

WASHINGTON TRUST BANCORP INC
Form 10-Q
May 08, 2014

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

FORM 10-Q

(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, 2014 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: 001-32991

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

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

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

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

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

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

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

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 April 30, 2014 was 16,675,272.

FORM 10-Q
WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES
For the Quarter Ended March 31, 2014

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (unaudited)(Dollars in thousands,
except par value)

	March 31, 2014	December 31, 2013
Assets:		
Cash and due from banks	\$104,738	\$81,939
Short-term investments	3,419	3,378
Mortgage loans held for sale, at fair value	10,409	11,636
Securities:		
Available for sale, at fair value	361,000	392,903
Held to maturity, at amortized cost (fair value \$29,180 in 2014 and \$29,865 in 2013)	28,889	29,905
Total securities	389,889	422,808
Federal Home Loan Bank stock, at cost	37,730	37,730
Loans:		
Commercial	1,337,283	1,363,335
Residential real estate	810,393	772,674
Consumer	330,927	326,875
Total loans	2,478,603	2,462,884
Less allowance for loan losses	27,043	27,886
Net loans	2,451,560	2,434,998
Premises and equipment, net	25,909	25,402
Investment in bank-owned life insurance	57,118	56,673
Goodwill	58,114	58,114
Identifiable intangible assets, net	5,329	5,493
Other assets	49,931	50,696
Total assets	\$3,194,146	\$3,188,867
Liabilities:		
Deposits:		
Demand deposits	\$445,570	\$440,785
NOW accounts	311,461	309,771
Money market accounts	704,434	666,646
Savings accounts	293,322	297,357
Time deposits	836,867	790,762
Total deposits	2,591,654	2,505,321
Federal Home Loan Bank advances	203,429	288,082
Junior subordinated debentures	22,681	22,681
Other liabilities	40,524	43,137
Total liabilities	2,858,288	2,859,221
Commitments and contingencies		
Shareholders' Equity:		
Common stock of \$.0625 par value; authorized 30,000,000 shares; issued and outstanding 16,634,985 shares in 2014 and 16,613,561 shares in 2013	1,040	1,038
Paid-in capital	98,596	97,566
Retained earnings	236,999	232,595
Accumulated other comprehensive loss	(777) (1,553
Total shareholders' equity	335,858	329,646
Total liabilities and shareholders' equity	\$3,194,146	\$3,188,867

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

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WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME (unaudited)	(Dollars and shares in thousands, except per share amounts)	
Three months ended March 31,	2014	2013
Interest income:		
Interest and fees on loans	\$25,589	\$25,223
Interest on securities: Taxable	2,942	2,845
Nontaxable	582	659
Dividends on Federal Home Loan Bank stock	142	38
Other interest income	35	28
Total interest and dividend income	29,290	28,793
Interest expense:		
Deposits	2,969	3,194
Federal Home Loan Bank advances	2,241	2,737
Junior subordinated debentures	241	390
Other interest expense	3	5
Total interest expense	5,454	6,326
Net interest income	23,836	22,467
Provision for loan losses	300	600
Net interest income after provision for loan losses	23,536	21,867
Noninterest income:		
Wealth management revenues	8,065	7,474
Merchant processing fees	1,291	1,977
Net gains on loan sales and commissions on loans originated for others	1,239	4,166
Service charges on deposit accounts	754	791
Card interchange fees	681	599
Income from bank-owned life insurance	445	467
Net gains on interest rate swap contracts	260	19
Equity in earnings (losses) of unconsolidated subsidiaries	(43) 39
Gain on sale of business line	6,265	—
Other income	413	406
Noninterest income, excluding other-than-temporary impairment losses	19,370	15,938
Total other-than-temporary impairment losses on securities	—	(613)
Portion of loss recognized in other comprehensive income (before tax)	—	(2,159)
Net impairment losses recognized in earnings	—	(2,772)
Total noninterest income	19,370	13,166
Noninterest expense:		
Salaries and employee benefits	14,558	15,442
Net occupancy	1,640	1,514
Equipment	1,236	1,244
Merchant processing costs	1,050	1,673
Outsourced services	1,044	841
Legal, audit and professional fees	618	608
FDIC deposit insurance costs	440	431
Advertising and promotion	232	355
Amortization of intangibles	164	173
Foreclosed property costs	(22) 47
Debt prepayment penalties	6,294	—
Other expenses	2,038	1,856
Total noninterest expense	29,292	24,184
Income before income taxes	13,614	10,849

