

# 2019 Annual Report



WASHINGTON TRUST BANCORP, INC.

## The Washington Trust Company Executive Leadership

**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

**Dennis L. Algieri**

Executive Vice President and Chief Compliance  
Officer and Director of Community Affairs

**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 and  
Chief Retail Lending Officer

**Kathleen A. Ryan, Esq.**

Executive Vice President and  
Chief Wealth Management Officer

**Elizabeth B. Eckel**

Senior Vice President, Chief Marketing  
and Corporate Communications Officer

**C. Scott Ostrowski**

Senior Vice President and  
Chief Audit Executive

*As of publication date*

## 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

**H. Douglas Randall III**

Chief Executive Officer, The Randall Family of Companies, Kinlin Grover,  
Pequot Commercial, Page Taft & Randall

**John T. Ruggieri**

Senior Vice President and Chief Financial Officer, Gilbane Building Company, and  
Vice President and Chief Financial Officer, Gilbane, Inc.

**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 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

**Maria N. Janes, CPA**

Executive Vice President and Controller

## The Washington Trust Company Directors' Advisory Council

Alcino G. Almeida

Gary P. Bennett

Larry J. Hirsch

Barry G. Hittner

Joseph J. Kirby

Edward M. Mazze

James W. McCormick Jr.

Thomas F. Moore

Brendan P. O'Donnell

Victor J. Orsinger

Joseph H. Potter

Joyce Olson Resnikoff

Patrick J. Shanahan Jr.

Neil H. Thorp

John C. Warren

William Blunt White



# Letter to Shareholders

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



2019 was a good year for Washington Trust. Our Corporation posted record full year earnings of \$69.1 million, or \$3.96 per diluted share. These results reflect the strength and stability of our core business model, which is built on a strong commercial banking foundation, complemented by wealth management and mortgage banking. In 2019, this model worked as designed, and compensated for challenges affecting us and the industry as a whole.

Total loans reached a record \$3.9 billion at year-end, an increase of \$213 million, and the credit quality of our portfolio remains very strong. This helped us to weather a reversal in Federal Reserve interest rate policy that lowered interest rates three times during the year. We expanded our commercial lending team in the Connecticut market in 2019 with two experienced lenders having strong connections to borrowers, developers, and centers of influence in the area. We are entering 2020 with a healthy pipeline and good momentum.

Deposits for the year totaled \$3.5 billion, which included an increase in our in-market deposits of \$167 million. We opened a new branch in North Providence, RI, in early 2019, our fifth de novo branch in as many years. We also had success opening checking accounts for residential mortgage customers outside of Rhode Island by offering attractive pricing with convenient online account opening.

Turning to our fee businesses, our wealth management assets under administration totaled \$6.2 billion at year-end, an increase of \$325 million, and benefitted from both strong financial market appreciation and the organic addition of new assets under administration. This performance allowed us to overcome client attrition. We also launched a private clients initiative, which is building stronger relationships between our wealth management group and commercial lending.

Mortgage banking, benefitting from lower market interest rates, simply had an outstanding year, posting record volumes of loans originated and record revenues of \$14.8 million, an increase of 43% over 2018.

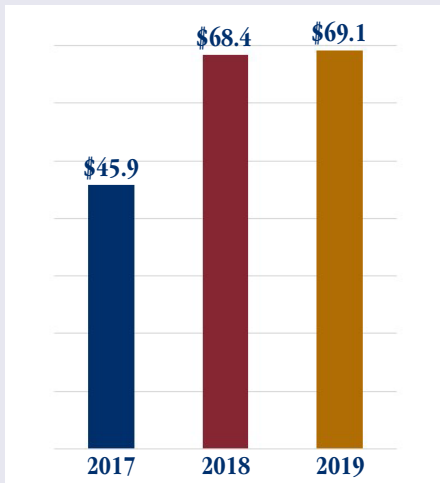
We continue to be recognized in the industry for our strength, stability, and commitment to our employees and were named as the best and only Rhode Island bank on Forbes magazine's list of *Best-In-State Banks*, as well as being named as *Best Banks To Work For* by American Banker® and one of Providence Business News' *Best Places To Work* for the 9th consecutive year. We also received the *Exemplary Worksites Health Award* from Blue Cross Blue Shield of Rhode Island and the Greater Providence Chamber of Commerce.

In addition to serving our customers, Washington Trust employees also are committed to the communities in which they live and work. Throughout the year, they donate their time to support causes and organizations that make our communities special. In recognition of our efforts, Rhode Island Monthly magazine presented us with honorable mention at its *Common Good Awards* for our employee volunteerism program.

We are thankful for the support of our shareholders and are pleased to have provided solid returns and healthy dividends. Washington Trust will continue to follow the strategy that has contributed to our success over the past 219 years: Putting the right products, right people, and latest technology together to deliver the best financial solutions to our customers, all backed by top-notch, personalized service. We have a solid foundation, strong capital and asset quality, and a business model that has provided a consistent stream of revenues during all types of economic cycles. As we enter our 220th year, we remain committed to providing enhanced value to those who have contributed to our success over time: our employees, our customers, our communities and our shareholders.

