

TRANSALTA CORP
Form 6-K
April 25, 2013

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of April, 2013

TRANSALTA CORPORATION

(Translation of registrant's name into English)

110-12th Avenue S.W., Box 1900, Station "M", Calgary, Alberta, T2P 2M1

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-_____

I

The document listed below as Exhibit 99.1 to this Form 6-K is a copy of the Registrant's news release date April 25, 2013. This news release is being furnished, not filed, and will not be incorporated by reference into any registration statement filed by TransAlta Corporation under the Securities Act of 1933, as amended.

99.1 Press release dated April 25, 2013 announcing "TransAlta Reports on Voting Results from the 2013 Annual and Special Meeting of Shareholders"

Signatures

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

**TransAlta
Corporation**

By: /s/Maryse St.-Laurent
Maryse St.-Laurent
*Vice President &
Corporate Secretary*

Date: April 25, 2013

EXHIBIT INDEX

99.1 Press release dated April 25, 2013 announcing “TransAlta Reports on Voting Results from the 2013 Annual and Special Meeting of Shareholders”

le="vertical-align:bottom;border-bottom:1px solid #000000;padding-left:2px;padding-top:2px;padding-bottom:2px;">

—

—

—

—

—

—

Subtotal

15,118

2,956

16,399

3,276

—

—

With Related Allowance Recorded:

Commercial:

Mortgages
10,873

14,585

10,855

14,564

1,633

927

Construction & development

—

—

—

—

—

—

Commercial & industrial
2,024

1,878

2,248

2,437

771

177

Residential real estate:

Mortgages
2,895

2,226

2,941

2,338

156

326

Homeowner construction

—

—

—

—

—

—

Consumer:

Home equity lines

522

250

522

250

2

141

Home equity loans

679

45

783

62

21

12

Other

145

112

144

114

—

—

Subtotal

17,138

19,096

17,493

19,765

2,583

1,583

Total impaired loans

\$32,256

\$22,052

\$33,892

\$23,041

\$2,583

\$1,583

Total:

Commercial

\$19,038

\$17,942

\$20,073

\$18,509

\$2,404

\$1,104

Residential real estate

11,336

3,703

11,767

4,106

156

326

Consumer

1,882

407

2,052

426

23

153

Total impaired loans

\$32,256

\$22,052

\$33,892

\$23,041

\$2,583

\$1,583

The recorded investment in impaired loans consists of unpaid principal balance, net of charge-offs, interest payments received applied to principal and unamortized deferred loan origination fees and costs. For impaired (1) accruing loans (troubled debt restructurings for which management has concluded that the collectability of the loan is not in doubt), the recorded investment also includes accrued interest.

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Notes to Consolidated Financial Statements – (continued)

The following table presents the average recorded investment balance of impaired loans and interest income recognized on impaired loans segregated by loan class:

(Dollars in thousands)

| Years ended December 31, | Average Recorded Investment | | | Interest Income Recognized | | |
|----------------------------|-----------------------------|----------|----------|----------------------------|-------|-------|
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| Commercial: | | | | | | |
| Mortgages | \$14,847 | \$22,971 | \$27,496 | \$327 | \$658 | \$630 |
| Construction & development | — | — | — | — | — | — |
| Commercial & industrial | 3,415 | 2,499 | 6,029 | 130 | 126 | 190 |
| Residential real estate: | | | | | | |
| Mortgages | 5,423 | 4,006 | 4,024 | 147 | 101 | 125 |
| Homeowner construction | — | — | — | — | — | — |
| Consumer: | | | | | | |
| Home equity lines | 228 | 97 | 200 | 1 | 2 | 7 |
| Home equity loans | 487 | 100 | 72 | 11 | 4 | 6 |
| Other | 210 | 119 | 146 | 10 | 8 | 9 |
| Totals | \$24,610 | \$29,792 | \$37,967 | \$626 | \$899 | \$967 |

Troubled Debt Restructurings

Loans are considered restructured in a troubled debt restructuring when the Corporation has granted concessions to a borrower due to the borrower's financial condition that it otherwise would not have considered. These concessions may include modifications of the terms of the debt such as deferral of payments, extension of maturity, reduction of principal balance, reduction of the stated interest rate other than normal market rate adjustments, or a combination of these concessions. Debt may be bifurcated with separate terms for each tranche of the restructured debt. Restructuring a loan in lieu of aggressively enforcing the collection of the loan may benefit the Corporation by increasing the ultimate probability of collection.

Restructured loans are classified as accruing or non-accruing based on management's assessment of the collectability of the loan. Loans which are already on nonaccrual status at the time of the restructuring generally remain on nonaccrual status for approximately 6 months before management considers such loans for return to accruing status. Accruing restructured loans are placed into nonaccrual status if and when the borrower fails to comply with the restructured terms and management deems it unlikely that the borrower will return to a status of compliance in the near term.

Troubled debt restructurings are reported as such for at least one year from the date of the restructuring. In years after the restructuring, troubled debt restructured loans are removed from this classification if the restructuring did not involve a below-market rate concession and the loan is not deemed to be impaired based on the terms specified in the restructuring agreement.

Troubled debt restructurings are classified as impaired loans. The Corporation identifies loss allocations for impaired loans on an individual loan basis. The recorded investment in troubled debt restructurings was \$18.5 million and \$18.4 million, respectively, at December 31, 2015 and 2014. These amounts included insignificant balances of accrued interest. The allowance for loan losses included specific reserves for these troubled debt restructurings of \$1.8 million and \$1.2 million, respectively, at December 31, 2015 and 2014.

As of December 31, 2015, there were no significant commitments to lend additional funds to borrowers whose loans were restructured.

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Notes to Consolidated Financial Statements – (continued)

The following table presents loans modified as a troubled debt restructuring:

| (Dollars in thousands) | # of Loans | | Outstanding Recorded Investment (1) | | | |
|----------------------------|------------|------|-------------------------------------|---------|--------------------|---------|
| | 2015 | 2014 | Pre-Modifications | | Post-Modifications | |
| Years ended December 31, | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Commercial: | | | | | | |
| Mortgages | 1 | — | \$1,190 | \$— | \$1,190 | \$— |
| Construction & development | — | — | — | — | — | — |
| Commercial & industrial | 3 | 12 | 584 | 1,191 | 584 | 1,191 |
| Residential real estate: | | | | | | |
| Mortgages | 3 | 4 | 619 | 992 | 619 | 992 |
| Homeowner construction | — | — | — | — | — | — |
| Consumer: | | | | | | |
| Home equity lines | — | — | — | — | — | — |
| Home equity loans | 1 | — | 70 | — | 70 | — |
| Other | 1 | — | 35 | — | 35 | — |
| Totals | 9 | 16 | \$2,498 | \$2,183 | \$2,498 | \$2,183 |

The recorded investment in troubled debt restructurings consists of unpaid principal balance, net of charge-offs and (1) unamortized deferred loan origination fees and costs, at the time of the restructuring. For accruing troubled debt restructured loans, the recorded investment also includes accrued interest.

The following table provides information on how loans were modified as a troubled debt restructuring:

| (Dollars in thousands) | 2015 | 2014 |
|---------------------------------------|---------|---------|
| Years ended December 31, | | |
| Below-market interest rate concession | \$335 | \$77 |
| Payment deferral | 903 | 791 |
| Maturity / amortization concession | 70 | 964 |
| Combination (1) | 1,190 | 351 |
| Total | \$2,498 | \$2,183 |

(1) Loans included in this classification were modified with a combination of any two of the concessions listed in this table.

In 2015 and 2014, payment defaults on troubled debt restructured loans modified within the previous 12 months occurred on 2 loans totaling \$290 thousand and 7 loans totaling \$669 thousand, respectively.

Credit Quality Indicators

Commercial

The Corporation utilizes an internal rating system to assign a risk rating to each of its commercial loans. Loans are rated on a scale of 1 to 10. This scale can be assigned to three broad categories including “pass” for ratings 1 through 6, “special mention” for 7-rated loans, and “classified” for loans rated 8, 9 or 10. The loan rating system takes into consideration parameters including the borrower’s financial condition, the borrower’s performance with respect to loan terms, the adequacy of collateral, the adequacy of guarantees and other credit quality characteristics. As of December 31, 2015 and 2014, the weighted average risk rating of the Corporation’s commercial loan portfolio was 4.68 and 4.67, respectively. For non-impaired loans, the Corporation takes the risk rating into consideration along with other credit attributes in the establishment of an appropriate allowance for loan losses. See Note 7 for additional information.

Notes to Consolidated Financial Statements – (continued)

A description of the commercial loan categories are as follows:

Pass - Loans with acceptable credit quality, defined as ranging from superior or very strong to a status of lesser stature. Superior or very strong credit quality is characterized by a high degree of cash collateralization or strong balance sheet liquidity. Lesser stature loans have an acceptable level of credit quality but exhibit some weakness in various credit metrics such as collateral adequacy, cash flow, secondary sources of repayment, or performance inconsistency or may be in an industry or of a loan type known to have a higher degree of risk.

Special Mention - Loans with potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank's position as creditor at some future date. Special Mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification. Examples of these conditions include but are not limited to outdated or poor quality financial data, strains on liquidity and leverage, losses or negative trends in operating results, marginal cash flow, weaknesses in occupancy rates or trends in the case of commercial real estate and frequent delinquencies.

Classified - Loans identified as "substandard", "doubtful" or "loss" based on criteria consistent with guidelines provided by banking regulators. A "substandard" loan has defined weaknesses which make payment default or principal exposure likely, but not yet certain. Such loans are apt to be dependent upon collateral liquidation, a secondary source of repayment or an event outside of the normal course of business. The loans are closely watched and are either already on nonaccrual status or may be placed in nonaccrual status when management determines there is uncertainty of collectability. A "doubtful" loan is placed on non-accrual status and has a high probability of loss, but the extent of the loss is difficult to quantify due to dependency upon collateral having a value that is difficult to determine or upon some near-term event which lacks certainty. A loan in the "loss" category is considered generally uncollectible or the timing or amount of payments cannot be determined. "Loss" is not intended to imply that the loan has no recovery value but rather it is not practical or desirable to continue to carry the asset.