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Income tax expense	4,316	3,428
Net income	\$9,298	\$7,421
Weighted average common shares outstanding - basic	16,626	16,401
Weighted average common shares outstanding - diluted	16,800	16,449
Per share information: Basic earnings per common share	\$0.56	\$0.45
Diluted earnings per common share	\$0.55	\$0.45
Cash dividends declared per share	\$0.29	\$0.25

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

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WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)	(Dollars in thousands)	
Three months ended March 31,	2014	2013
Net income	\$9,298	\$7,421
Other comprehensive income, net of tax:		
Securities available for sale:		
Changes in fair value of securities available for sale	612	(1,053)
Net losses on securities reclassified into earnings	—	393
Net change in fair value of securities available for sale	612	(660)
Reclassification adjustment for other-than-temporary impairment losses transferred into earnings	—	1,384
Cash flow hedges:		
Change in fair value of cash flow hedges	(16)	(2)
Net cash flow hedge losses reclassified into earnings	92	122
Net change in fair value of cash flow hedges	76	120
Defined benefit plan obligation adjustment	88	337
Total other comprehensive income, net of tax	776	1,181
Total comprehensive income	\$10,074	\$8,602

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

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

	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
Balance at January 1, 2013	16,380	\$1,024	\$91,453	\$213,674	(\$10,499)	\$295,652
Net income				7,421		7,421
Total other comprehensive income, net of tax					1,181	1,181
Cash dividends declared				(4,175)		(4,175)
Share-based compensation			581			581
Deferred compensation plan	2	—	30			30
Exercise of stock options, issuance of other compensation-related equity instruments and related tax benefit	43	3	598			601
Balance at March 31, 2013	16,425	\$1,027	\$92,662	\$216,920	(\$9,318)	\$301,291
	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
Balance at January 1, 2014	16,614	\$1,038	\$97,566	\$232,595	(\$1,553)	\$329,646
Net income				9,298		9,298
Total other comprehensive income, net of tax					776	776
Cash dividends declared				(4,894)		(4,894)
Share-based compensation			491			491
Exercise of stock options, issuance of other compensation-related equity instruments and related tax benefit	21	2	539			541
Balance at March 31, 2014	16,635	\$1,040	\$98,596	\$236,999	(\$777)	\$335,858

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

WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)	(Dollars in thousands)	
Three months ended March 31,	2014	2013
Cash flows from operating activities:		
Net income	\$9,298	\$7,421
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	300	600
Depreciation of premises and equipment	783	847
Foreclosed and repossessed property valuation adjustments	12	20
Net amortization of premium and discount	219	460
Net amortization of intangibles	164	173
Share-based compensation	491	581
Income from bank-owned life insurance	(445)	(467)
Net gain on sale of business line	(6,265)	—
Net gains on loan sales and commissions on loans originated for others	(1,239)	(4,166)
Net impairment losses recognized in earnings	—	2,772
Net gains on interest rate swap contracts	(260)	(19)
Equity in losses (earnings) of unconsolidated subsidiaries	43	(39)
Proceeds from sales of loans	48,296	138,729
Loans originated for sale	(46,159)	(114,244)
(Increase) decrease in other assets	(93)	2,050
Decrease in other liabilities	(3,723)	(10,945)
Net cash provided by operating activities	1,422	23,773
Cash flows from investing activities:		
Purchases of:		
Mortgage-backed securities available for sale	—	(1,036)
Other investment securities available for sale	—	(203)
Proceeds from sale of:		
Other investment securities available for sale	547	—
Maturities and principal payments of:		
Mortgage-backed securities available for sale	11,313	23,934
Other investment securities available for sale	20,844	690
Mortgage-backed securities held to maturity	960	3,328
Remittance of Federal Home Loan Bank stock	—	2,688
Net proceeds from the sale of business line	6,305	—
Proceeds received and deferred in connection with sale of business line	900	—
Net increase in loans	(13,584)	(26,102)
Purchases of loans, including purchased interest	(2,934)	(3,442)
Proceeds from the sale of property acquired through foreclosure or repossession	659	460
Purchases of premises and equipment	(1,291)	(427)
Net cash provided by (used in) investing activities	23,719	(110)
Cash flows from financing activities:		
Net increase in deposits	86,333	7,010
Net decrease in other borrowings	(11)	(1,003)
Proceeds from Federal Home Loan Bank advances	54,000	100,000
Repayment of Federal Home Loan Bank advances	(138,653)	(119,954)
Proceeds from the exercise of stock options and issuance of other compensation-related equity instruments	496	555
	45	76

