

# 2018 Annual Report



WASHINGTON TRUST BANCORP, INC.

# Leadership

Washington Trust Bancorp, Inc.

## Board of Directors

**John J. Bowen**, Chancellor Emeritus, Johnson & Wales University  
**Steven J. Crandall**, Vice President, Ashaway Line & Twine Mfg. Co.  
**Robert A. DiMuccio**, CPA, Chairman, President and Chief Executive Officer, Amica Mutual Insurance Company  
**Edward O. Handy III**, Chairman and Chief Executive Officer, Washington Trust Bancorp, Inc.  
**Constance A. Howes, Esq.**, Retired Healthcare Executive  
**Katherine W. Hoxsie, CPA**, Retired Vice President, Hoxsie Buick-Pontiac-GMC Truck, Inc.  
**Joseph J. MarcAurele**, Retired Chairman and Chief Executive Officer, Washington Trust Bancorp, Inc.  
**Kathleen E. McKeough**, Retired Senior Vice President of Human Resources, GTECH Holdings Corporation  
**Victor J. Orsinger II, Esq.**, Law Office of Victor J. Orsinger II  
**H. Douglas Randall III**, Chief Executive Officer, The Randall Family of Companies, Kinlin Grover, Pequot Commercial, Page Taft & Randall  
**Edwin J. Santos**, Chairman, Prospect CharterCARE, LLC  
**John F. Treanor**, Retired President and Chief Operating Officer, Washington Trust Bancorp, Inc.

## Officers of the Corporation

**Edward O. Handy III**, Chairman and Chief Executive Officer  
**Mark K. W. Gim**, President & Chief Operating Officer  
**Ronald S. Ohsberg**, Senior Executive Vice President, Chief Financial Officer and Treasurer  
**Kristen L. DiSanto**, Senior Executive Vice President, Chief Human Resources Officer and Corporate Secretary  
**Maria N. Janes, CPA**, Executive Vice President and Controller

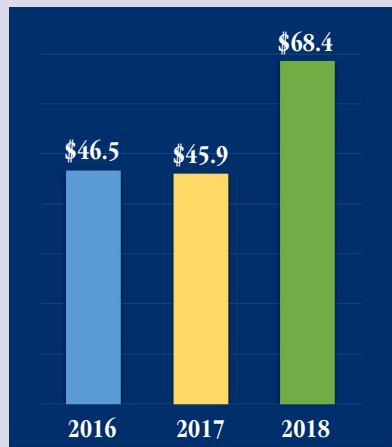
## The Washington Trust Company Directors' Advisory Council

<b>Alcino G. Almeida</b>	<b>Brendan P. O'Donnell</b>
<b>Gary P. Bennett</b>	<b>Joseph H. Potter</b>
<b>Larry J. Hirsch</b>	<b>Joyce Olson Resnikoff</b>
<b>Barry G. Hittner</b>	<b>Patrick J. Shanahan Jr.</b>
<b>Joseph J. Kirby</b>	<b>James P. Sullivan</b>
<b>Edward M. Mazze</b>	<b>Neil H. Thorp</b>
<b>James W. McCormick Jr.</b>	<b>John C. Warren</b>
<b>Thomas F. Moore</b>	<b>William Blunt White</b>