The Corporation's procedures call for loan ratings and classifications to be revised whenever information becomes available that indicates a change is warranted. The criticized loan portfolio, which consists of commercial loans that are risk rated special mention or worse, are reviewed by management on a quarterly basis, focusing on the current status and strategies to improve the credit. An annual loan review program is conducted by a third party to provide an independent evaluation of the creditworthiness of the commercial loan portfolio, the quality of the underwriting and credit risk management practices and the appropriateness of the risk rating classifications. This review is supplemented with selected targeted internal reviews of the commercial loan portfolio.

The following table presents the commercial loan portfolio, segregated by category of credit quality indicator: (Dollars in thousands)

| December 31, | Pass | | Special Mention | | Classified | |
|----------------------------|-------------|-------------|-----------------|----------|------------|---------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Mortgages | \$914,774 | \$819,857 | \$3,035 | \$18,372 | \$14,144 | \$5,749 |
| Construction & development | 122,297 | 79,592 | — | — | — | — |
| Commercial & industrial | 577,036 | 592,206 | 12,012 | 16,311 | 11,249 | 3,401 |
| Total commercial loans | \$1,614,107 | \$1,491,655 | \$15,047 | \$34,683 | \$25,393 | \$9,150 |

Residential and Consumer

The residential and consumer portfolios are monitored on an ongoing basis by the Corporation using delinquency information and loan type as credit quality indicators. These credit quality indicators are assessed on an aggregate

basis in these relatively homogeneous portfolios. For non-impaired loans, the Corporation assigns loss allocation factors to each respective loan type. See Note 7 for additional information.

Various other techniques are utilized to monitor indicators of credit deterioration in the portfolios of residential real estate mortgages and home equity lines and loans. Among these techniques is the periodic tracking of loans with an updated FICO score and an estimated loan to value (“LTV”) ratio. LTV is determined via statistical modeling analyses. The

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Notes to Consolidated Financial Statements – (continued)

indicated LTV levels are estimated based on such factors as the location, the original LTV, and the date of origination of the loan and do not reflect actual appraisal amounts. The results of these analyses and other loan review procedures are taken into consideration in the determination of loss allocation factors for residential mortgage and home equity consumer credits. See Note 7 for additional information.

The following table presents the residential and consumer loan portfolios, segregated by category of credit quality indicator:

| (Dollars in thousands) | Current and Under 90 Days Past Due | | Over 90 Days Past Due | |
|--------------------------|---------------------------------------|-----------|--------------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| December 31, | | | | |
| Residential real estate: | | | | |
| Accruing mortgages | \$973,771 | \$941,607 | \$— | \$— |
| Nonaccrual mortgages | 7,372 | 3,840 | 3,294 | 3,284 |
| Homeowner construction | 29,118 | 36,684 | — | — |
| Total residential loans | \$1,010,261 | \$982,131 | \$3,294 | \$3,284 |
| Consumer: | | | | |
| Home equity lines | \$255,047 | \$241,639 | \$518 | \$841 |
| Home equity loans | 46,427 | 46,911 | 222 | 56 |
| Other | 42,811 | 48,926 | — | — |
| Total consumer loans | \$344,285 | \$337,476 | \$740 | \$897 |

Loan Servicing Activities

The following table presents an analysis of loan servicing rights:

| (Dollars in thousands) | Loan Servicing Rights | Valuation Allowance | Total |
|-----------------------------------|-----------------------------|------------------------|----------|
| Balance at December 31, 2012 | \$1,275 | (\$165) | \$1,110 |
| Loan servicing rights capitalized | 1,897 | — | 1,897 |
| Amortization | (405) | — | (405) |
| Decrease in impairment reserve | — | 96 | 96 |
| Balance at December 31, 2013 | 2,767 | (69) | 2,698 |
| Loan servicing rights capitalized | 869 | — | 869 |
| Amortization | (647) | — | (647) |
| Decrease in impairment reserve | — | 67 | 67 |
| Balance at December 31, 2014 | 2,989 | (2) | 2,987 |
| Loan servicing rights capitalized | 1,406 | — | 1,406 |
| Amortization | (1,047) | — | (1,047) |
| Decrease in impairment reserve | — | 1 | 1 |
| Balance at December 31, 2015 | \$3,348 | (\$1) | \$3,347 |

Notes to Consolidated Financial Statements – (continued)

The following table presents estimated aggregate amortization expense related to loan servicing assets:
(Dollars in thousands)

| | | |
|--------------------------------------|------------|---------|
| Years ending December 31: | 2016 | \$1,008 |
| | 2017 | 701 |
| | 2018 | 491 |
| | 2019 | 343 |
| | 2020 | 241 |
| | Thereafter | 564 |
| Total estimated amortization expense | | \$3,348 |

Mortgage loans and other loans sold to others are serviced on a fee basis under various agreements. Loans serviced for others are not included in the Consolidated Balance Sheets. The following table presents the balance of loans serviced for others, by type of loan:

(Dollars in thousands)

| | | |
|-----------------------|-----------|-----------|
| December 31, | 2015 | 2014 |
| Residential mortgages | \$458,629 | \$378,798 |
| Commercial loans | 109,173 | 90,484 |
| Total | \$567,802 | \$469,282 |

Notes to Consolidated Financial Statements – (continued)

(7) Allowance for Loan Losses

The allowance for loan losses is management's best estimate of inherent risk of loss in the loan portfolio as of the balance sheet date. The Corporation uses a methodology to systematically measure the amount of estimated loan loss exposure inherent in the loan portfolio for purposes of establishing a sufficient allowance for loan losses. The methodology includes: (1) the identification of loss allocations for individual loans deemed to be impaired and (2) the application of loss allocation factors for non-impaired loans based on historical loss experience and estimated loss emergence period, with adjustments for various exposures that management believes are not adequately represented by historical loss experience.

Prior to December 31, 2015, an unallocated allowance was maintained for measurement imprecision associated with impaired and nonaccrual loans. As a result of further enhancement and refinement of the allowance methodology to provide a more precise quantification of probable losses in the loan portfolio, management concluded that the potential risks anticipated by the unallocated allowance have been incorporated into the allocated component of the methodology, eliminating the need for the unallocated allowance in the fourth quarter of 2015.

The following table presents the activity in the allowance for loan losses for the year ended December 31, 2015:

| (Dollars in thousands) | Commercial | | | Total Commercial | Residential | Consumer | Unallocated | Total |
|------------------------|------------|--------------|---------|------------------|-------------|----------|-------------|----------|
| | Mortgages | Construction | C&I (1) | | | | | |
| Beginning Balance | \$8,202 | \$1,300 | \$7,987 | \$17,489 | \$5,430 | \$2,713 | \$2,391 | \$28,023 |
| Charge-offs | (809) |)— | (671) | (1,480) | (207) | (618) |)— | (2,305) |
| Recoveries | 92 | — | 87 | 179 | 28 | 94 | — | 301 |
| Provision | 1,655 | 458 | 799 | 2,912 | 209 | 320 | (2,391) | 1,050 |
| Ending Balance | \$9,140 | \$1,758 | \$8,202 | \$19,100 | \$5,460 | \$2,509 | \$— | \$27,069 |

(1) Commercial & industrial loans.

The following table presents the activity in the allowance for loan losses for the year ended December 31, 2014:

| (Dollars in thousands) | Commercial | | | Total Commercial | Residential | Consumer | Unallocated | Total |
|------------------------|------------|--------------|---------|------------------|-------------|----------|-------------|----------|
| | Mortgages | Construction | C&I (1) | | | | | |
| Beginning Balance | \$8,022 | \$383 | \$7,835 | \$16,240 | \$6,450 | \$2,511 | \$2,685 | \$27,886 |
| Charge-offs | (977) |)— | (558) | (1,535) | (132) | (282) |)— | (1,949) |
| Recoveries | 24 | — | 86 | 110 | 51 | 75 | — | 236 |
| Provision | 1,133 | 917 | 624 | 2,674 | (939) | 409 | (294) | 1,850 |
| Ending Balance | \$8,202 | \$1,300 | \$7,987 | \$17,489 | \$5,430 | \$2,713 | \$2,391 | \$28,023 |

(1) Commercial & industrial loans.

The following table presents the activity in the allowance for loan losses for the year ended December 31, 2013:

| (Dollars in thousands) | Commercial | | | Total Commercial | Residential | Consumer | Unallocated | Total |
|------------------------|------------|--------------|---------|------------------|-------------|----------|-------------|----------|
| | Mortgages | Construction | C&I (1) | | | | | |
| Beginning Balance | \$9,817 | \$224 | \$8,934 | \$18,975 | \$6,428 | \$2,684 | \$2,786 | \$30,873 |
| Charge-offs | (5,213) |)— | (358) | (5,571) | (128) | (323) |)— | (6,022) |

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| | | | | | | | | |
|----------------|---------|-------|---------|----------|---------|---------|---------|----------|
| Recoveries | 380 | — | 153 | 533 | 3 | 99 | — | 635 |
| Provision | 3,038 | 159 | (894 |)2,303 | 147 | 51 | (101 |)2,400 |
| Ending Balance | \$8,022 | \$383 | \$7,835 | \$16,240 | \$6,450 | \$2,511 | \$2,685 | \$27,886 |

(1)Commercial & industrial loans.