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Tax benefit from stock option exercises and issuance of other compensation-related equity instruments		
Cash dividends paid	(4,511)	(3,963)
Net cash used in financing activities	(2,301)	(17,279)
Net increase in cash and cash equivalents	22,840	6,384
Cash and cash equivalents at beginning of period	85,317	92,650
Cash and cash equivalents at end of period	\$108,157	\$99,034

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

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WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)	(Dollars in thousands)	
Three months ended March 31,	2014	2013
Noncash Investing and Financing Activities:		
Loans charged off	\$1,223	\$374
Loans transferred to property acquired through foreclosure or repossession	421	1,050
Supplemental Disclosures:		
Interest payments	\$5,175	\$6,260
Income tax payments	265	103

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

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

(1) General Information

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 including commercial, residential and consumer lending, retail and commercial deposit products, and wealth management services through its offices in Rhode Island, eastern Massachusetts and Connecticut.

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.

The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America (“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, the review of goodwill and other intangible assets for impairment and the assessment of investment securities for impairment.

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. In the opinion of management, all adjustments (consisting of normal recurring adjustments) and disclosures considered necessary for the fair presentation of the accompanying consolidated financial statements have been included. Interim results are not necessarily reflective of the results of the entire year. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

(2) Recently Issued Accounting Pronouncements

Investments - Equity Method and Joint Ventures - Topic 323

Accounting Standards Update No. 2014-01, “Accounting for Investments in Qualified Affordable Housing Projects” (“ASU 2014-01”), was issued in January 2014 and permits a reporting entity to make an accounting policy election to account for investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. The amendments are expected to enable more entities to record the amortization of the investment in income tax expense together with the tax credits and other tax benefits generated from the partnership. ASU 2014-01 is effective retrospectively for public business entities for annual and interim reporting periods, beginning after December 15, 2014. Early adoption is permitted. The adoption of ASU 2014-01 is not expected to have a material impact on the Corporation’s consolidated financial statements.

Receivables - Troubled Debt Restructurings by Creditors - Topic 310

Accounting Standards Update No. 2014-04, “Reclassifications of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure” (“ASU 2014-04”), was issued in January 2014 and clarifies when banks and similar institutions (creditors) should reclassify mortgage loans collateralized by residential real estate properties from the loan portfolio to other real estate owned (OREO). ASU 2014-04 is effective for annual periods beginning after December 15, 2014, and interim periods with annual periods beginning after December 15, 2015. An entity can elect

either a modified retrospective or prospective transition method, and early adoption is permitted. The adoption of ASU 2014-04 is not expected to have a material impact on the Corporation's consolidated financial statements.

(3)Cash and Due from Banks

The Bank maintains certain average reserve balances to meet the requirements of the Board of Governors of the Federal Reserve System ("FRB"). Some or all of these reserve requirements may be satisfied with vault cash. Reserve balances amounted to \$6.5 million at March 31, 2014 and \$6.7 million at December 31, 2013 and were included in cash and due from banks in the Consolidated Balance Sheets.

As of March 31, 2014 and December 31, 2013, cash and due from banks included interest-bearing deposits in other banks of \$61.2 million and \$51.8 million, respectively.

