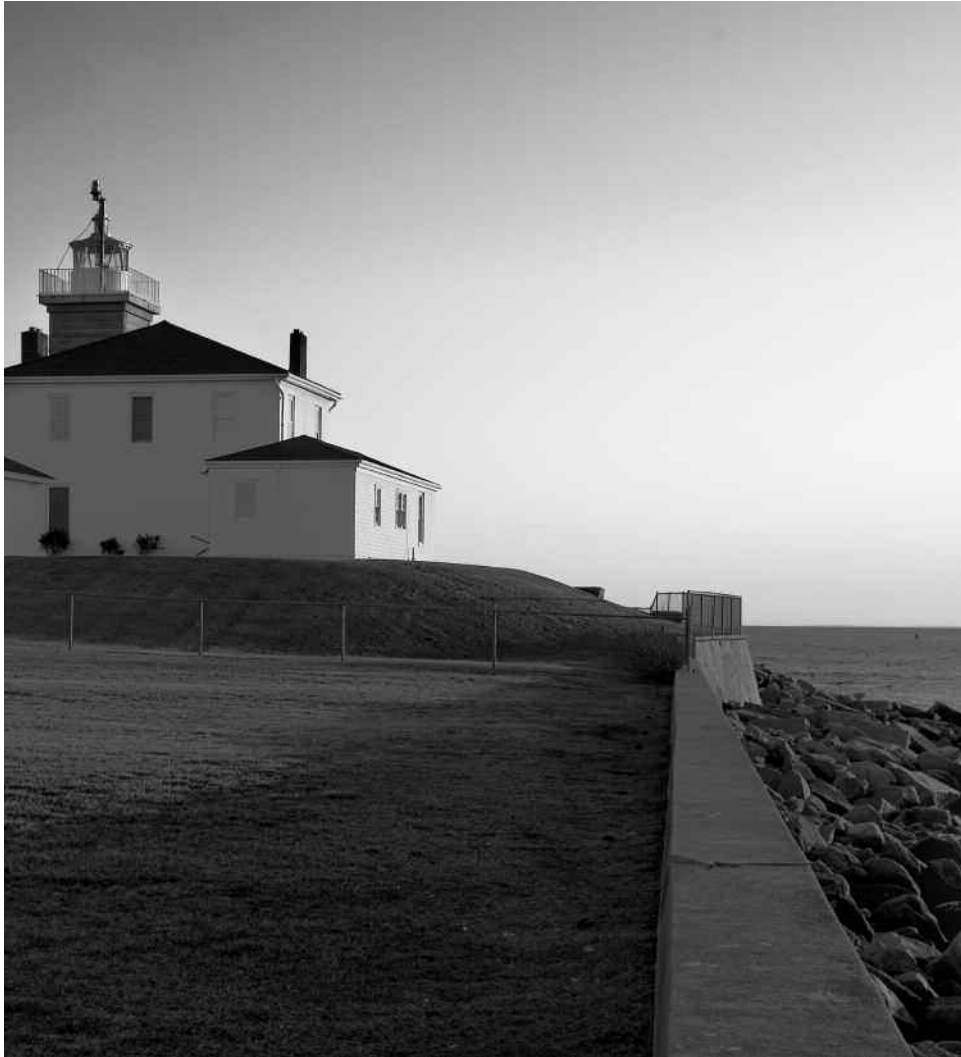
| At or for the years ended December 31,<br>(Dollars in thousands, except per share amounts) | 2007        | 2006        | 2005        |
|--|-------------|-------------|-------------|
| <b>Financial Condition</b>   |             |             |             |
| Total assets   | \$2,539,940 | \$2,399,165 | \$2,402,003 |
| Total loans  | 1,573,652   | 1,459,986   | 1,401,908   |
| Allowance for loan losses  | 20,277      | 18,894      | 17,918      |
| Total securities   | 751,778     | 703,851     | 783,941     |
| Total deposits   | 1,646,205   | 1,677,997   | 1,639,258   |
| Total shareholders' equity   | 186,513     | 173,056     | 158,446     |
| <b>Financial Results</b>   |             |             |             |
| Net interest income  | \$59,944    | \$61,474    | \$60,656    |
| Provision for loan losses  | 1,900       | 1,200       | 1,200       |
| Noninterest income   | 45,509      | 42,183      | 30,946      |
| Noninterest expense  | 68,906      | 65,335      | 56,393      |
| Net income   | 23,800      | 25,031      | 23,024      |
| <b>Per Share Information</b>   |             |             |             |
| Diluted earnings per share   | \$1.75      | \$1.82      | \$1.69      |
| Cash dividends declared  | .80         | .76         | .72         |
| Book value   | 13.97       | 12.89       | 11.86       |
| Tangible book value  | 9.33        | 8.61        | 7.79        |
| Closing stock price  | 25.23       | 27.89       | 26.18       |
| <b>Selected Ratios</b>   |             |             |             |
| Return on average assets   | 0.99%       | 1.04%       | 0.98%       |
| Return on average equity   | 13.48       | 14.99       | 14.80       |
| Net interest margin (taxable equivalent basis)   | 2.76        | 2.80        | 2.79        |
| Noninterest income as a percentage of total revenue  | 43.16       | 40.69       | 33.78       |
| Nonperforming assets to total assets   | 0.17        | 0.11        | 0.10        |
| Allowance for loan losses to total loans   | 1.29        | 1.29        | 1.28        |
| <b>Other Selected Data</b>   |             |             |             |
| Wealth management assets under administration <sup>1</sup>                                 | \$4,014,352 | \$3,609,180 | \$3,215,763 |
| Number of ATMs   | 141         | 132         | 124         |