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Notes to Consolidated Financial Statements – (continued)

The following table presents the Corporation's loan portfolio and associated allowance for loan losses by portfolio segment and by impairment methodology. See disclosure above regarding the reclassification of the unallocated allowance in 2015.

| (Dollars in thousands) | December 31, 2015 | | December 31, 2014 | |
|-----------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Loans | Related Allowance | Loans | Related Allowance |
| Loans Individually Evaluated For Impairment: | | | | |
| Commercial: | | | | |
| Mortgages | \$15,141 | \$1,633 | \$14,991 | \$927 |
| Construction & development | — | — | — | — |
| Commercial & industrial | 3,871 | 771 | 2,921 | 177 |
| Residential Real Estate | 11,333 | 156 | 3,698 | 326 |
| Consumer | 1,881 | 23 | 409 | 153 |
| Subtotal | 32,226 | 2,583 | 22,019 | 1,583 |
| Loans Collectively Evaluated For Impairment: | | | | |
| Commercial: | | | | |
| Mortgages | 916,812 | 7,507 | 828,987 | 7,275 |
| Construction & development | 122,297 | 1,758 | 79,592 | 1,300 |
| Commercial & industrial | 596,426 | 7,431 | 608,997 | 7,810 |
| Residential Real Estate | 1,002,222 | 5,304 | 981,717 | 5,104 |
| Consumer | 343,144 | 2,486 | 337,964 | 2,560 |
| Subtotal | 2,980,901 | 24,486 | 2,837,257 | 24,049 |
| Unallocated | — | — | — | 2,391 |
| Total | \$3,013,127 | \$27,069 | \$2,859,276 | \$28,023 |

(8) Premises and Equipment

The following presents a summary of premises and equipment:

(Dollars in thousands)

| December 31, | 2015 | 2014 |
|-----------------------------------|----------|----------|
| Land and improvements | \$6,020 | \$6,020 |
| Premises and improvements | 36,358 | 34,608 |
| Furniture, fixtures and equipment | 27,420 | 25,041 |
| | 69,798 | 65,669 |
| Less accumulated depreciation | 40,205 | 38,174 |
| Total premises and equipment, net | \$29,593 | \$27,495 |

Depreciation of premises and equipment amounted to \$3.4 million, \$3.1 million and \$3.3 million, respectively, for the years ended December 31, 2015, 2014, and 2013.

Notes to Consolidated Financial Statements – (continued)

(9) Goodwill and Other Intangibles

The following table presents the carrying value of goodwill at the reporting unit (or business segment) level:

| (Dollars in thousands) | December 31, 2015 | December 31, 2014 |
|------------------------------------|----------------------|----------------------|
| Commercial Banking Segment | \$22,591 | \$22,591 |
| Wealth Management Services Segment | 41,468 | 35,523 |
| Total | \$64,059 | \$58,114 |

The balance of goodwill in the Commercial Banking segment at December 31, 2015 reflects goodwill that arose from the acquisition of First Financial Corp. in 2002. The balance of goodwill in the Wealth Management Services segment at December 31, 2015 reflects goodwill of \$35.5 million that arose from the 2005 acquisition of Weston Financial and \$5.9 million resulting from the 2015 acquisition of Halsey.

Intangible assets consist of wealth management advisory contracts and non-compete agreements. The following table presents the components of intangible assets:

| (Dollars in thousands) | December 31, 2015 | | December 31, 2014 | |
|--------------------------|-----------------------|---------------------------|-----------------------|---------------------------|
| | Advisory Contracts | Non-compete Agreements | Advisory Contracts | Non-compete Agreements |
| Gross carrying amount | \$20,803 | \$369 | \$13,657 | \$— |
| Accumulated amortization | 9,610 | 102 | 8,808 | — |
| Net amount | \$11,193 | \$267 | \$4,849 | \$— |

The balance of intangible assets at December 31, 2015 includes wealth management advisory contracts resulting from the Weston Financial acquisition in 2005, as well as the addition of wealth management advisory contracts and non-compete agreements with gross carrying amounts of \$7.1 million and \$369 thousand, respectively, resulting from the acquisition of Halsey in 2015.

The wealth management advisory contracts resulting from the Weston Financial acquisition are being amortized over a 20-year life using a declining balance method, based on expected attrition for the current customer base derived from historical runoff data. The wealth management advisory contracts and non-compete agreements resulting from the acquisition of Halsey are being amortized on a straight-line basis over a 15-year and 18-month life, respectively.

Amortization expense for the years ended December 31, 2015, 2014, and 2013, amounted to \$904 thousand, \$644 thousand and \$680 thousand, respectively.

The following table presents estimated annual amortization expense for intangible assets at December 31, 2015:

| (Dollars in thousands) | | Advisory Contracts | Non-compete Agreements | Total |
|---------------------------|---------------------|-----------------------|---------------------------|---------|
| Years ending December 31, | 2016 | \$1,038 | \$246 | \$1,284 |
| | 2017 | 1,014 | 21 | 1,035 |
| | 2018 | 979 | — | 979 |
| | 2019 | 943 | — | 943 |
| | 2020 | 914 | — | 914 |
| | 2021 and thereafter | 6,305 | — | 6,305 |

Notes to Consolidated Financial Statements – (continued)

(10) Income Tax Expense

The following table presents the components of income tax expense:

(Dollars in thousands)

| Years ended December 31, | 2015 | 2014 | 2013 |
|---------------------------------|----------|----------|----------|
| Current tax expense: | | | |
| Federal | \$17,864 | \$16,286 | \$13,518 |
| State | 1,194 | 866 | 742 |
| Total current tax expense | 19,058 | 17,152 | 14,260 |
| Deferred tax expense (benefit): | | | |
| Federal | 2,003 | 1,820 | 2,300 |
| State | (183) |) 27 | (33) |
| Total deferred tax expense | 1,820 | 1,847 | 2,267 |
| Total income tax expense | \$20,878 | \$18,999 | \$16,527 |

Total income tax expense varies from the amount determined by applying the Federal income tax rate to income before income taxes. The following table presents the reasons for the differences:

(Dollars in thousands)

| Years ended December 31, | 2015 | 2014 | 2013 |
|-------------------------------------------------------------|----------|-----------|-----------|
| Tax expense at Federal statutory rate | \$22,520 | \$20,938 | \$18,438 |
| (Decrease) increase in taxes resulting from: | | | |
| Tax-exempt income | (1,604) |) (1,540) |) (1,408) |
| Dividends received deduction | (57) |) (29) |) — |
| BOLI | (694) |) (646) |) (648) |
| Federal tax credits | (364) |) (364) |) (364) |
| Acquisition related expenses | 318 | — | — |
| State income tax expense, net of federal income tax benefit | 658 | 581 | 461 |
| Other | 101 | 59 | 48 |
| Total income tax expense | \$20,878 | \$18,999 | \$16,527 |

Notes to Consolidated Financial Statements – (continued)

The following table presents the approximate tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities:

(Dollars in thousands)

| December 31, | 2015 | 2014 |
|-------------------------------------------------------|----------|----------|
| Deferred tax assets: | | |
| Allowance for loan losses | \$10,015 | \$10,116 |
| Defined benefit pension obligations | 3,447 | 6,719 |
| Deferred compensation | 3,181 | 2,761 |
| Deferred loan origination fees | 2,001 | 1,822 |
| Stock based compensation | 1,772 | 1,676 |
| Other | 3,547 | 3,026 |
| Deferred tax assets | 23,963 | 26,120 |
| Deferred tax liabilities: | | |
| Net unrealized gains on securities available for sale | (617) | (2,373) |
| Amortization of intangibles | (4,240) | (1,750) |
| Deferred loan origination costs | (5,089) | (4,694) |
| Loan servicing rights | (1,238) | (1,078) |
| Other | (1,009) | (1,206) |
| Deferred tax liabilities | (12,193) | (11,101) |
| Net deferred tax asset | \$11,770 | \$15,019 |

The Corporation's net deferred tax asset is included in other assets in the Consolidated Balance Sheets. Management has determined that a valuation allowance is not required for any of the deferred tax assets since it is more-likely-than-not that these assets will be realized primarily through future reversals of existing taxable temporary differences, carryback to taxable income in prior years or by offsetting projected future taxable income.

The Corporation had no unrecognized tax benefits as of December 31, 2015 and 2014.

The Corporation files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Corporation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

(11) Time Certificates of Deposit

The following table presents scheduled maturities of time certificates of deposit:

| (Dollars in thousands) | | Scheduled Maturity | Weighted Average Rate |
|------------------------------|---------------------|--------------------|-----------------------|
| Years ending December 31: | 2016 | \$329,764 | 0.67 % |
| | 2017 | 190,552 | 1.04 |
| | 2018 | 93,974 | 1.30 |
| | 2019 | 140,261 | 1.72 |
| | 2020 | 79,278 | 1.63 |
| | 2021 and thereafter | 69 | 2.49 |
| Balance at December 31, 2015 | | \$833,898 | 1.09 % |

Notes to Consolidated Financial Statements – (continued)

The following table presents the amount of time certificates of deposit in denominations of \$100 thousand or more at December 31, 2015, maturing during the periods indicated:

(Dollars in thousands)

| | |
|-----------------------------------|-----------|
| January 1, 2016 to March 31, 2016 | \$82,083 |
| April 1, 2016 to June 30, 2016 | 24,919 |
| July 1, 2016 to December 31, 2016 | 31,621 |
| January 1, 2017 and beyond | 119,236 |
| Balance at December 31, 2015 | \$257,859 |

Time certificates of deposit in denominations of \$250 thousand or more totaled \$45.1 million and \$45.7 million, respectively, at December 31, 2015 and 2014.

(12) Borrowings

Federal Home Loan Bank Advances

Advances payable to FHLBB amounted to \$379.0 million and \$406.3 million, respectively, at December 31, 2015 and 2014.