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

(4) Securities

The following tables present the amortized cost, gross unrealized holding gains, gross unrealized holding losses and fair value of securities by major security type and class of security:

(Dollars in thousands)

March 31, 2014	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities Available for Sale:				
Obligations of U.S. government-sponsored enterprises	\$39,487	\$391	\$—	\$39,878
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	218,882	8,753	(89)	227,546
Obligations of states and political subdivisions	59,826	2,110	—	61,936
Individual name issuer trust preferred debt securities	30,724	—	(5,344)	25,380
Corporate bonds	6,124	144	(8)	6,260
Total securities available for sale	\$355,043	\$11,398	(\$5,441)	\$361,000
Held to Maturity:				
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	\$28,889	\$291	\$—	\$29,180
Total securities held to maturity	\$28,889	\$291	\$—	\$29,180
Total securities	\$383,932	\$11,689	(\$5,441)	\$390,180

(Dollars in thousands)

December 31, 2013	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities Available for Sale:				
Obligations of U.S. government-sponsored enterprises	\$54,474	\$720	(\$79)	\$55,115
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	230,387	8,369	(401)	238,355
Obligations of states and political subdivisions	60,659	2,200	—	62,859
Trust preferred securities:				
Individual name issuers	30,715	—	(6,031)	24,684
Collateralized debt obligations	547	—	—	547
Corporate bonds	11,128	231	(16)	11,343
Total securities available for sale	\$387,910	\$11,520	(\$6,527)	\$392,903
Held to Maturity:				
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	\$29,905	\$14	(\$54)	\$29,865
Total securities held to maturity	\$29,905	\$14	(\$54)	\$29,865
Total securities	\$417,815	\$11,534	(\$6,581)	\$422,768

At March 31, 2014 and December 31, 2013, securities available for sale and held to maturity with a fair value of \$375.6 million and \$397.5 million, respectively, were pledged as collateral for Federal Home Loan Bank of Boston (“FHLBB”) borrowings and letters of credit, potential borrowings with the FRB, certain public deposits and for other purposes.

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

The schedule of maturities of debt securities available for sale and held to maturity is presented below. Mortgage-backed securities are included based on weighted average maturities, adjusted for anticipated prepayments. All other debt securities are included based on contractual maturities. Actual maturities may differ from amounts presented because certain issuers have the right to call or prepay obligations with or without call or prepayment penalties. Yields on tax exempt obligations are not computed on a tax equivalent basis.

(Dollars in thousands)	March 31, 2014					Totals
	Within 1 Year	1-5 Years	5-10 Years	After 10 Years		
Securities Available for Sale:						
Obligations of U.S. government-sponsored enterprises:						
Amortized cost	\$39,487	\$—	\$—	\$—	\$—	\$39,487
Weighted average yield	4.79	% —	% —	% —	% —	% 4.79
Mortgage-backed securities issued by U.S. government-sponsored enterprises:						
Amortized cost	39,783	102,288	52,054	24,757		218,882
Weighted average yield	4.00	% 3.68	% 2.90	% 2.34	% 3.40	% 3.40
Obligations of state and political subdivisions:						
Amortized cost	20,769	39,057	—	—		59,826
Weighted average yield	3.85	% 3.93	% —	% —	% 3.90	% 3.90
Individual name issuer trust preferred debt securities:						
Amortized cost	—	—	—	30,724		30,724
Weighted average yield	—	% —	% —	% 1.04	% 1.04	% 1.04
Corporate bonds:						
Amortized cost	—	5,715	409	—		6,124
Weighted average yield	—	% 2.80	% 2.41	% —	% 2.78	% 2.78
Total debt securities available for sale:						
Amortized cost	\$100,039	\$147,060	\$52,463	\$55,481		\$355,043
Weighted average yield	4.28	% 3.71	% 2.90	% 1.62	% 3.42	% 3.42
Fair value	\$102,737	\$147,626	\$54,176	\$56,461		\$361,000
Securities Held to Maturity:						
Mortgage-backed securities issued by U.S. government-sponsored enterprises:						
Amortized cost	\$4,226	\$12,127	\$8,238	\$4,298		\$28,889
Weighted average yield	3.00	% 2.92	% 2.72	% 1.11	% 2.60	% 2.60
Fair value	\$4,269	\$12,249	\$8,321	\$4,341		\$29,180

Included in the above table were debt securities with an amortized cost balance of \$88.5 million and a fair value of \$85.1 million at March 31, 2014 that are callable at the discretion of the issuers. Final maturities of the callable securities range from eighteen months to twenty-two years, with call features ranging from one month to three years.