Total Loans



Cash Dividends Declared Per Share

Wealth Management Assets Under Administration<sup>1</sup><sup>1</sup>Certain prior year amounts have been adjusted to conform to the current year presentation.



*Treasured for its historical associations, architectural quality, and scenic character, the Watch Hill Lighthouse is in the National Register of Historic Places.*

## Classic Performance

What enabled Washington Trust to garner recognition as one of the top-performing banks in the Northeast and Mid-Atlantic regions in 2007? We believe our success was rooted in the classic values that we embody as an organization each day – trustworthiness, commitment to excellence, good judgment, and a willingness to help. In any given year, these attributes are important. But in 2007, as markets roiled and uncertainty reigned, it was critical to have an experienced financial professional to turn to with confidence. For many people and businesses, Washington Trust was that trusted advisor.

A diversified stream of earnings is at the heart of Washington Trust's ongoing success and, no doubt, made our strong performance in 2007 possible. Our commercial lending and wealth management groups delivered outstanding returns, enabling our Corporation to overcome a difficult economic climate and succeed at levels that distinguished us among our peers.

## Strong Commercial Growth

Our commercial lending group's new Providence location certainly contributed to the dramatic increase in loan origination, up substantially from the previous year. Located in the heart of the financial district, the office has given our lenders increased visibility and accessibility. Of equal importance is the space that we now occupy in the minds of business professionals and advisors, who think of us as a must-include option when it comes to commercial lending. Not only do people know that Washington Trust is a good bank; there is a growing awareness that we will work with companies to get the deal done, and then be at the ready with whatever business services they may need after the loan closes.

Our commercial lending group consists of three areas: Commercial & Industrial, Commercial Real Estate, and Healthcare & Institutional. The Commercial & Industrial lending team combines deep experience

with a comprehensive range of resources, including lines of credit, owner-occupied real estate transactions, asset-based financing, loan participations and syndications, and a comprehensive suite of cash management services. In 2007, we also introduced our new remote deposit capture service, which allows commercial clients to make deposits without leaving their office. They simply scan checks at their desktop computer and then send us the data via the Internet. Remote deposit capture enables us to serve a broader geography and is especially attractive to businesses that are required to make daily deposits.

Our Commercial Real Estate lending team continues to expand its presence in New England. The team has built a reputation for its willingness to “think outside the box” and structure custom solutions for clients. Our real estate lenders understand that money is a commodity – *service* is what ultimately differentiates us from the competition.

Our efforts in Healthcare & Institutional lending have concentrated on building awareness of Washington Trust’s commitment to helping nonprofit organizations address their unique development and financial needs. We can help these organizations adopt business and financial strategies that will enable them to achieve their missions more effectively.