# Financial Highlights

### Net Income

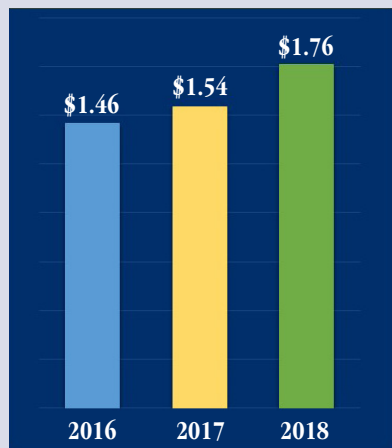


In Millions

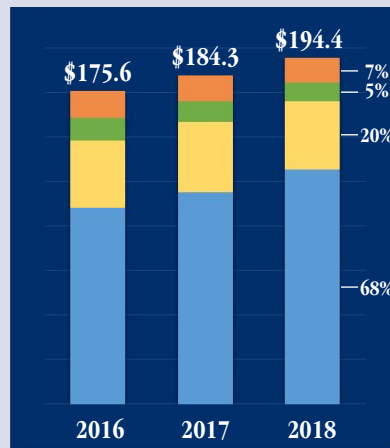
### Diluted Earnings Per Common Share



### Cash Dividends Declared Per Share



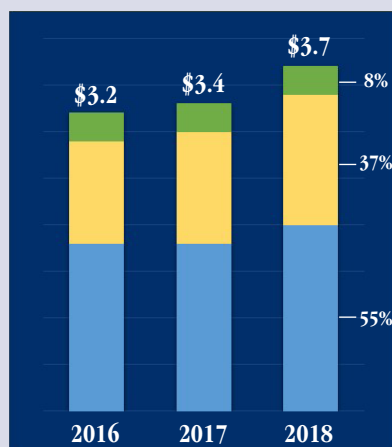
### Revenues



In Millions



### Total Loans



Year-end; In Billions



### Total Deposits



Year-end; In Billions



# Letter to Shareholders

Washington Trust delivered strong 2018 results as we reported record earnings, reached \$5 billion in total assets for the first time in our history, and posted all-time high levels of deposits and loans. These achievements are testaments to our continued success in growing our key business lines and expanding our presence throughout the region. Our record 2018 performance once again places us among the top mid-sized banks in the Northeast and nationwide.

Total deposits reached \$3.5 billion at year-end, thanks to effective product promotions, cash management efforts, and continued branch expansion. Deposit generation is critical to future loan growth and is highly competitive in our marketplace. We acted quickly when the Federal Reserve increased interest rates, offered attractive certificates of deposit, and garnered a healthy share of new deposits. Branch expansion has also been a key source of new deposits and we deployed this strategy once again in January 2019 by opening a branch in North Providence, Rhode Island. Washington Trust continues to rank third in deposit market share in Rhode Island, behind two much larger, nationally-chartered financial institutions.

Double-digit percentage growth in both residential mortgages and commercial loans brought us to \$3.7 billion in total loans at year-end. Commercial loans topped the \$2 billion mark for the first time in our 218-year history, led by solid production from our commercial real estate and commercial and industrial areas. Our mortgage banking area had solid production throughout the year, despite four Federal Reserve interest rate hikes in 2018, which slowed homebuying nationwide. We implemented new programs and processes to ensure that our mortgage banking model is sustainable and will continue to serve as a good source of revenue for the Company.

Assets under management stood at \$5.9 billion at December 31, 2018. Recent market volatility and economic uncertainty has created many challenges for both investors and financial advisors. We remain committed to working with our clients to advise them about risks and opportunities, and to help them plan accordingly. In 2018, we introduced a new client portal for our Wealth Management Rhode Island clients, providing them with access to their accounts online and through mobile devices. This technology, coupled with a new client service team approach dedicated to providing personal attention from portfolio, investment, and key team members, has helped improve the overall client experience.

As always, Washington Trust and its employees remain committed to the communities in which we live and work. Our employees continue to log hundreds of volunteer hours at organizations throughout our region, and they once again contributed to making Washington Trust one of the largest supporters of The United Way of Rhode Island.

Washington Trust continues to be recognized as one of the best banks in its class, being named American Banker's "*Top-Performing Mid-Tier Bank*" for the 5th consecutive year, earning Bank Director's "*Bank Performance Score Card*" for the 6th consecutive year, and receiving one of Providence Business News' "*Best Places To Work*" award for the 8th consecutive year.