Other-Than-Temporary Impairment Assessment

The Corporation assesses whether the decline in fair value of investment securities is other-than-temporary on a regular basis. Unrealized losses on debt securities may occur from current market conditions, increases in interest rates since the time of purchase, a structural change in an investment, volatility of earnings of a specific issuer, or deterioration in credit quality of the issuer. Management evaluates impairments in value both qualitatively and

quantitatively to assess whether they are other-than-temporary.

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

The following tables summarize temporarily impaired securities, segregated by length of time the securities have been in a continuous 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
March 31, 2014									
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	3	\$19,796	(\$55)	1	\$933	(\$34)	4	\$20,729	(\$89)
Individual name issuer trust preferred debt securities	—	—	—	11	25,380	(5,344)	11	25,380	(5,344)
Corporate bonds	2	413	(8)	—	—	—	2	413	(8)
Total temporarily impaired securities	5	20,209	(\$63)	12	\$26,313	(\$5,378)	17	\$46,522	(\$5,441)

(Dollars in thousands)	Less than 12 Months			12 Months or Longer			Total		
	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
December 31, 2013									
Obligations of U.S. government-sponsored enterprises	1	\$9,909	(\$79)	—	\$—	\$—	1	\$9,909	(\$79)
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	7	76,748	(455)	—	—	—	7	76,748	(455)
Individual name issuer trust preferred debt securities	—	—	—	11	24,684	(6,031)	11	24,684	(6,031)
Corporate bonds	2	407	(16)	—	—	—	2	407	(16)
Total temporarily impaired securities	10	\$87,064	(\$550)	11	\$24,684	(\$6,031)	21	\$111,748	(\$6,581)

Further deterioration in credit quality of the underlying issuers of the securities, further deterioration in the condition of the financial services industry, a continuation or worsening of the current economic environment, or additional declines in real estate values, among other things, may further affect the fair value of these securities and increase the potential that certain unrealized losses be designated as other-than-temporary in future periods, and the Corporation may incur additional write-downs.

Trust Preferred Debt Securities of Individual Name Issuers

Included in debt securities in an unrealized loss position at March 31, 2014 were eleven trust preferred security holdings issued by seven individual companies in the financial services industry, specifically, the banking sector. Management believes the decline in fair value of these trust preferred securities primarily reflects investor concerns about global economic growth and how it will affect potential future losses in the financial services industry. These concerns resulted in increased risk premiums for securities in this sector. Based on the information available through the filing date of this report, all individual name issuer trust preferred debt securities held in our portfolio continue to accrue and make payments as expected with no payment deferrals or defaults on the part of the

issuers. As of March 31, 2014, individual name issuer trust preferred debt securities with an amortized cost of \$11.9 million and unrealized losses of \$2.1 million were rated below investment grade by Standard & Poors, Inc. (“S&P”). Management reviewed the collectibility of these securities taking into consideration such factors as the financial condition of the issuers, reported regulatory capital ratios of the issuers, credit ratings including ratings in effect as of the reporting period date as well as credit rating changes between the reporting period date and the filing date of this report and other information. We noted no additional downgrades to below investment grade between the reporting period date and the filing date of this report. Based on these analyses, management concluded that it expects to recover the entire amortized cost basis of these securities. Furthermore, Washington Trust does not intend to sell these securities and it is not more-likely-than-not that Washington Trust will be required to sell these securities before recovery of their cost basis, which may be maturity. Therefore, management does not consider these investments to be other-than-temporarily impaired at March 31, 2014.

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

Credit-Related Impairment Losses Recognized on Debt Securities

The following table presents a rollforward of the cumulative credit-related impairment losses on debt securities held by the Corporation:

(Dollars in thousands)

Three months ended March 31,	2014	2013
Balance at beginning of period	\$—	\$3,325
Credit-related impairment loss on debt securities for which an other-than-temporary impairment was not previously recognized	—	—
Additional increases to the amount of credit-related impairment loss on debt securities for which an other-than-temporary impairment was previously recognized	—	2,772
Reductions for securities for which a liquidation notice was received during the period	—	(4,868)
Balance at end of period	\$—	\$1,229

The January 1, 2014 beginning balance of the cumulative credit-related impairment losses was corrected from the \$6.8 million reported in our Form 10-K for the fiscal year ended December 31, 2013 to reflect the impact of the notice of liquidation of a pooled trust preferred security that occurred during the first quarter of 2013 and management's change in intent to no longer hold its other pooled trust preferred security, which was made in December 2013.