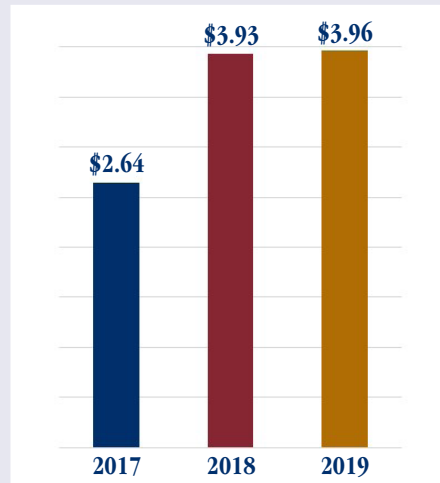
# Financial Highlights

## Net Income



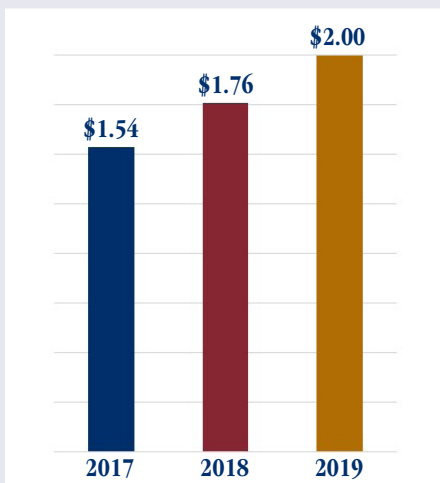
In Millions

## Diluted Earnings



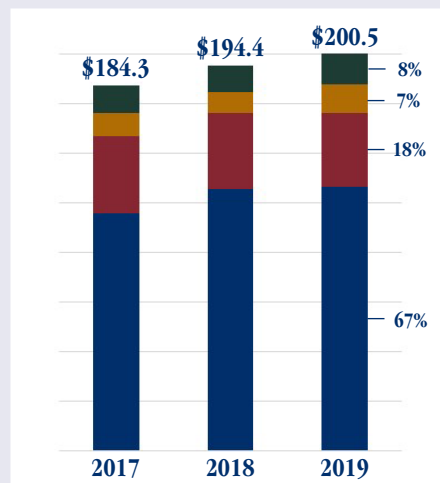
Per Common Share; In Dollars

## Cash Dividends



Declared Per Share; In Dollars

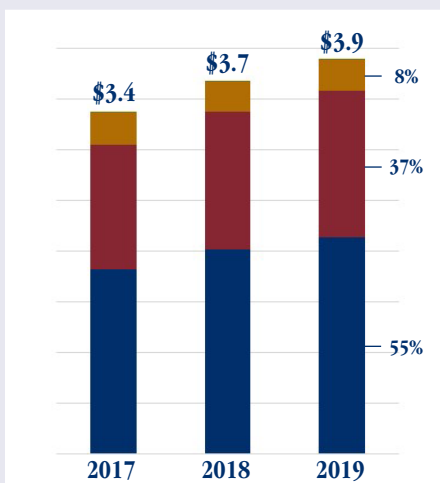
## Revenues



In Millions



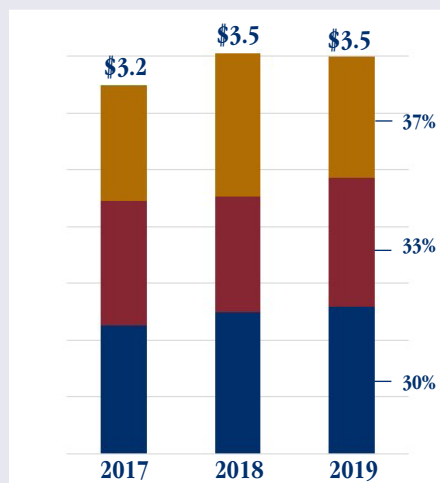
## Total Loans



Year-end; In Billions



## Total Deposits



Year-end; In Billions



# Financial Highlights

In millions, except per share and ratio data	At or for the years ended December 31,		
	2019	2018	2017
<b>Financial Condition</b>			
Total assets	\$5,292.7	\$5,010.8	\$4,529.9
Total securities	899.5	938.2	793.5
Total loans	3,893.0	3,680.4	3,374.1
Allowance for loan losses	27.0	27.1	26.5
Total deposits	3,498.9	3,524.0	3,242.7
Total shareholders' equity	503.5	448.2	413.3
Book value per share	29.00	25.90	23.99
Total risk-based capital ratio	12.94%	12.56%	12.45%
Equity to assets	9.51%	8.94%	9.12%
<b>Operating Results</b>			
Net interest income	\$133.4	\$132.3	\$119.5
Provision for loan losses	1.6	1.6	2.6
Wealth management revenues	36.8	38.3	39.3
Mortgage banking revenues	14.8	10.4	11.4
Other noninterest income	15.5	13.5	14.1
Total noninterest expenses	110.7	106.2	104.1
Income before income taxes	88.2	86.7	77.6
Income tax expense	19.1	18.3	31.7
Net income	69.1	68.4	45.9
Earnings per common share - diluted	3.96	3.93	2.64
Cash dividends declared per share	2.00	1.76	1.54
Return on average assets	1.34%	1.46%	1.04%
Return on average equity	14.34%	16.20%	11.23%
Net interest margin (fully taxable equivalent basis)	2.77%	3.01%	2.93%
<b>Asset Quality</b>			
Nonperforming assets to total assets	0.35%	0.28%	0.34%
Total past due loans to total loans	0.40%	0.37%	0.59%
Allowance for loan losses to total loans	0.69%	0.74%	0.79%
Net loan charge-offs to average loans	0.04%	0.03%	0.06%