The following table presents scheduled maturities and weighted average interest rates on FHLBB advances outstanding as of December 31, 2015:

(Dollars in thousands)

| | Scheduled Maturity | Weighted Average Rate | |
|---------------------|-----------------------|--------------------------|---|
| 2016 | \$141,292 | 0.68 | % |
| 2017 | 37,575 | 2.52 | |
| 2018 | 83,134 | 2.26 | |
| 2019 | 42,661 | 3.79 | |
| 2020 | 27,733 | 2.30 | |
| 2021 and thereafter | 46,578 | 4.16 | |
| Total | \$378,973 | 2.11 | % |

In February 2016, FHLBB advances totaling \$59.4 million were modified to lower interest rates and the maturities of these advances were extended. Original maturity dates ranging from 2017 to 2019 were modified to 2020 to 2023. The original weighted average interest rate was 3.48% and was revised to 3.01%. The table below presents the original terms as of December 31, 2015, as well as revised terms associated with these FHLBB advances:

(Dollars in thousands)

| | Original Terms | | Revised Terms | | |
|-------|-----------------------|--------------------------|-----------------------|--------------------------|---|
| | Scheduled Maturity | Weighted Average Rate | Scheduled Maturity | Weighted Average Rate | |
| 2017 | \$10,000 | 3.29 | \$— | — | % |
| 2018 | 35,000 | 3.14 | — | — | |
| 2019 | 14,403 | 4.46 | — | — | |
| 2020 | — | — | 5,000 | 2.71 | |
| 2021 | — | — | 20,000 | 2.63 | |
| 2022 | — | — | 25,830 | 3.06 | |
| 2023 | — | — | 8,573 | 3.90 | |
| Total | \$59,403 | 3.48 | \$59,403 | 3.01 | % |

Notes to Consolidated Financial Statements – (continued)

As of December 31, 2015 and 2014, the Bank had access to a \$40.0 million unused line of credit with the FHLBB and also had remaining available borrowing capacity of \$644.8 million and \$569.4 million, respectively. The Bank pledges certain qualified investment securities and loans as collateral to the FHLBB.

Advances payable to FHLBB include short-term advances with original maturity due dates of one year or less. The following table presents certain information concerning short-term FHLBB advances:

(Dollars in thousands)

| As of and for the years ended December 31, | 2015 | 2014 | 2013 | | |
|--------------------------------------------------|-----------|-----------|----------|--|---|
| Average amount outstanding during the period | \$155,874 | \$70,693 | \$13,901 | | |
| Amount outstanding at end of period | \$107,500 | \$200,000 | \$— | | |
| Highest month end balance during period | \$229,500 | \$200,000 | \$60,000 | | |
| Weighted-average interest rate at end of period | 0.55 | % 0.37 | % — | | % |
| Weighted-average interest rate during the period | 0.38 | % 0.35 | % 0.30 | | % |

Junior Subordinated Debentures

Junior subordinated debentures amounted to \$22.7 million at December 31, 2015 and 2014.

The Bancorp has sponsored the creation of WT Capital Trust I (“Trust I”) and WT Capital Trust II (“Trust II”), Delaware statutory trusts created for the sole purpose of issuing trust preferred securities and investing the proceeds in junior subordinated debentures of the Bancorp. The Bancorp is the owner of all of the common securities of the trusts. In accordance with GAAP, the trusts are treated as unconsolidated subsidiaries. The common stock investment in the statutory trusts is included in “Other Assets” in the Consolidated Balance Sheet.

On August 29, 2005, Trust I issued \$8.3 million of capital securities (“Trust I Capital Securities”) in a private placement of trust preferred securities. The Trust I Capital Securities mature in September 2035, are redeemable at the Bancorp’s option beginning after five years, and require quarterly distributions by Trust I to the holder of the Trust I Capital Securities, at a rate of 5.97% until September 15, 2010, and thereafter at a rate equal to the three-month LIBOR rate plus 1.45%. The Bancorp has guaranteed the Trust I Capital Securities and, to the extent not paid by Trust I, accrued and unpaid distributions on the Trust I Capital Securities, as well as the redemption price payable to the Trust I Capital Securities holders. The proceeds of the Trust I Capital Securities, along with proceeds from the issuance of common securities by Trust I to the Bancorp, were used to purchase \$8.3 million of the Bancorp’s junior subordinated deferrable interest notes (the “Trust I Debentures”) and constitute the primary asset of Trust I. Like the Trust I Capital Securities, the Trust I Debentures bear interest at a rate of 5.97% until September 15, 2010, and thereafter at a rate equal to the three-month LIBOR rate plus 1.45%. The Trust I Debentures mature on September 15, 2035, but may be redeemed at par at the Bancorp’s option, subject to the approval of the applicable banking regulator to the extent required under applicable guidelines or policies, at any time on or after September 15, 2010, or upon the occurrence of certain special qualifying events.

On August 29, 2005, Trust II issued \$14.4 million of capital securities (“Trust II Capital Securities”) in a private placement of trust preferred securities. The Trust II Capital Securities mature in November 2035, are redeemable at the Bancorp’s option beginning after five years, and require quarterly distributions by Trust II to the holder of the Trust II Capital Securities, at a rate of 5.96% until November 23, 2010, and thereafter at a rate equal to the three-month LIBOR rate plus 1.45%. The Bancorp has guaranteed the Trust II Capital Securities and, to the extent not paid by Trust II, accrued and unpaid distributions on the Trust II Capital Securities, as well as the redemption price payable to

the Trust II Capital Securities holders. The proceeds of the Trust II Capital Securities, along with proceeds from the issuance of common securities by Trust II to the Bancorp, were used to purchase \$14.4 million of the Bancorp's junior subordinated deferrable interest notes (the "Trust II Debentures") and constitute the primary asset of Trust II. Like the Trust II Capital Securities, the Trust II Debentures bear interest at a rate of 5.96% until November 23, 2010, and thereafter at a rate equal to the three-month LIBOR rate plus 1.45%. The Trust II Debentures mature on November 23, 2035, but may be redeemed at par at the Bancorp's option, subject to the approval of the applicable banking regulator to the extent required under applicable

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Notes to Consolidated Financial Statements – (continued)

guidelines or policies, at any time on or after November 23, 2010, or upon the occurrence of certain special qualifying events.

(13) Shareholders' Equity

2006 Stock Repurchase Plan

In December 2006, the Bancorp's Board of Directors approved the 2006 Stock Repurchase Plan authorizing the repurchase of up to 400,000 shares, or approximately 3%, of the Corporation's common stock in open market transactions. This authority may be exercised from time to time and in such amounts as market conditions warrant, and subject to regulatory considerations. The repurchased shares would be held as treasury stock to be used for general corporate purposes. As of December 31, 2015, a cumulative total of 185,400 shares have been repurchased, all of which were repurchased in 2007 at a total cost of \$4.8 million.

Shareholder Rights Plan

In August 2006, the Bancorp's Board of Directors adopted a shareholder rights plan, as set forth in the Shareholders Rights Agreement, dated August 17, 2006 (the "2006 Rights Agreement"). Pursuant to the terms of the 2006 Rights Agreement, the Bancorp declared a dividend distribution of one common share purchase right (a "Right") for each outstanding share of common stock to shareholders of record on August 31, 2006. Such Rights also apply to new issuances of shares after that date. Each Right entitles the registered holder to purchase from the Corporation one share of its common stock at a price of \$100 per share, subject to adjustment.

The Rights are not exercisable or separable from the common stock until the earlier of 10 days after a person or group (an "Acquiring Person") acquires beneficial ownership of 15% or more of the outstanding common shares or announces a tender offer to do so. The Rights, which expire on August 31, 2016, may be redeemed by the Bancorp at any time prior to the acquisition by an Acquiring Person of beneficial ownership of 15% or more of the common stock at a price of \$.01 per Right. In the event that any party becomes an Acquiring Person, each holder of a Right, other than Rights owned by the Acquiring Person, will have the right to receive upon exercise that number of common shares having a market value of two times the purchase price of the Right. In the event that, at any time after any party becomes an Acquiring Person, the Corporation is acquired in a merger or other business combination transaction or 50% or more of its assets or earning power are sold, each holder of a Right will have the right to purchase that number of shares of the acquiring company having a market value of two times the purchase price of the Right.

Dividends

The primary source of liquidity for the Bancorp is dividends received from the Bank. The Bancorp and the Bank are regulated enterprises and their abilities to pay dividends are subject to regulatory review and restriction. Certain regulatory and statutory restrictions exist regarding dividends, loans, and advances from the Bank to the Bancorp. Generally, the Bank has the ability to pay dividends to the Bancorp subject to minimum regulatory capital requirements. The FDIC and the FRB have the authority to use their enforcement powers to prohibit a bank or bank holding company, respectively, from paying dividends if, in their opinion, the payment of dividends would constitute an unsafe or unsound practice. Under the most restrictive of these requirements, the Bank could have declared aggregate additional dividends of \$194.3 million as of December 31, 2015.

Dividend Reinvestment

Under the Amended and Restated Dividend Reinvestment and Stock Purchase Plan, 607,500 shares of the Corporation's common stock were originally reserved to be issued for dividends reinvested and cash payments to the plan.

Reserved Shares

As of December 31, 2015, a total of 2,292,840 common stock shares were reserved for issuance under the 2003 Plan, 2013 Plan and the Amended and Restated Dividend Reinvestment and Stock Purchase Plan.

Regulatory Capital Requirements

The Bancorp and the Bank are subject to various regulatory capital requirements administered by the FRB and the FDIC, respectively. Regulatory authorities can initiate certain mandatory actions if Bancorp or the Bank fail to meet minimum capital requirements, which could have a direct material effect on the Corporation's financial statements. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets,

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Notes to Consolidated Financial Statements – (continued)

liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. These quantitative measures, to ensure capital adequacy, require minimum amounts and ratios.