(5)Loans

The following is a summary of loans:

(Dollars in thousands)

	March 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Commercial:				
Mortgages (1)	\$788,836	32 %	\$796,249	32 %
Construction and development (2)	24,696	1	36,289	1
Other (3)	523,751	21	530,797	22
Total commercial	1,337,283	54	1,363,335	55
Residential real estate:				
Mortgages (4)	784,623	32	749,163	30
Homeowner construction	25,770	1	23,511	1
Total residential real estate	810,393	33	772,674	31
Consumer:				
Home equity lines	233,728	9	231,362	9
Home equity loans	41,991	2	40,212	2
Other (4)	55,208	2	55,301	3
Total consumer	330,927	13	326,875	14
Total loans (5)	\$2,478,603	100 %	\$2,462,884	100 %

(1) Amortizing mortgages and lines of credit, primarily secured by income producing property.

(2) Loans for construction commercial properties, loans to developers for construction of residential properties and loans for land development.

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

(4) Fixed-rate consumer installment loans.

Includes net unamortized loan origination costs of \$1.1 million and \$879 thousand, respectively, and net (5) unamortized premiums on purchased loans of \$102 thousand and \$99 thousand, respectively, at March 31, 2014 and December 31, 2013.

At March 31, 2014 and December 31, 2013, there were \$1.16 billion and \$1.14 billion, respectively, of loans pledged as collateral for FHLBB borrowings, line of credit and letters of credit and were collateralized for the discount window at the FRB.

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

Nonaccrual Loans

Loans, with the exception of certain well-secured loans that are in the process of collection, are placed on nonaccrual status and interest recognition is suspended when such loans are 90 days or more overdue with respect to principal and/or interest or sooner if considered appropriate by management. Well-secured loans are permitted to remain on accrual status provided that full collection of principal and interest is assured and the loan is in the process of collection. Loans are also placed on nonaccrual status when, in the opinion of management, full collection of principal and interest is doubtful. Interest previously accrued but not collected on such loans is reversed against current period income. Subsequent interest payments received on nonaccrual loans are applied to the outstanding principal balance of the loan or recognized as interest income depending on management's assessment of the ultimate collectability of the loan. Loans are removed from nonaccrual status when they have been current as to principal and interest for a period of time, the borrower has demonstrated an ability to comply with repayment terms, and when, in management's opinion, the loans are considered to be fully collectible.

The following is a summary of nonaccrual loans, segregated by class of loans:

(Dollars in thousands)	Mar 31, 2014	Dec 31, 2013
Commercial:		
Mortgages	\$2,293	\$7,492
Construction and development	—	—
Other	1,198	1,291
Residential real estate:		
Mortgages	8,975	8,315
Homeowner construction	—	—
Consumer:		
Home equity lines	568	469
Home equity loans	474	687
Other	66	48
Total nonaccrual loans	\$13,574	\$18,302
Accruing loans 90 days or more past due	\$—	\$—

As of March 31, 2014 and December 31, 2013, nonaccrual loans of \$2.1 million and \$2.7 million, respectively, were current as to the payment of principal and interest.

At March 31, 2014, there were no significant commitments to lend additional funds to borrowers whose loans were on nonaccrual status.

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

Past Due Loans

Past due status is based on the contractual payment terms of the loan. The following tables present an age analysis of past due loans, segregated by class of loans:

(Dollars in thousands)	Days Past Due			Total Past Due	Current	Total Loans
	30-59	60-89	Over 90			
March 31, 2014						
Commercial:						
Mortgages	\$—	\$15	\$2,238	\$2,253	\$786,583	\$788,836
Construction and development	—	—	—	—	24,696	24,696
Other	3,351	127	428	3,906	519,845	523,751
Residential real estate:						
Mortgages	2,232	1,265	5,634	9,131	775,492	784,623
Homeowner construction	—	—	—	—	25,770	25,770
Consumer:						
Home equity lines	1,004	492	269	1,765	231,963	233,728
Home equity loans	351	116	366	833	41,158	41,991
Other	10	50	66	126	55,082	55,208
Total loans	\$6,948	\$2,065	\$9,001	\$18,014		