We are grateful for the ongoing support of our shareholders and were pleased to introduce the Investor Choice Dividend Reinvestment & Direct Stock Purchase Plan earlier this year. This enhanced dividend reinvestment plan provides our shareholders with greater flexibility and additional benefits, including the ability to purchase additional Washington Trust shares through American Stock Transfer, with no fees or broker's commissions. We encourage you to learn more about the Plan to take full advantage of the many benefits it offers.

As always, thank you for your investment in Washington Trust. It is a privilege to lead your company.



Sincerely,

A handwritten signature in black ink, appearing to read "E. Handy III", written over a light blue background.

Edward O. Handy III  
Chairman & Chief Executive Officer



# Question & Answer

*In March 2018, Edward “Ned” Handy was appointed Washington Trust’s new Chairman and Chief Executive Officer and Mark Gim was named the corporation’s President and Chief Operating Officer. Here are a few of their thoughts on Washington Trust and the financial services industry.*



## **Why should a customer bank with Washington Trust?**

**Ned Handy:** At Washington Trust you will get solutions tailored to your needs at every stage of your life, from people who truly care about your financial security. We listen, provide solutions, and ensure timely delivery across a broad array of capabilities. We recognize that every customer is interested in building financial independence and wealth, and it’s our job to help them achieve that goal.

**Mark Gim:** We’ve been trusted advisors for generations and have continued to stay true to our core values of quality, integrity, and community. At the same time, we recognize that the world around us will change more in the next 10 years than it did in the last two centuries. We are vigilant about making sure our solutions are relevant and deliver value.

## **What makes Washington Trust different from other banks?**

**Ned:** We offer the comprehensive services available at larger financial institutions with the flexibility and responsiveness provided by smaller banks and credit unions. But, most importantly, we’re different because of our people. Our employees are passionate about delivering solutions to help our customers reach their financial goals.

**Mark:** In a world where large online corporations determine what a customer needs based on an algorithm, we believe human interaction and expert guidance are more important than ever.

*“... We consistently deliver outstanding products and individualized services to our customers, with the belief that good results will follow ...”*

- Mark Gim,  
Washington Trust  
President & COO

## **How does Washington Trust employ technology to service its customers?**

**Ned:** We provide the banking conveniences that our customers want and expect in today’s digital world and will continue to invest in technology that enhances the customer experience. However, technology has not replaced the personalized service our customers receive at Washington Trust.

**Mark:** Our business model has become even stronger and more sustainable because we offer both a digital and personal experience. Many people still want to sit face-to-face with a banker when they are making a significant financial decision such as buying a home or planning for retirement. Our employees are trusted advisors who take the time to understand our customers’ needs and then tailor a solution specifically for them. Technology gives customers greater accessibility to conduct banking and monitor their finances after hours.

## **Washington Trust has had significant expansion in the past 20 years. What are the Corporation’s future growth plans?**

**Ned:** We have the capacity to grow all our business lines well into the future. Branch expansion has been a proven strategy for attracting new customers and we will continue to open branches in the Rhode Island communities where we have a strong brand reputation.

# Question & Answer

**Mark:** Another component of our growth strategy is our ability to deepen existing customer relationships. In January 2019, we launched a Private Client Group dedicated to offering a wide range of financial solutions to business owners, executives, and high net worth individuals. They will provide tailored solutions from a single touchpoint while creating a holistic client experience.

**Washington Trust has consistently delivered solid shareholder value over time. What's the secret?**

**Ned:** I don't think there is a secret as much as it is our focus. We have been committed to improving our internal processes and overall efficiency, while enhancing the customer experience. This focus has created genuine value.

**Mark:** It's not always easy to improve profits. However, we consistently deliver outstanding products and individualized services to our customers, with the belief that good results will follow... and that proved true again in 2018.