As of January 1, 2015, the Bancorp and the Bank were required to comply with the Final Capital Rule that implemented the Basel III capital standards, which substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions. The Final Capital Rule, among other things: (i) introduced a new capital measure called common equity Tier 1; (ii) specified that Tier 1 capital consists of common equity Tier 1 and additional Tier 1 capital instruments meeting specified requirements; (iii) applied most adjustments to regulatory capital measures to common equity Tier 1 and not to the other components of capital, thus potentially requiring higher levels of common equity Tier 1 in order to meet minimum ratios; and (iv) expanded the scope of the adjustments from capital as compared to previous capital regulatory requirements.

Capital levels at December 31, 2015 exceeded the regulatory minimum levels to be considered well-capitalized.

The following table presents the Corporation's and the Bank's actual capital amounts and ratios, as well as the corresponding minimum and well capitalized regulatory amounts and ratios that were in effect during the respective periods:

| (Dollars in thousands) | Actual | | For Capital Adequacy Purposes | | To Be "Well Capitalized" Under Prompt Corrective Action Regulations | |
|-------------------------------------------------------------|-----------|-------|-------------------------------|-------|---------------------------------------------------------------------|-------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| December 31, 2015 | | | | | | |
| Total Capital (to Risk-Weighted Assets): | | | | | | |
| Corporation | \$367,443 | 12.58 | % \$233,739 | 8.00 | % N/A | N/A |
| Bank | 366,676 | 12.55 | 233,676 | 8.00 | 292,095 | 10.00 |
| Tier 1 Capital (to Risk-Weighted Assets): | | | | | | |
| Corporation | 340,130 | 11.64 | 175,304 | 6.00 | N/A | N/A |
| Bank | 339,363 | 11.62 | 175,257 | 6.00 | 233,676 | 8.00 |
| Common Equity Tier 1 Capital (to Risk-Weighted Assets): (1) | | | | | | |
| Corporation | 318,131 | 10.89 | 131,478 | 4.50 | N/A | N/A |
| Bank | 339,363 | 11.62 | 131,443 | 4.50 | 189,861 | 6.50 |
| Tier 1 Capital (to Average Assets): (2) | | | | | | |
| Corporation | 340,130 | 9.37 | 145,191 | 4.00 | N/A | N/A |
| Bank | 339,363 | 9.36 | 145,103 | 4.00 | 181,378 | 5.00 |
| December 31, 2014 | | | | | | |
| Total Capital (to Risk-Weighted Assets): | | | | | | |
| Corporation | 343,934 | 12.56 | 219,149 | 8.00 | N/A | N/A |
| Bank | 339,268 | 12.39 | 219,075 | 8.00 | 273,844 | 10.00 |
| Tier 1 Capital (to Risk-Weighted Assets): | | | | | | |
| Corporation | 315,575 | 11.52 | 109,574 | 4.00 | N/A | N/A |
| Bank | 310,909 | 11.35 | 109,537 | 4.00 | 164,306 | 6.00 |
| Tier 1 Capital (to Average Assets): (2) | | | | | | |
| Corporation | 315,575 | 9.14 | 138,090 | 4.00 | N/A | N/A |

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| | | | | | | |
|-------------------------------------------------------------------------------------------|---------|------|---------|------|---------|------|
| Bank | 310,909 | 9.01 | 137,964 | 4.00 | 172,454 | 5.00 |
| (1) New capital ratio effective January 1, 2015 under the Basel III capital requirements. | | | | | | |
| (2) Leverage ratio. | | | | | | |

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Notes to Consolidated Financial Statements – (continued)

(14) Derivative Financial Instruments

The Corporation's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Corporation's known or expected cash receipts and its known or expected cash payments principally to manage the Corporation's interest rate risk. Additionally, the Corporation enters into interest rate derivatives to accommodate the business requirements of its customers. All derivatives are recognized as either assets or liabilities on the balance sheet and are measured at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and resulting designation.

Interest Rate Risk Management Agreements

Interest rate swaps and caps are used from time to time as part of the Corporation's interest rate risk management strategy. Interest rate swaps are agreements in which the Corporation and another party agree to exchange interest payments (e.g., fixed-rate for variable-rate payments) computed on a notional principal amount. Interest rate caps represent options purchased by the Corporation to manage the interest rate paid throughout the term of the option contract. The credit risk associated with these transactions is the risk of default by the counterparty. To minimize this risk, the Corporation enters into interest rate agreements only with highly rated counterparties that management believes to be creditworthy. The notional amounts of these agreements do not represent amounts exchanged by the parties and, thus, are not a measure of the potential loss exposure.

Cash Flow Hedging Instruments

As of December 31, 2014, the Bancorp had two interest rate swap contracts designated as cash flow hedges to hedge the interest rate risk associated with \$22.7 million of variable rate junior subordinated debentures. During 2015, both interest rate swap contracts matured. In the fourth quarter of 2015, the Bancorp executed two interest rate caps designated as cash flow hedges to hedge the interest rate risk associated with the \$22.7 million of variable rate junior subordinated debentures. The Corporation paid a premium totaling \$257 thousand to obtain the right to receive the difference between 3-month LIBOR and a 4.5% strike for both of the interest rate caps. The caps mature in the fourth quarter of 2020. The effective portion of the changes in fair value of derivatives designated as cash flow hedges is recorded in other comprehensive income (loss) and subsequently reclassified to earnings when gains or losses are realized. The ineffective portion of changes in fair value of the derivatives is recognized directly in earnings as interest expense.

Loan Related Derivative Contracts

Interest Rate Swap Contracts with Customers

The Corporation has entered into interest rate swap contracts to help commercial loan borrowers manage their interest rate risk. The interest rate swap contracts with commercial loan borrowers allows them to convert floating-rate loan payments to fixed-rate loan payments. When we enter into an interest rate swap contract with a commercial loan borrower, we simultaneously enter into a "mirror" swap contract with a third party. The third party exchanges the client's fixed-rate loan payments for floating-rate loan payments. We retain the risk that is associated with the potential failure of counterparties and the risk inherent in originating loans. As of December 31, 2015 and 2014, Washington Trust had interest rate swap contracts with commercial loan borrowers with notional amounts of \$302.1 million and \$165.8 million, respectively, and equal amounts of "mirror" swap contracts with third-party financial institutions. These derivatives are not designated as hedges and therefore, changes in fair value are recognized in earnings.

Risk Participation Agreements

During 2015, the Corporation entered into risk participation agreements ("RPAs") with other banks participating in commercial loan arrangements. Participating banks guarantee the performance on borrower-related interest rate swap

contracts. RPAs are derivative financial instruments and are recorded at fair value. These derivatives are not designated as hedges and therefore, changes in fair value are recognized in earnings.

Under a risk participation-out agreement, a derivative asset, the Corporation participates out a portion of the credit risk associated with the interest rate swap position executed with the commercial borrower, for a fee paid to the participating bank. Under a risk participation-in agreement, a derivative liability, the Corporation assumes, or participates in, a portion of the credit risk associated with the interest rate swap position with the commercial borrower, for a fee received from the other bank.

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Notes to Consolidated Financial Statements – (continued)

As of December 31, 2015, the notional amounts of the risk participation-out agreements and risk participation-in agreements were \$25.3 million and \$21.5 million, respectively.

Loan Commitments

Interest rate lock commitments are extended to borrowers that relate to the origination of residential real estate mortgage loans held for sale. To mitigate the interest rate risk inherent in these rate locks, as well as closed residential real estate mortgage loans held for sale, forward commitments are established to sell individual residential real estate mortgage loans. Both interest rate lock commitments and commitments to sell residential real estate mortgage loans are derivative financial instruments, but do not meet criteria for hedge accounting, and as such are treated as derivatives not designated as hedging instruments. These derivative financial instruments are recorded at fair value and changes in fair value of these commitments are reflected in earnings in the period of change. The Corporation elected to carry certain closed residential real estate mortgage loans held for sale at fair value, as changes in fair value in these loans held for sale generally offset changes in interest rate lock and forward sale commitments.

The following table presents the fair values of derivative instruments in the Corporation's Consolidated Balance Sheets:

| (Dollars in thousands) | Asset Derivatives | | | Liability Derivatives | | |
|----------------------------------------------------------|------------------------|------------|---------|------------------------|------------|---------|
| | Balance Sheet Location | Fair Value | | Balance Sheet Location | Fair Value | |
| December 31, | | 2015 | 2014 | | 2015 | 2014 |
| Derivatives Designated as Cash Flow Hedging Instruments: | | | | | | |
| Interest rate risk management contract: | | | | | | |
| Interest rate swap contracts | Other assets | \$— | \$— | Other liabilities | \$— | \$497 |
| Interest rate caps | Other assets | 187 | — | Other liabilities | — | — |
| Derivatives not Designated as Hedging Instruments: | | | | | | |
| Forward loan commitments: | | | | | | |
| Interest rate lock commitments | Other assets | 1,220 | 1,212 | Other liabilities | — | 20 |
| Commitments to sell mortgage loans | Other assets | — | 13 | Other liabilities | 2,012 | 2,028 |
| Loan related derivative contracts: | | | | | | |
| Interest rate swaps with customers | Other assets | 8,027 | 4,554 | Other liabilities | — | 23 |
| Mirror swaps with counterparties | Other assets | — | 28 | Other liabilities | 8,266 | 4,748 |
| Risk participation agreements | Other assets | 56 | — | Other liabilities | 69 | — |
| Total | | \$9,490 | \$5,807 | | \$10,347 | \$7,316 |