We have long recognized that small business is the engine of our local economy, and support small- to mid-size companies with expert advice and ready resources. Our annual Business Leaders Forum addresses critical issues affecting the economy and local business climate. We also participate in SBA workshops and speaking engagements throughout the year. Of course, we were delighted to earn recognition as Rhode Island’s top SBA lender in both loan and dollar volume for the last three months of 2007.

### Trusted Resource

In a year that will be long remembered for sub-prime loans and a declining real estate market, Washington Trust experienced the opposite: while not compromising our lending standards, we grew our mortgage origination

volume. Clearly, amid the turmoil created by the residential mortgage crisis and the decline of the mortgage broker community, consumers returned to the assurances and peace of mind that come with borrowing from Washington Trust.

In growing numbers, consumers are using our innovative reverse mortgage product to convert the equity in their home into cash. Reverse mortgages not only allow people to retain their homes and maintain their lifestyles, but are also an effective way to hedge against market risk, minimize estate tax liability, and protect assets from a costly long-term illness. Financial planners and CPAs are incorporating reverse mortgages into sophisticated wealth management strategies and recommendations. Washington Trust took the lead in our marketplace with this product and is well positioned to benefit as its popularity grows.

As headlines fueled rumors of a growing credit crisis, Washington Trust stepped forward to assure consumers that money was available to credit-worthy borrowers. A by-lined article by our CEO appeared online and in newspapers and business journals, offering guidance for borrowing in the current economic climate and affirming our position as “trusted advisors.” It was business as usual at Washington Trust, where classic lending practices prevailed to the benefit of both our customers and our company.

### Investing for the Future

Our company’s financial strength – a direct result of adhering to time-tested financial and business principles – enables us to make investments that enhance our relationships with customers. One of the most significant ways that we do this is by expanding our branch network. We opened our second branch in Cranston in June, and later in the year purchased a well-situated property in Warwick where we plan to build our second branch in that city and 18th overall.<sup>1</sup> Additionally, in 2008 we will relocate our Providence branch to a 3,000-square-foot space in the heart of the city.<sup>1</sup>

We also enhanced our IT infrastructure in 2007, enabling us to deliver data to our entire branch network faster. Our objective is to put information

<sup>1</sup>Subject to approval of state and federal regulators.

at our customer service representatives' fingertips so they can make more timely and informed recommendations. At a time when many of our peers are retrenching, Washington Trust is investing in the future by growing our retail presence and making it more convenient for people to do business with us.

Another significant investment in 2007, also aimed at enhancing customer relationships, was the redesign and relaunch of the Washington Trust website. The site's content is now solutions-based, with the navigation offering an intuitive path to financial tools and information. Whether users are looking to buy a first home, save for college, plan for retirement, or manage everyday expenses, they can easily find information that will help them achieve their goals. The Business Specialty Center provides resources for customers in specific business sectors, such as retail, construction, manufacturing, nonprofit or health care. The Wealth Management section offers case studies on topics that include planning for retirement, succession planning, and trust services. Now when people visit the Washington Trust website, they find it easier to gather the information they need to make solid financial decisions.

### **Outperforming the Markets**

In 2007, our wealth management group's performance on behalf of clients and shareholders alike was outstanding. Our differentiation continues to be our ability to combine world-class investment advice with intensive, localized service. Technology has made it possible for our group to access the same information and data as the large, national firms. With that part of the playing field level, the game is all about knowledge and service – and that is where our wealth management group shines.

It's not simply that we offer clients an extraordinary level of investment management experience and talent; they have direct access to this expertise whenever they need it – via the telephone, Internet, or in person. As one of our billboards says, the wealth management group at Washington Trust offers “world-class advice, right around the corner.”



Our commitment to delivering outstanding service to our clients is not going unnoticed. In the *2007 Client Satisfaction Analysis* by Chatham Partners, Washington Trust's wealth management group was named "Top Provider" in Overall Satisfaction among peer competitors. We were also recognized for outperforming Chatham's benchmark for 10 out of 11 areas of products, services, and overall impression.