**Washington Trust has been recognized as a top employer for several years. What do you attribute that to?**

**Ned:** We have been named one of the Best Places to Work in Rhode Island for eight consecutive years by the Providence Business News. I think that reflects how our people enjoy their jobs and appreciate the opportunities we have provided them with to advance their careers and maintain a good work-life balance.

**Mark:** There's a strong link between making a difference in a customer's life and enjoying your job. If our employees come to work each day with the intent of making our customers happy, everyone benefits – the customer, the employee, the company, and the shareholder. We win by solving the customer's financial needs, not by pushing product. That has been true since we opened our doors in 1800.

**Washington Trust has a long history but has successfully remained true to its community banking roots. Why is that important?**

**Ned:** Community is one of our core values. Our success is intertwined with the communities we serve, so we have a huge vested interest in helping them grow and prosper.

**Mark:** It's worth noting that most of our employees volunteer each year. We're attracting people who want to give something back to their community and are pleased to work for a company whose values align with their own. Whether our employees are offering financial guidance, serving on boards, or rolling up their sleeves and pitching in on projects that are important to them, we're here to meet the needs of our neighbors.

**Washington Trust is celebrating its 219th year in business. What's the significance of that milestone?**

**Ned:** We've been around for a long time and people like doing business with the oldest community bank in the United States. History is an important differentiator and will remain so, but only if our products and services are attuned to our customers' needs.

**Mark:** Our strength and stability for more than 200 years, in good times and bad, gives people the peace of mind knowing that we've seen it all and the confidence that we will be here to help them in the future.

*“We recognize that every customer is interested in building financial independence and wealth, and it's our job to help them achieve that goal.”*

- Ned Handy,  
Washington Trust  
Chairman & CEO

# Financial Highlights

At or for the years ended December 31,

In millions, except per share and ratio data	2018	2017	2016
<b>Financial Condition</b>			
Total assets	<b>\$5,010.8</b>	\$4,529.9	\$4,381.1
Total securities	<b>938.2</b>	793.5	755.5
Total loans	<b>3,680.4</b>	3,374.1	3,234.4
Allowance for loan losses	<b>27.1</b>	26.5	26.0
Total deposits	<b>3,524.0</b>	3,242.7	3,063.8
Total shareholders' equity	<b>448.2</b>	413.3	390.8
Book value per share	<b>25.90</b>	23.99	22.76
Total risk-based capital ratio	<b>12.56%</b>	12.45%	12.26%
Equity to assets	<b>8.94%</b>	9.12%	8.92%

<b>Operating Results</b>			
Net interest income	<b>\$132.3</b>	\$119.5	\$110.5
Provision for loan losses	<b>1.6</b>	2.6	5.7
Wealth management revenues	<b>38.3</b>	39.3	37.6
Mortgage banking revenues	<b>10.4</b>	11.4	13.2
Other noninterest income	<b>13.5</b>	14.1	14.4
Total noninterest expenses	<b>106.2</b>	104.1	101.1
Income before income taxes	<b>86.7</b>	77.6	68.9
Income tax expense	<b>18.3</b>	31.7	22.4
Net income	<b>68.4</b>	45.9	46.5
Diluted earnings per common share	<b>3.93</b>	2.64	2.70
Cash dividends declared per share	<b>1.76</b>	1.54	1.46
Return on average assets	<b>1.46%</b>	1.04%	1.16%
Return on average equity	<b>16.20%</b>	11.23%	11.94%
Net interest margin (taxable equivalent basis)	<b>3.01%</b>	2.93%	3.02%

<b>Asset Quality</b>			
Nonperforming assets to total assets	<b>0.28%</b>	0.34%	0.53%
Total past due loans to total loans	<b>0.37%</b>	0.59%	0.76%
Allowance for loan losses to total loans	<b>0.74%</b>	0.79%	0.80%
Net loan charge-offs to average loans	<b>0.03%</b>	0.06%	0.21%