The following tables present the effect of derivative instruments in the Corporations' Consolidated Statements of Income and Changes in Shareholders' Equity:

| (Dollars in thousands) | Gain (Loss) Recognized in Other Comprehensive Income (Effective Portion) | | | Location of Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness) | Gain (Loss) Recognized in Income (Ineffective Portion) | | |
|--------------------------|--------------------------------------------------------------------------|------|------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------|------|------|
| | 2015 | 2014 | 2013 | | 2015 | 2014 | 2013 |
| Years ended December 31, | | | | | | | |

Testing)

Derivatives Designated as
Cash Flow Hedging Instruments:

Interest rate risk management
contracts:

| | | | | | | | |
|------------------------------|-------|-------|-------|------------------|-----|-----|-----|
| Interest rate swap contracts | \$288 | \$331 | \$388 | Interest Expense | \$— | \$— | \$— |
| Interest rate caps | (44) | — | — | Interest Expense | — | — | — |
| Total | \$244 | \$331 | \$388 | | \$— | \$— | \$— |

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Notes to Consolidated Financial Statements – (continued)

| (Dollars in thousands) | | Amount of Gain (Loss) Recognized in Income on Derivative | | |
|----------------------------------------------------|--------------------------------|----------------------------------------------------------------|----------|------------|
| Years ended December 31, | Statement of Income Location | 2015 | 2014 | 2013 |
| Derivatives not Designated as Hedging Instruments: | | | | |
| Forward loan commitments: | | | | |
| Interest rate lock commitments | Mortgage banking revenues | \$28 | \$800 | (\$2,121) |
| Commitments to sell mortgage loans | Mortgage banking revenues | 3 | (1,442) | 3,618 |
| Loan related derivative contracts: | | | | |
| Interest rate swaps with customers | Loan related derivative income | 7,569 | 4,989 | 396 |
| Mirror swaps with counterparties | Loan related derivative income | (4,904) | (3,853) | 555 |
| Risk participation agreements | Loan related derivative income | (224) | — | — |
| Total | | \$2,472 | \$494 | \$2,448 |

(15) Fair Value Measurements

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. As of December 31, 2015 and 2014, securities available for sale, certain residential real estate mortgage loans held for sale, derivatives and the contingent consideration liability are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as collateral dependent impaired loans, property acquired through foreclosure or repossession, certain residential real estate mortgage loans held for sale and mortgage servicing rights. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write-downs of individual assets.

Fair value is a market-based measurement, not an entity-specific measurement. Fair value measurements are determined based on the assumptions the market participants would use in pricing the asset or liability. In addition, GAAP specifies a hierarchy of valuation techniques based on whether the types of valuation information (“inputs”) are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation’s market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable in the markets and which reflect the Corporation’s market assumptions.

Fair Value Option Election

GAAP allows for the irrevocable option to elect fair value accounting for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The Corporation elected the fair value option for certain residential real estate mortgage loans held for sale to better match changes in fair value of the loans with changes in the fair value of the derivative loan sale contracts use to economically hedge them.

The aggregate principal amount of the residential real estate mortgage loans held for sale recorded at fair value was \$33.2 million and \$29.5 million, respectively, at December 31, 2015 and 2014. The aggregate fair value of these loans as of the same dates was \$34.0 million and \$30.3 million, respectively. As of December 31, 2015 and 2014, the aggregate fair value of residential real estate mortgage loans held for sale exceeded the aggregate principal amount by \$731 thousand and \$779 thousand, respectively.

There were no residential real estate mortgage loans held for sale 90 days or more past due as of December 31, 2015 and 2014.

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Notes to Consolidated Financial Statements – (continued)

The following table presents the changes in fair value related to mortgage loans held for sale, interest rate lock commitments and commitments to sell residential real estate mortgage loans, for which the fair value option was elected. Changes in fair values are reported as a component of mortgage banking revenues in the Consolidated Statements of Income.

(Dollars in thousands)

| Years ended December 31, | 2015 | 2014 | 2013 |
|--------------------------------|---------|----------|------------|
| Mortgage loans held for sale | (\$48) | \$598 | (\$1,505) |
| Interest rate lock commitments | 28 | 800 | (2,121) |
| Commitments to sell | 3 | (1,442) | 3,618 |
| Total changes in fair value | (\$17) | (\$44) | (\$8) |

Valuation Techniques

Securities

Securities available for sale are recorded at fair value on a recurring basis. When available, the Corporation uses quoted market prices to determine the fair value of securities; such items are classified as Level 1. There were no Level 1 securities held at December 31, 2015 and 2014.

Level 2 securities include debt securities with quoted prices, which are traded less frequently than exchange-traded instruments, whose value is determined using matrix pricing with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes obligations of U.S. government-sponsored enterprises, mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises, obligations of states and political subdivisions, individual name issuer trust preferred debt securities and corporate bonds.

Securities not actively traded whose fair value is determined through the use of cash flows utilizing inputs that are unobservable are classified as Level 3. There were no Level 3 securities held at December 31, 2015 and 2014.

Mortgage Loans Held for Sale

The fair value of mortgage loans held for sale is estimated based on current market prices for similar loans in the secondary market and therefore are classified as Level 2 assets.

Collateral Dependent Impaired Loans

Collateral dependent loans that are deemed to be impaired are valued based upon the fair value of the underlying collateral. Such collateral primarily consists of real estate and, to a lesser extent, other business assets. For collateral dependent loans for which repayment is dependent on the sale of the collateral, management adjusts the fair value for estimated costs to sell. For collateral dependent loans for which repayment is dependent on the operation of the collateral, such as accruing troubled debt restructured loans, estimated costs to sell are not incorporated into the measurement. Management may also adjust appraised values to reflect estimated market value declines or apply other discounts to appraised values resulting from its knowledge of the property. Internal valuations are utilized to determine the fair value of other business assets. Collateral dependent impaired loans are categorized as Level 3.

Property Acquired Through Foreclosure or Repossession

Property acquired through foreclosure or repossession included in other assets in the Consolidated Balance Sheets is adjusted to fair value less costs to sell upon transfer out of loans through a charge to allowance for loan losses. Subsequently, it is carried at the lower of carrying value or fair value less costs to sell. Such subsequent valuation charges are charged through earnings. Fair value is generally based upon appraised values of the

collateral. Management may adjust appraised values to reflect estimated market value declines or apply other discounts to appraised values for unobservable factors resulting from its knowledge of the property, and such property is categorized as Level 3.

Derivatives

Interest rate swap and cap contracts are traded in over-the-counter markets where quoted market prices are not readily available. Fair value measurements are determined using independent pricing models that utilize primarily market observable inputs, such as swap rates of different maturities and LIBOR rates and, accordingly, are classified as Level 2.

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Notes to Consolidated Financial Statements – (continued)

The Corporation also evaluates the credit risk of its counterparties as well as that of the Corporation. Accordingly, Washington Trust considers factors such as the likelihood of default by the Corporation and its counterparties, its net exposures and remaining contractual life, among other factors, in determining if any fair value adjustments related to credit risk are required. Counterparty exposure is evaluated by netting positions that are subject to master netting agreements, as well as considering the amount of collateral securing the position.

Fair value measurements of forward loan commitments (interest rate lock commitments and commitments to sell residential real estate mortgages) are estimated based on current market prices for similar assets in the secondary market and therefore are classified as Level 2 assets.

Contingent Consideration Liability

A contingent consideration liability with a fair value of \$2.9 million was recognized upon the completion of the Halsey acquisition on August 1, 2015. The liability represents the estimated present value of future earn-outs to be paid based on the future revenue growth of the acquired business during the 5-year period following the acquisition.

The liability's valuation is based upon unobservable inputs, therefore, the contingent liability is classified within Level 3 of the fair value hierarchy. The unobservable inputs include probability estimates regarding the likelihood of achieving revenue growth targets and the discount rates utilized in the discounted cash flow calculations applied to the estimated earn-outs to be paid. The discount rates used ranged from 3% to 4%.

The fair value of the contingency represents the estimated price to transfer the liability between market participants at the measurement date under current market conditions.

Items Recorded at Fair Value on a Recurring Basis

The following tables present the balances of assets and liabilities reported at fair value on a recurring basis:

(Dollars in thousands)

| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------------------------------------------------------------------------------------------------|-----------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| Assets: | | | | |
| Securities available for sale: | | | | |
| Obligations of U.S. government-sponsored enterprises | \$77,015 | \$— | \$77,015 | \$— |
| Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises | 234,856 | — | 234,856 | — |
| Obligations of states and political subdivisions | 36,080 | — | 36,080 | — |
| Individual name issuer trust preferred debt securities | 25,138 | — | 25,138 | — |
| Corporate bonds | 1,955 | — | 1,955 | — |
| Mortgage loans held for sale | 33,969 | — | 33,969 | — |
| Derivative assets (1) | 9,490 | — | 9,490 | — |
| Total assets at fair value on a recurring basis | \$418,503 | \$— | \$418,503 | \$— |
| Liabilities: | | | | |
| Derivative liabilities (2) | \$10,347 | \$— | \$10,347 | \$— |
| Contingent Consideration Liability (3) | 2,945 | — | — | 2,945 |

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Total liabilities at fair value on a recurring basis \$13,292 \$— \$10,347 \$2,945

Derivative assets include interest rate risk management agreements, interest rate swap contracts with customers, (1) risk participation-out agreements and forward loan commitments and are included in other assets in the Consolidated Balance Sheets.

(2) Derivative liabilities include mirror swaps with counterparties, risk participation-in agreements and forward loan commitments and are included in other liabilities in the Consolidated Balance Sheets.

(3) The contingent consideration liability is included in other liabilities in the Consolidated Balance Sheets.