Investments in technology and talent continue to augment our ability to deliver unparalleled service to investors. A new common custody and reporting platform, currently in the implementation stage, will allow our advisors to access any of our proprietary investment disciplines, mutual funds, exchanged traded funds, or separate accounts managed by third-party investment managers. And a new client relationship management system will give us robust sales automation, management, and tracking capabilities. At every step, we are using technology to enhance our relationships with clients and strengthen our competitive advantage – our unrelenting focus on providing personalized and responsive service.

We have bolstered our wealth management team with the addition of outstanding professional talent. In the last two years, we have made a number of senior hires, with expertise ranging across our investment management, trust, financial planning, and insurance disciplines. Individuals are at the center of every client relationship, which is why we are recruiting and retaining talented and accomplished professional advisors.

### Reaching Out

Washington Trust strives to be socially responsible and civically engaged, both as an organization and as individuals. The Washington Trust Charitable Foundation provides grants to 501(c)3 organizations within our market area that directly benefit the communities we serve. Contribution areas include housing; civic and economic development; health and human services; arts and culture; education; youth and family; and environmental organizations.

Washington Trust has an office that refers nonprofit organizations, at no cost, to resources, services, and information designed to maximize their effectiveness and efficiency. Among other benefits, our Office for Nonprofit Resources directs nonprofit executives to the specialists they need in areas such as legal, accounting, insurance, strategic planning, and fund-raising services, as well as the financial services provided by Washington Trust. We recognize that everyone benefits as the nonprofit sector grows stronger.

Washington Trust employees are encouraged to volunteer at both the board and grassroots level, and their response is a source of enormous pride for our organization. A significant number of them received The President's Volunteer Service Award, created by the office of the President of the United States in 2003 to thank and honor Americans who, by their demonstrated commitment and example, inspire others to engage in volunteer service. Washington Trust officers and employees also serve on the boards of numerous nonprofit organizations across the region, including the Audubon Society of Rhode Island, Brown University, Home & Hospice Care of Rhode Island, the Rhode Island Historical Society, the Rhode Island Philharmonic, and more.

Reaching out to the community is a time-honored practice at Washington Trust, and one that we fully embraced in 2007.

### **Trusted Advisors Since 1800**

The Washington Trust name is synonymous with classic values such as integrity, consistency, and trustworthiness. Why is this so? Because for more than 200 years, the people of Washington Trust have embodied these values. They make the difference every day – for companies looking to grow, for individuals who want a secure future, for organizations who need resources and guidance, and so many more. Our people are the trusted advisors who help our clients and customers make important financial decisions; the reason Washington Trust was successful in 2007; and why we look to 2008 with confidence and enthusiasm.



*The Watch Hill Lighthouse is one of the oldest lighthouses in the United States. The original lighthouse, a 35-foot round wooden tower with ten whale oil lamps and parabolic reflectors, was built in 1807. The current granite tower was completed in 1856.*