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. Actual results, performance or achievements of Washington Trust may differ materially from those discussed in these forward-looking statements, as a result of, among other factors, the factors described under the caption "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission and updated by our Quarterly Reports on Form 10-Q. You should carefully review all of these factors, and you should be aware that there may be other factors that could cause these differences. These forward-looking statements were based on information, plans and estimates at the date of this report, and Washington Trust assumes no obligation to update forward looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

# Shareholder Information

## Stock Transfer and Dividend Disbursing Agent:

American Stock Transfer & Trust Company

6201 15th Avenue

Brooklyn, NY 11219

800-852-0354

[www.astfinancial.com](http://www.astfinancial.com)

The Corporation's 2019 Proxy Statement, Form 10-K and Annual Report for 2018 are available online by visiting the Corporation's website

[ir.washtrust.com/proxy](http://ir.washtrust.com/proxy),

by calling the Corporation's toll-free number 800-475-2265 extension 1566, or by email at [investor.relations@washtrust.com](mailto:investor.relations@washtrust.com).

**Auditors:** KPMG LLP, Providence, Rhode Island

**Counsel:** Goodwin Procter LLP, Boston, Massachusetts

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## Investor Choice Dividend Reinvestment & Direct Stock Purchase and Sale Plan

- Apply cash dividends towards the purchase of additional WASH shares with no minimum amount, and without a fee or broker's commission.
- Purchase additional WASH shares through AST without a fee or broker's commission:
  - Invest as little as \$25 or as much as \$10,000 per transaction
  - Purchase shares by check or by direct debit of your bank account
  - Make a one-time investment, or set up recurring transfers from your bank account
  - Invest any dollar increment you choose - no need to purchase whole shares
  - Make your investment at any time
- Sell or transfer WASH shares held in the Plan directly through AST, without going through an outside broker. See enclosed brochure for applicable fees.
- Complete share transactions through AST's secure online website.
- Deposit WASH shares you currently own in stock certificate form into the Plan for safekeeping.
- Access your WASH shareholder account via AST's secure online client portal to view statements, tax forms, transaction history, and more.

Visit [www.astfinancial.com](http://www.astfinancial.com), or contact our Plan Administrator at 800-852-0354 for more information.



# Executive Leadership

## The Washington Trust Company

**Edward O. Handy III,**  
Chairman and Chief Executive Officer

**Mark K. W. Gim,**  
President and Chief Operating Officer

**Ronald S. Ohsberg,**  
Senior Executive Vice President, Chief Financial Officer and Treasurer

**Kristen L. DiSanto,**  
Senior Executive Vice President, Chief Human Resources Officer and Corporate Secretary

**William K. Wray Sr.,**  
Senior Executive Vice President and Chief Risk Officer

**Debra A. Gormley,**  
Executive Vice President and Chief Retail Banking Officer

**James M. Hagerty,**  
Executive Vice President and Chief Lending Officer

**Maria N. Janes, CPA,**  
Executive Vice President and Controller

**Mary E. Noons,**  
Executive Vice President, Chief Retail Lending Officer

**Kathleen A. Ryan, Esq.,**  
Executive Vice President and Chief Wealth Management Officer

**Dennis L. Algieri,**  
Senior Vice President, Chief Compliance Officer and Director of Community Affairs

**Elizabeth B. Eckel,**  
Senior Vice President, Chief Marketing and Communications Officer

**C. Scott Ostrowski,**  
Senior Vice President and Chief Audit Executive

*As of publication date*

### *On the cover*

**Ned Handy, Washington Trust Chairman and CEO**, was joined by more than 50 Washington Trust executive leaders, senior managers, and employees to **ring the NASDAQ opening bell** and celebrate 218 years of service as the oldest community bank in the nation. Founded in 1800, Washington Trust was already 171 years old when, in 1971, NASDAQ began trading as the world's first electronic stock market. 13 years later, in 1984, Washington Trust Bancorp, Inc. started trading on the NASDAQ market under the symbol WASH.