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, 2019, 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 2019 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: Crowe LLP, Livingston, New Jersey Counsel: Goodwin Procter LLP, Boston, Massachusetts

# Question & Answer

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



As Washington Trust looks to celebrate its 220th year in 2020, President and Chief Operating Officer, Mark Gim, provides some thoughts on what lies ahead for the nation's oldest community bank.

## **What has been the key to Washington Trust's success?**

Washington Trust has grown from a small, local community bank into one of the Northeast's leading financial institutions. I believe consistency, relevance, and sustainability have been critical to our success over time. We have remained true to our core values, while generating consistent financial returns through various economic cycles, competitive challenges, and expanded delivery channels that have changed consumer behavior and our industry.

When Washington Trust was founded in 1800, our mission was *"to provide those little assistances from time to time that only banks can give..."* Our mission is still relevant. In this age of technology and artificial intelligence, we believe personal service and trusted advice are more important than ever. Our employees care about one another, their customers, and their communities, and, at the end of the day, that makes a difference for everyone, including our shareholders.

## **How has technology changed the way Washington Trust serves its customers?**

At Washington Trust our customers come first, so to us it's always about the customer experience. Our focus has always been to provide solutions and advice that help customers

meet their financial goals and the only thing that's changed is how we do it and where we do it. The "how we do it" is augmented by technology and meeting the customer's needs on the customer's terms where we can, whether it's in person at a physical location, or digitally. But the core value is still understanding the customer's needs and doing our best to bring knowledgeable, experienced people empowered to make decisions, to help the customer meet those needs in the shortest time possible, or in the most convenient way possible.

We truly believe in our ability to strike the perfect balance of personal service, supplemented by the latest technology. I think we've done a good job at adapting to the changing ways in which customers access products and services. So, no matter where they are in life, or how they're doing business with us, whether it's digitally or in person, they expect and will receive a great experience.

## **How does Washington Trust differentiate itself from the larger competitors or other local financial service providers?**

Washington Trust offers a full range of financial services so we can help our customers no matter what life stage or business cycle they are in. We differentiate ourselves by striking the sweet spot: we are more broadly experienced than

For more than two centuries, Washington Trust is the Bank individuals and businesses have turned to when they've had money matters on their mind or needed support in the communities we serve.

In today's technology-driven world, our *Trusted Advisors* believe human interaction and expert guidance are more important than ever. Financial questions

can be tricky. When they are, **Ask WashTrust**. *Because sometimes the most important connection is a human one.*



**AskWashTrust.com**

smaller single-service institutions, and more accessible than larger competitors offering cookie-cutter solutions. We offer a more personal and holistic approach to providing financial solutions, which allows us to build trust and deepen relationships with our customers.

We have knowledgeable professionals who take the time to understand our customers' specific needs, as opposed to a need that may work for a mass market solution. We understand that digital convenience is a part of everyday life, but people often have more complicated financial needs – buying a house, managing your business, transferring your business to family members, planning for retirement or your child's education – that often require more information and personal attention. There are times when a customer needs to be able to talk to a knowledgeable person to find the right financial solution, as opposed to the quickest way to get an off-the-shelf solution. As long as these needs exist, having local professionals, who are experienced and know their customers and the marketplace, will set us apart from the 1-800 financial service providers.

#### **What is Washington Trust's vision for the future?**

The key to future success and growth is consistency, relevance, and sustainability. We must continue to stay customer-focused, so we can deepen our relationships with them. We do a good job of providing consistent services within each of

our business lines, but we need to go one step further. Whether it's a loan, a wealth management account or a deposit account, we need to ask the question, "What are you trying to accomplish?" In doing so, we may uncover things the customer didn't know they needed, so we can better serve them throughout their financial lifecycle. Our recent Marketing campaign, "Ask WashTrust," encourages our customers to do just that... tell us what you need.

We also need to better understand the trends that affect customer behavior and their journey, so we can execute appropriately. We see technology as an opportunity and as an extension of our expertise. We are no longer restricted to the same time and space of when business is open from 9 to 5, as we were even 20 years ago. Technology allows customers to have access to us when they need it, and we are there for them.

We truly believe that Washington Trust's business model is sustainable and scalable for years to come. We have a sound financial foundation, a strong internal culture and a full complement of financial solutions and technology to support our customers' needs. While a lot has changed since we were founded in 1800, our commitment to be the best for our employees, our customers, our communities and our shareholders remains steadfast.