## Washington Trust Bancorp, Inc. and Subsidiaries Consolidated Balance Sheets

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| December 31,   | 2007        | 2006        |
|--|-------------|-------------|
| (Dollars in thousands)   |             |             |
| <b>Assets:</b>   |             |             |
| Cash and noninterest-bearing balances due from banks   | \$ 30,817   | \$ 53,796   |
| Interest-bearing balances due from banks   | 1,973       | 541         |
| Federal funds sold   | 7,600       | 16,425      |
| Other short-term investments   | 722         | 1,147       |
| Mortgage loans held for sale   | 1,981       | 2,148       |
| <b>Securities:</b>   |             |             |
| Available for sale, at fair value; amortized cost \$750,583 in 2007 and \$525,966 in 2006                  | 751,778     | 526,396     |
| Held to maturity, at cost; fair value \$175,369 in 2006  | –           | 177,455     |
| Total securities   | 751,778     | 703,851     |
| Federal Home Loan Bank stock, at cost  | 31,725      | 28,727      |
| <b>Loans:</b>  |             |             |
| Commercial and other   | 680,266     | 587,397     |
| Residential real estate  | 599,671     | 588,671     |
| Consumer   | 293,715     | 283,918     |
| Total loans  | 1,573,652   | 1,459,986   |
| Less allowance for loan losses   | 20,277      | 18,894      |
| Net loans  | 1,553,375   | 1,441,092   |
| Premises and equipment, net  | 25,420      | 24,307      |
| Accrued interest receivable  | 11,427      | 11,268      |
| Investment in bank-owned life insurance  | 41,363      | 39,770      |
| Goodwill   | 50,479      | 44,558      |
| Identifiable intangible assets, net  | 11,433      | 12,816      |
| Other assets   | 19,847      | 18,719      |
| Total assets   | \$2,539,940 | \$2,399,165 |
| <b>Liabilities:</b>  |             |             |
| <b>Deposits:</b>   |             |             |
| Demand deposits  | \$175,542   | \$186,533   |
| NOW accounts   | 164,944     | 175,479     |
| Money market accounts  | 321,600     | 286,998     |
| Savings accounts   | 176,278     | 205,998     |
| Time deposits  | 807,841     | 822,989     |
| Total deposits   | 1,646,205   | 1,677,997   |
| Dividends payable  | 2,677       | 2,556       |
| Federal Home Loan Bank advances  | 616,417     | 474,561     |
| Junior subordinated debentures   | 22,681      | 22,681      |
| Other borrowings   | 32,560      | 14,684      |
| Accrued expenses and other liabilities   | 32,887      | 33,630      |
| Total liabilities  | 2,353,427   | 2,226,109   |
| Commitments and contingencies  |             |             |
| <b>Shareholders' Equity:</b>   |             |             |
| Common stock of \$.0625 par value; authorized 30,000,000 shares; issued 13,492,110 shares in 2007 and 2006 | 843         | 843         |
| Paid-in capital  | 34,874      | 35,893      |
| Retained earnings  | 154,647     | 141,548     |
| Accumulated other comprehensive loss   | (239)       | (3,515)     |
| Treasury stock, at cost; 137,652 shares in 2007 and 62,432 shares in 2006                                  | (3,612)     | (1,713)     |
| Total shareholders' equity   | 186,513     | 173,056     |
| Total liabilities and shareholders' equity   | \$2,539,940 | \$2,399,165 |

Refer to Washington Trust Bancorp, Inc.'s 2007 Annual Report on Form 10-K for a complete set of consolidated financial statements.