Notes to Consolidated Financial Statements – (continued)

(Dollars in thousands)

| (Dollars in thousands) | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------------------------------------------------------------------------------------------------|-----------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| December 31, 2014 | | | | |
| Assets: | | | | |
| Securities available for sale: | | | | |
| Obligations of U.S. government-sponsored enterprises | \$31,172 | \$— | \$31,172 | \$— |
| Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises | 245,366 | — | 245,366 | — |
| Obligations of states and political subdivisions | 49,176 | — | 49,176 | — |
| Individual name issuer trust preferred debt securities | 25,774 | — | 25,774 | — |
| Corporate bonds | 6,174 | — | 6,174 | — |
| Mortgage loans held for sale | 30,321 | — | 30,321 | — |
| Derivative assets (1) | 5,807 | — | 5,807 | — |
| Total assets at fair value on a recurring basis | \$393,790 | \$— | \$393,790 | \$— |
| Liabilities: | | | | |
| Derivative liabilities (2) | \$7,316 | \$— | \$7,316 | \$— |
| Total liabilities at fair value on a recurring basis | \$7,316 | \$— | \$7,316 | \$— |

(1) Derivative assets include interest rate swap contracts with customers and forward loan commitments and are included in other assets in the Consolidated Balance Sheets.

(2) Derivative liabilities include mirror swaps with counterparties, interest rate risk management agreements and forward loan commitments and are included in other liabilities in the Consolidated Balance Sheets.

It is the Corporation's policy to review and reflect transfers between Levels as of the financial statement reporting date. There were no transfers in and/or out of Level 1, 2 or 3 during the years ended December 31, 2015 and 2014.

Items Recorded at Fair Value on a Nonrecurring Basis

The following table presents the carrying value of assets held at December 31, 2015, which were written down to fair value during the year ended December 31, 2015:

| (Dollars in thousands) | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-------------------------------------------------------|----------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| Assets: | | | | |
| Collateral dependent impaired loans | \$10,545 | \$— | \$— | \$10,545 |
| Property acquired through foreclosure or repossession | 270 | — | — | 270 |
| Total assets at fair value on a nonrecurring basis | \$10,815 | \$— | \$— | \$10,815 |

The allowance for loan losses on the collateral dependent impaired loans amounted to \$2.4 million at December 31, 2015.

Notes to Consolidated Financial Statements – (continued)

The following table summarizes the carrying value of assets held at December 31, 2014, which were written down to fair value during the year ended December 31, 2014:

| (Dollars in thousands) | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-------------------------------------------------------|---------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| Assets: | | | | |
| Collateral dependent impaired loans | \$5,728 | \$— | \$— | \$5,728 |
| Property acquired through foreclosure or repossession | 348 | — | — | 348 |
| Total assets at fair value on a nonrecurring basis | \$6,076 | \$— | \$— | \$6,076 |

The allowance for loan losses on the collateral dependent impaired loans amounted to \$1.3 million at December 31, 2014.

The following tables present valuation techniques and unobservable inputs for assets measured at fair value on a nonrecurring basis for which the Corporation has utilized Level 3 inputs to determine fair value:

| (Dollars in thousands) | Fair Value | Valuation Technique | Unobservable Input | Range of Inputs Utilized (Weighted Average) |
|-------------------------------------------------------|------------|--------------------------|----------------------------|---------------------------------------------------|
| December 31, 2015 | | | | |
| Collateral dependent impaired loans | \$10,545 | Appraisals of collateral | Discount for costs to sell | 0% - 20% (2%) |
| Property acquired through foreclosure or repossession | 270 | Appraisals of collateral | Discount for costs to sell | 12% |
| | | | Appraisal adjustments (1) | 32% |

| (Dollars in thousands) | Fair Value | Valuation Technique | Unobservable Input | Range of Inputs Utilized (Weighted Average) |
|-------------------------------------------------------|------------|--------------------------|----------------------------|---------------------------------------------------|
| December 31, 2014 | | | | |
| Collateral dependent impaired loans | \$5,728 | Appraisals of collateral | Discount for costs to sell | 0% - 10% (2%) |
| | | | Appraisal adjustments (1) | 0% - 40% (3%) |
| Property acquired through foreclosure or repossession | 348 | Appraisals of collateral | Discount for costs to sell | 6% - 10% (8%) |
| | | | Appraisal adjustments (1) | 5% - 23% (14%) |

(1) Management may adjust appraisal values to reflect market value declines or other discounts resulting from its knowledge of the property.

Valuation of Other Financial Instruments

The methodologies for estimating the fair value of financial instruments that are measured at fair value on a recurring or nonrecurring basis are discussed above. The methodologies for other financial instruments are discussed below.

Loans

Fair values are estimated for categories of loans with similar financial characteristics. Loans are segregated by type and are then further segmented into fixed-rate and adjustable-rate interest terms to determine their fair value. The fair value of fixed-rate commercial and consumer loans is calculated by discounting scheduled cash flows through the estimated maturity of the loan using interest rates offered at the measurement date that reflect the credit and interest rate risk inherent in the loan. The estimate of maturity is based on the Corporation's historical repayment experience. For residential mortgages, fair value is estimated by using market prices for sales of similar loans on the secondary market. The fair value of floating rate commercial and consumer loans approximates carrying value. Fair value for impaired loans is estimated using a discounted cash flow method based upon the loan's contractual effective interest rate, or at the loan's observable market price, or if the loan is collateral dependent, at the fair value of the collateral. Loans are classified within Level 3 of the fair value hierarchy.

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Notes to Consolidated Financial Statements – (continued)

Time Deposits

The discounted values of cash flows using the rates currently offered for deposits of similar remaining maturities were used to estimate the fair value of time deposits. Time deposits are classified within Level 2 of the fair value hierarchy.

Federal Home Loan Bank Advances

Rates currently available to the Corporation for advances with similar terms and remaining maturities are used to estimate fair value of existing advances. FHLB advances are categorized as Level 2.

Junior Subordinated Debentures

The fair value of the junior subordinated debentures is estimated using rates currently available to the Corporation for debentures with similar terms and maturities. Junior subordinated debentures are categorized as Level 2.

The following tables present the carrying amount, estimated fair value and placement in the fair value hierarchy of the Corporation's financial instruments. The tables exclude financial instruments for which the carrying value approximates fair value. Financial assets for which the fair value approximates carrying value include cash and cash equivalents, FHLBB stock, accrued interest receivable and bank-owned life insurance. Financial liabilities for which the fair value approximates carrying value include non-maturity deposits and accrued interest payable.

(Dollars in thousands)

| December 31, 2015 | Carrying Amount | Total Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-----------------------------------------|-----------------|------------------|----------------------------------------------------------------|-----------------------------------------------|-------------------------------------------|
| Financial Assets: | | | | | |
| Securities held to maturity | \$20,023 | \$20,516 | \$— | \$20,516 | \$— |
| Loans, net of allowance for loan losses | 2,986,058 | 3,004,782 | — | — | 3,004,782 |
| Financial Liabilities: | | | | | |
| Time deposits | \$833,898 | \$834,574 | \$— | \$834,574 | \$— |
| FHLBB advances | 378,973 | 388,275 | — | 388,275 | — |
| Junior subordinated debentures | 22,681 | 16,468 | — | 16,468 | — |

(Dollars in thousands)

| December 31, 2014 | Carrying Amount | Estimated Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-----------------------------------------|-----------------|----------------------|----------------------------------------------------------------|-----------------------------------------------|-------------------------------------------|
| Financial Assets: | | | | | |
| Securities held to maturity | \$25,222 | \$26,008 | \$— | \$26,008 | \$— |
| Loans, net of allowance for loan losses | 2,831,253 | 2,866,907 | — | — | 2,866,907 |
| Financial Liabilities: | | | | | |
| Time deposits | \$874,102 | \$872,570 | \$— | \$872,570 | \$— |
| FHLBB advances | 406,297 | 418,005 | — | 418,005 | — |

| | | | | | |
|--------------------------------|--------|--------|---|--------|---|
| Junior subordinated debentures | 22,681 | 17,201 | — | 17,201 | — |
|--------------------------------|--------|--------|---|--------|---|

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Notes to Consolidated Financial Statements – (continued)

(16) Employee Benefits

Defined Benefit Pension Plans

The Corporation maintains a tax-qualified defined benefit pension plan for the benefit of certain eligible employees who were hired prior to October 1, 2007. The Corporation also has non-qualified retirement plans to provide supplemental retirement benefits to certain employees, as defined in the plans. The defined benefit pension plans were previously amended to freeze benefit accruals after a 10-year transition period ending in December 2023.

The defined benefit pension plan is funded on a current basis, in compliance with the requirements of ERISA.

The non-qualified retirement plans provide for the designation of assets in rabbi trusts. Securities available for sale and other short-term investments designated for this purpose, with the carrying value of \$12.3 million and \$10.4 million are included in the Consolidated Balance Sheets at December 31, 2015 and 2014, respectively.

Pension benefit costs and benefit obligations incorporate various actuarial and other assumptions, including discount rates, mortality, rates of return on plan assets and compensation increases. Washington Trust evaluates these assumptions annually.

In 2015 and prior, a single weighted-average discount rate was used to calculate interest and service cost components of net periodic benefit cost. Washington Trust plans to utilize a "spot rate approach" in the calculation of interest and service cost for 2016 and beyond. The spot rate approach applies separate discount rates for each projected benefit payment in the calculation of interest and service cost. The new approach provides a more precise measurement of service and interest cost by improving the correlation between projected benefit cash flows and their corresponding spot rates. This change does not affect the measurement of the Corporation's defined benefit obligations and is accounted for as a change in accounting estimate, which will be applied prospectively.