Photography courtesy of Libby Greene/Nasdaq, Inc.



# Locations

## Branch Offices

### HEADQUARTERS

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

### BLOCK ISLAND, RI

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

### CHARLESTOWN, RI

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

### COVENTRY, RI

**Coventry Office**  
732 Tiogue Avenue  
Coventry, RI 02816  
401-262-3690

### CRANSTON, RI

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

### Plainfield Pike Office

2174 Plainfield Pike  
Cranston, RI 02921  
401-383-8223

### Reservoir Avenue Office

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

### EAST PROVIDENCE, RI

**East Providence Office**  
587 Taunton Avenue  
East Providence, RI 02914  
401-383-8800

### Rumford Office

330 Newport Avenue  
Rumford, RI 02916  
401-228-6555

### JOHNSTON, RI

**Johnston Office**  
1383 Atwood Avenue  
Johnston, RI 02919  
401-654-4837

### NARRAGANSETT, RI

**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, RI

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

### NORTH PROVIDENCE, RI

**North Providence Office**  
1588 Mineral Spring Avenue  
North Providence, RI 02904  
401-473-2921

### PROVIDENCE, RI

**East Side Office**  
229 Waterman Street  
Providence, RI 02906  
401-443-2800

### Providence Office

156 Westminster Street  
Providence, RI 02903  
401-421-3600

### RICHMOND, RI

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

### SOUTH KINGSTOWN, RI

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

### WARWICK, RI

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

### Governor Francis Office

1473 Warwick Avenue  
Warwick, RI 02888  
401-921-2500

### WESTERLY, RI

**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

### MYSTIC, CT

**McQuade's Marketplace**  
14 Clara Drive  
Mystic, CT 06355  
860-572-2058

## Commercial Banking Offices

### PROVIDENCE, RI

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

### WARWICK, RI

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

### WESTERLY, RI

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

## Mortgage Offices

### WARWICK, RI

171 Service Avenue  
Warwick, RI 02886  
401-681-4224

### GLASTONBURY, CT\*

200 Glastonbury Boulevard, Suite 203  
Glastonbury, CT 06033  
860-430-9900

### BRAINTREE, MA\*

25 Braintree Hill Office Park, Suite 309  
Braintree, MA 02184  
781-428-7970

### BURLINGTON, MA\*

25 Mall Road, Suite 408  
Burlington, MA 01803  
781-229-2004

### SHARON, MA\*

One Merchant Street, Suite 102  
Sharon, MA 02067  
781-784-3089

### WELLESLEY, MA\*

62 Walnut Street, Suite 102  
Wellesley, MA 02481  
781-489-3175

\*Operating as Washington Trust Mortgage Company

## Wealth Management Offices

### PROVIDENCE, RI

10 Weybosset Street, Suite 200  
Providence, RI 02903  
401-654-4801

### NARRAGANSETT, RI

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

### WESTERLY, RI

23 Broad Street  
Westerly, RI 02891  
401-348-1238

### WELLESLEY, MA

**Weston Financial Group**  
Wellesley Office Park  
100 William Street, Suite 200  
Wellesley, MA 02481  
781-235-7055

### NEW HAVEN, CT

**Halsey Associates**  
One Century Tower  
265 Church Street, Suite 1006  
New Haven, CT 06510  
203-772-0740

## Customer Solutions Center

RI: 401-348-1200  
CT: 860-443-1508  
Toll-free: 800-475-2265

## Websites

[ir.washtrust.com](http://ir.washtrust.com)  
[www.washtrust.com](http://www.washtrust.com)  
[www.washtrustmortgage.com](http://www.washtrustmortgage.com)  
[www.washtrustwealth.com](http://www.washtrustwealth.com)  
[www.westonfinancial.net](http://www.westonfinancial.net)  
[www.halseyassociates.com](http://www.halseyassociates.com)

## Ticker Symbol

NASDAQ: WASH