## Washington Trust Bancorp, Inc. and Subsidiaries Consolidated Statements of Income

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| Years ended December 31,<br>(Dollars and shares in thousands, except per share amounts) | 2007             | 2006             | 2005             |
|---|------------------|------------------|------------------|
| <b>Interest income:</b>   |                  |                  |                  |
| Interest and fees on loans  | \$ 98,720        | \$ 92,190        | \$ 78,931        |
| Interest on securities:   |                  |                  |                  |
| Taxable   | 31,163           | 33,763           | 32,934           |
| Nontaxable  | 2,983            | 1,618            | 886              |
| Dividends on corporate stock and Federal Home Loan Bank stock                           | 2,737            | 2,842            | 2,491            |
| Other interest income   | 831              | 721              | 451              |
| <b>Total interest income</b>  | <b>136,434</b>   | <b>131,134</b>   | <b>115,693</b>   |
| <b>Interest expense:</b>  |                  |                  |                  |
| Deposits  | 52,422           | 46,982           | 32,186           |
| Federal Home Loan Bank advances   | 21,641           | 20,916           | 22,233           |
| Junior subordinated debentures  | 1,352            | 1,352            | 458              |
| Other interest expense  | 1,075            | 410              | 160              |
| <b>Total interest expense</b>   | <b>76,490</b>    | <b>69,660</b>    | <b>55,037</b>    |
| <b>Net interest income</b>  | <b>59,944</b>    | <b>61,474</b>    | <b>60,656</b>    |
| Provision for loan losses   | 1,900            | 1,200            | 1,200            |
| <b>Net interest income after provision for loan losses</b>                              | <b>58,044</b>    | <b>60,274</b>    | <b>59,456</b>    |
| <b>Noninterest income:</b>  |                  |                  |                  |
| Wealth management services:   |                  |                  |                  |
| Trust and investment advisory fees  | 21,124           | 19,099           | 14,407           |
| Mutual fund fees  | 5,430            | 4,665            | 1,336            |
| Financial planning, commissions and other service fees                                  | 2,462            | 2,616            | 919              |
| Wealth management services  | 29,016           | 26,380           | 16,662           |
| Service charges on deposit accounts   | 4,713            | 4,915            | 4,502            |
| Merchant processing fees  | 6,710            | 6,208            | 5,203            |
| Income from bank-owned life insurance   | 1,593            | 1,410            | 1,110            |
| Net gains on loan sales and commissions on loans originated for others                  | 1,493            | 1,423            | 1,679            |
| Net realized gains on securities  | 455              | 443              | 357              |
| Other income  | 1,529            | 1,404            | 1,433            |
| <b>Total noninterest income</b>   | <b>45,509</b>    | <b>42,183</b>    | <b>30,946</b>    |
| <b>Noninterest expense:</b>   |                  |                  |                  |
| Salaries and employee benefits  | 39,986           | 38,698           | 32,133           |
| Net occupancy   | 4,150            | 3,888            | 3,460            |
| Equipment   | 3,473            | 3,370            | 3,456            |
| Merchant processing costs   | 5,686            | 5,257            | 4,319            |
| Outsourced services   | 2,180            | 2,009            | 1,723            |
| Advertising and promotion   | 2,024            | 1,894            | 1,977            |
| Legal, audit and professional fees  | 1,761            | 1,637            | 1,900            |
| Amortization of intangibles   | 1,383            | 1,593            | 852              |
| Debt prepayment penalties   | 1,067            | -                | -                |
| Other expenses  | 7,196            | 6,989            | 6,573            |
| <b>Total noninterest expense</b>  | <b>68,906</b>    | <b>65,335</b>    | <b>56,393</b>    |
| <b>Income before income taxes</b>   | <b>34,647</b>    | <b>37,122</b>    | <b>34,009</b>    |
| Income tax expense  | 10,847           | 12,091           | 10,985           |
| <b>Net income</b>   | <b>\$ 23,800</b> | <b>\$ 25,031</b> | <b>\$ 23,024</b> |
| <br>  |                  |                  |                  |
| Weighted average shares outstanding - basic   | 13,355.5         | 13,424.1         | 13,315.2         |
| Weighted average shares outstanding - diluted   | 13,604.1         | 13,723.2         | 13,626.7         |
| <b>Per share information:</b>   |                  |                  |                  |
| Basic earnings per share  | \$1.78           | \$1.86           | \$1.73           |
| Diluted earnings per share  | \$1.75           | \$1.82           | \$1.69           |
| Cash dividends declared per share   | \$0.80           | \$0.76           | \$0.72           |

Refer to Washington Trust Bancorp, Inc.'s 2007 Annual Report on Form 10-K for a complete set of consolidated financial statements.

## Report of Independent Registered Public Accounting Firm

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

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We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Washington Trust Bancorp, Inc. and Subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity (not present herein) and cash flows (not presented herein) for each of the years in the three-year period ended December 31, 2007; and in our report dated February 25, 2008, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

**KPMG LLP**

Providence, Rhode Island  
February 25, 2008

## Stock Transfer and Dividend Disbursing Agent

American Stock Transfer & Trust Company (AST), our stock transfer and dividend disbursing agent, is responsible for our shareholder records, issuance of stock certificates, distribution of dividend checks, and IRS Form 1099. AST is also responsible for the Corporation's Dividend Reinvestment (DRIP) and Stock Purchase Plan, which enables shareholders to reinvest their quarterly dividends in Washington Trust shares.

For information, contact AST on the toll-free Shareholder Information Line, 800-852-0354, via the secure AST Shareholder Services website, <http://www.amstock.com>, or by writing to: American Stock Transfer, 59 Maiden Lane, Plaza Level, New York, NY 10038.

To receive a duplicate copy of your 2007 IRS Form 1099, please visit <http://www.amstock.com> or call 401-348-1566.

The Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 as filed with the Securities and Exchange Commission, is available on the Corporation's website at [www.washtrust.com](http://www.washtrust.com) under Investor Relations – SEC Filings. Copies are also available without charge upon written request addressed to Elizabeth B. Eckel, Senior Vice President, Marketing, Washington Trust Bancorp, Inc., P.O. Box 512, Westerly, Rhode Island 02891-0512.



## Corporate Directory, Washington Trust Bancorp, Inc.

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### Board of Directors

Gary P. Bennett, *Retired Chairman and Chief Executive Officer, Analysis and Technology, Inc.*

Steven J. Crandall, *Vice President, Ashaway Line & Twine Mfg. Co.*

Larry J. Hirsch, Esq., *Retired President, Westerly Jewelry Co.*

Barry G. Hittner, Esq., *Of Counsel, Cameron & Mittleman, LLP*

Katherine W. Hoxsie, CPA, *Vice President, Hoxsie Buick-Pontiac-GMC Truck, Inc.*

Mary E. Kennard, Esq., *Vice President and University Counsel, The American University*

Edward M. Mazze, Ph.D., *Distinguished University Professor of Business Administration, University of Rhode Island*

Kathleen McKeough, *Retired Senior Vice President of Human Resources, GTECH Holdings Corporation*

Victor J. Orsinger, II, Esq., *Partner, Orsinger and Nardone, Attorneys at Law*

H. Douglas Randall, III, *President, H.D. Randall, Realtors*

Patrick J. Shanahan, Jr., *Retired Chairman, President and Chief Executive Officer, First Financial Corp.*

James P. Sullivan, CPA, *Retired Finance Officer, Roman Catholic Diocese of Providence*

Neil H. Thorp, *President, Thorp & Trainer, Inc.*

John F. Treanor, *President and Chief Operating Officer, Washington Trust Bancorp, Inc.*

John C. Warren, *Chairman and Chief Executive Officer, Washington Trust Bancorp, Inc.*

### Officers of the Corporation

John C. Warren, *Chairman and Chief Executive Officer*

John F. Treanor, *President and Chief Operating Officer*

Galan G. Daukas, *Executive Vice President, Wealth Management*

David V. Devault, *Executive Vice President, Secretary, Treasurer and Chief Financial Officer*

### The Washington Trust Company Directors' Advisory Council

Alcino G. Almeida, Charles M. Baker, Jr., Charles C. Buffum, David Curtis, Richard A. Grills, Joseph J. Kirby, Jacques de Laporte, James W. McCormick, Jr., Thomas F. Moore, Brendan P. O'Donnell, Joseph H. Potter, Joseph E. Pucci, Joyce Olson Resnikoff, Anthony J. Rose, Jr., William Blunt White

## Corporate Directory, The Washington Trust Company

### Senior Management

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John C. Warren, *Chairman and Chief Executive Officer*  
John F. Treanor, *President and Chief Operating Officer*  
Dennis L. Algieri, *Senior Vice President, Chief Compliance Officer and  
Director of Community Affairs*  
Carl M. Amaral, *Senior Vice President, Branch Sales and Service*  
Stephen M. Bessette, *Executive Vice President, Retail Lending*  
Vernon F. Bliven, *Senior Vice President, Human Resources*  
Galan G. Daukas, *Executive Vice President, Wealth Management*  
David V. Devault, *Executive Vice President, Secretary, Treasurer and  
Chief Financial Officer*  
Elizabeth B. Eckel, *Senior Vice President, Marketing*  
Gerald J. Fogarty, Jr., *Managing Director, Washington Trust Investors*  
Philip L. Friend, *Senior Vice President, Retail Lending*  
William D. Gibson, *Senior Vice President, Risk Management*  
Mark K.W. Gim, *Senior Vice President, Financial Planning and  
Asset Liability Management*  
Russell W. Hahn, *Senior Vice President, Commercial Lending*  
Marie J. Langlois, *Managing Director, Washington Trust Investors*  
Rogean B. Makowski, *Senior Vice President, Wealth Management Client Services*  
Mary M. McGoldrick, *Senior Vice President and Chief Investment Officer*  
Barbara J. Perino, CPA, *Senior Vice President, Operations and Technology*  
Harvey C. Perry, II, *Senior Vice President, Director of Office for  
Non-Profit Resources*  
B. Michael Rauh, Jr., *Executive Vice President, Sales, Service and Delivery*  
Julia Anne M. Slom, *Senior Vice President, Commercial Real Estate Group*  
James M. Vesey, *Executive Vice President and Chief Credit Officer*  
James J. Walther, *Senior Vice President, Director of Internal Audit*

### Weston Financial Group, Inc.

Galan G. Daukas, *Executive Managing Director*  
Douglas A. Biggar, *Managing Director*  
Wayne M. Grzecki, *Managing Director*  
I. Richard Horowitz, *Managing Director*  
Joseph Robbat, Jr., *Managing Director*  
Robert I. Stock, *Managing Director*  
Ronald A. Sugameli, *Managing Director*

## Washington Trust Locations

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### Rhode Island Offices

#### CORPORATE OFFICE

23 Broad Street  
Westerly, RI 02891  
401-348-1200

#### BLOCK ISLAND

Block Island Office  
Ocean Avenue  
Block Island, RI 02807  
401-466-7710

#### CHARLESTOWN

Charlestown Office  
4137 Old Post Road  
Charlestown, RI 02813  
401-364-4000

#### CRANSTON

Reservoir Avenue Office  
645 Reservoir Avenue  
Cranston, RI 02910  
401-946-1004

#### Oaklawn Avenue Office

1203 Oaklawn Avenue  
Cranston, RI 02920  
401-732-0049

#### NARRAGANSETT

Bonnet Shores Office  
885 Boston Neck Road  
Narragansett, RI 02882  
401-782-4800

#### Sweet Meadows Office

20 Point Judith Road  
Narragansett, RI 02882  
401-782-1000

#### NORTH KINGSTOWN

North Kingstown Office  
7625 Post Road  
North Kingstown, RI 02852  
401-295-4700

#### PROVIDENCE

Providence Office  
180 Washington Street\*  
Providence, RI 02903  
401-421-3600

*\*Moving July 2008 to  
156 Westminster Street  
Providence, RI 02903  
401-421-3600*

#### Providence Commercial Lending Office

10 Weybosset Street  
Suite 100  
Providence, RI 02903  
401-331-5090

#### Providence Wealth Management Offices

66-70 South Main Street  
Providence, RI 02903  
401-861-8440  
401-331-6650

#### RICHMOND

Richmond Office  
1200 Main Street  
Wyoming, RI 02898  
401-539-2427

#### SOUTH KINGSTOWN

Wakefield Office  
730 Kingstown Road  
Wakefield, RI 02879  
401-782-4200

#### WARWICK

Centerville Road Office  
236 Centerville Road  
Warwick, RI 02886  
401-739-2353

#### OPENING 2009

Warwick Avenue Office  
1473 Warwick Avenue  
Warwick, RI 02888

#### WESTERLY

Main Office  
23 Broad Street  
Westerly, RI 02891  
401-348-1200

#### Franklin Street Office

126 Franklin Street  
Westerly, RI 02891  
401-348-1367

#### McQuade's Marketplace

106 Main Street  
Westerly, RI 02891  
401-348-1201

### Connecticut Offices

#### MYSTIC

A&P Super Foodmart  
179 Stonington Road  
Mystic, CT 06355  
860-572-7100

#### McQuade's Marketplace

14 Clara Drive  
Mystic, CT 06355  
860-572-2058

#### Mystic Office

Olde Mistick Village  
Mystic, CT 06355  
860-536-1200

### Massachusetts Office

#### WELLESLEY

Weston Financial Group  
Wellesley Office Park  
40 William Street  
Wellesley, MA 02481  
781-235-7055

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### Account Information Center

To speak with a customer service representative, call 401-348-1200 or toll-free 800-475-2265. In Connecticut, call 860-443-1508.

### Online Banking

Bank and pay bills via the Internet 24 hours a day, 7 days a week at [www.washtrust.com](http://www.washtrust.com).

### XPress Banking

Automated banking by phone 24 hours a day, 7 days a week at 401-348-1399 or toll-free 800-226-5877.

### Website

Current company and shareholder information available at [www.washtrust.com](http://www.washtrust.com).



Washington Trust Bancorp, Inc.