The following table presents the plans' projected benefit obligations, fair value of plan assets and unfunded status:

| (Dollars in thousands) | Qualified Pension Plan | | Non-Qualified Retirement Plans | |
|--------------------------------------------------|------------------------|-------------|--------------------------------|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| At December 31, | | | | |
| Change in Benefit Obligation: | | | | |
| Benefit obligation at beginning of period | \$73,149 | \$61,162 | \$13,097 | \$10,784 |
| Service cost | 2,459 | 2,152 | 78 | 46 |
| Interest cost | 2,928 | 2,891 | 490 | 478 |
| Actuarial (gain) loss | (5,410) |) 11,081 | 88 | 2,546 |
| Benefits paid | (5,430) |) (3,981) |) (738) |) (757) |
| Administrative expenses | (146) |) (156) |) — | — |
| Benefit obligation at end of period | 67,550 | 73,149 | 13,015 | 13,097 |
| Change in Plan Assets: | | | | |
| Fair value of plan assets at beginning of period | 67,613 | 62,060 | — | — |
| Actual return on plan assets | 673 | 3,690 | — | — |
| Employer contributions | 3,000 | 6,000 | 738 | 757 |
| Benefits paid | (5,430) |) (3,981) |) (738) |) (757) |
| Administrative expenses | (146) |) (156) |) — | — |
| Fair value of plan assets at end of period | 65,710 | 67,613 | — | — |
| Unfunded status at end of period | (\$1,840) |) (\$5,536) |) (\$13,015) |) (\$13,097) |

The unfunded status of the qualified pension plan and non-qualified retirement plans has been recognized in other liabilities in the Consolidated Balance Sheets at December 31, 2015 and 2014.

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Notes to Consolidated Financial Statements – (continued)

The following table presents components of accumulated other comprehensive income related to the qualified pension plan and non-qualified retirement plans, on a pre-tax basis:

| (Dollars in thousands) | Qualified Pension Plan | | Non-Qualified Retirement Plans | |
|----------------------------------------------------------------------------|------------------------|----------|--------------------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| At December 31, | | | | |
| Net actuarial loss | \$12,688 | \$15,504 | \$4,392 | \$4,548 |
| Prior service credit | (84) | (107) | (2) | (3) |
| Total pre-tax amounts recognized in accumulated other comprehensive income | \$12,604 | \$15,397 | \$4,390 | \$4,545 |

The accumulated benefit obligation for the qualified pension plan was \$60.3 million and \$64.0 million at December 31, 2015 and 2014, respectively. The accumulated benefit obligation for the non-qualified retirement plans amounted to \$11.7 million and \$12.1 million at December 31, 2015 and 2014, respectively.

The following table presents components of net periodic benefit cost and other amounts recognized in other comprehensive income (loss), on a pre-tax basis:

| (Dollars in thousands) | Qualified Pension Plan | | | Non-Qualified Retirement Plans | | |
|---------------------------------------------------------------------------------------------------------------------|------------------------|----------|------------|--------------------------------|---------|------------|
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| Years ended December 31, | | | | | | |
| Net Periodic Benefit Cost: | | | | | | |
| Service cost | \$2,459 | \$2,152 | \$2,720 | \$78 | \$46 | \$181 |
| Interest cost | 2,928 | 2,891 | 2,883 | 490 | 478 | 462 |
| Expected return on plan assets | (4,515) | (4,063) | (3,725) | — | — | — |
| Amortization of prior service credit | (23) | (23) | (30) | (1) | (1) | (1) |
| Recognized net actuarial loss | 1,249 | 461 | 1,321 | 245 | 70 | 175 |
| Curtailments | — | — | (61) | — | — | (1) |
| Net periodic benefit cost | 2,098 | 1,418 | 3,108 | 812 | 593 | 816 |
| Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (on a pre-tax basis): | | | | | | |
| Net (gain) loss | (2,816) | 10,993 | (14,572) | (156) | 2,476 | (1,506) |
| Prior service cost | 23 | 23 | 30 | 1 | 1 | 1 |
| Curtailments | — | — | (4,000) | — | — | (359) |
| Recognized in other comprehensive (loss) income | (2,793) | 11,016 | (18,542) | (155) | 2,477 | (1,864) |
| Total recognized in net periodic benefit cost and other comprehensive (loss) income | (\$695) | \$12,434 | (\$15,434) | \$657 | \$3,070 | (\$1,048) |

For the qualified pension plan, an estimated prior service credit of \$23 thousand and net losses of \$828 thousand will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost during the year 2016. For the non-qualified retirement plans, an estimated prior service credit of \$1 thousand and net losses of \$247 thousand will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost during the year 2016.

Notes to Consolidated Financial Statements – (continued)

Assumptions

The following table presents the measurement date and weighted-average assumptions used to determine benefit obligations at December 31, 2015 and 2014:

| | Qualified Pension Plan | | Non-Qualified Retirement Plans | |
|-------------------------------|------------------------|--------------|--------------------------------|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| Measurement date | Dec 31, 2015 | Dec 31, 2014 | Dec 31, 2015 | Dec 31, 2014 |
| Discount rate | 4.480% | 4.125% | 4.200% | 3.900% |
| Rate of compensation increase | 3.750 | 3.750 | 3.750 | 3.750 |

The following table presents the measurement date and weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2015, 2014 and 2013:

| | Qualified Pension Plan | | | Non-Qualified Retirement Plans | | |
|------------------------------------------|------------------------|--------------|--------------|--------------------------------|--------------|--------------|
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| Measurement date | Dec 31, 2014 | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2014 | Dec 31, 2013 | Dec 31, 2012 |
| Discount rate | 4.125% | 4.875% | 4.125% | 3.900% | 4.600% | 3.800% |
| Expected long-term return on plan assets | 7.250 | 7.250 | 7.250 | — | — | — |
| Rate of compensation increase | 3.750 | 3.750 | 3.750 | 3.750 | 3.750 | 3.750 |

The expected long-term rate of return on plan assets is based on what the Corporation believes is realistically achievable based on the types of assets held by the plan and the plan's investment practices. The assumption is updated annually, taking into account the asset allocation, historical asset return trends on the types of assets held and the current and expected economic conditions. Future decreases in the long-term rate of return assumption on plan assets would increase pension costs and, in general, may increase the requirement to make funding contributions to the plans.

The discount rate assumption for defined benefit pension plans is reset on the measurement date. Discount rates are selected for each plan by matching expected future benefit payments stream to a yield curve based on a selection of high-quality fixed-income debt securities. Future decreases in discount rates would increase the present value of pension obligations and increase our pension costs.

Plan Assets

The following tables present the fair values of the qualified pension plan's assets:
(Dollars in thousands)

| December 31, 2015 | Fair Value Measurements Using | | | Assets at Fair Value |
|-----------------------------------------------------------------------------------|-------------------------------|---------|---------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets: | | | | |
| Cash and cash equivalents | \$1,598 | \$— | \$— | \$1,598 |
| Obligations of U.S. government agencies and U.S. government-sponsored enterprises | — | 3,306 | — | 3,306 |
| Obligations of states and political subdivisions | — | 3,438 | — | 3,438 |
| Corporate bonds | — | 12,955 | — | 12,955 |
| Common stocks | 29,433 | — | — | 29,433 |
| Mutual funds | 14,980 | — | — | 14,980 |

| | | | | |
|-------------------|----------|----------|-----|----------|
| Total plan assets | \$46,011 | \$19,699 | \$— | \$65,710 |
|-------------------|----------|----------|-----|----------|

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Notes to Consolidated Financial Statements – (continued)

(Dollars in thousands)

| December 31, 2014 | Fair Value Measurements Using | | | Assets at Fair Value |
|-----------------------------------------------------------------------------------|-------------------------------|----------|---------|-------------------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets: | | | | |
| Cash and cash equivalents | \$637 | \$— | \$— | \$637 |
| Obligations of U.S. government agencies and U.S. government-sponsored enterprises | — | 4,197 | — | 4,197 |
| Obligations of states and political subdivisions | — | 2,953 | — | 2,953 |
| Corporate bonds | — | 13,162 | — | 13,162 |
| Common stocks | 31,172 | — | — | 31,172 |
| Mutual funds | 15,492 | — | — | 15,492 |
| Total plan assets | \$47,301 | \$20,312 | \$— | \$67,613 |

The qualified pension plan uses fair value measurements to record fair value adjustments to the securities held in its investment portfolio.

When available, the qualified pension plan uses quoted market prices to determine the fair value of securities; such items are classified as Level 1. This category includes cash equivalents, common stocks and mutual funds which are exchange-traded.

Level 2 securities in the qualified pension plan include debt securities with quoted prices, which are traded less frequently than exchange-traded instruments, whose values are determined using matrix pricing with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category includes obligations of U.S. government agencies and U.S. government-sponsored enterprises, obligations of states and political subdivisions and corporate bonds.

In certain cases where there is limited activity or less transparency around inputs to the valuation, securities may be classified as Level 3. As of December 31, 2015 and 2014, the qualified pension plan did not have any securities in the Level 3 category.

The following table present the asset allocations of the qualified pension plan, by asset category:

| December 31, | 2015 | 2014 | | |
|---------------------------|-------|---------|---|--|
| Asset Category: | | | | |
| Equity securities | 63.4 | % 61.6 | % | |
| Fixed income securities | 34.6 | 37.8 | | |
| Cash and cash equivalents | 2.0 | 0.6 | | |
| Total | 100.0 | % 100.0 | % | |

The assets of the qualified defined benefit pension plan trust (the “Pension Trust”) are managed to balance the needs of cash flow requirements and long-term rate of return. Cash inflow is typically comprised of investment income from portfolio holdings and Bank contributions, while cash outflow is for the purpose of paying plan benefits and certain plan expenses. As early as possible each year, the trustee is advised of the projected schedule of employer contributions and estimations of benefit payments. As a general rule, the trustee shall invest the funds so as to produce sufficient income to cover benefit payments and maintain a funded status that exceeds the regulatory requirements for tax-qualified defined benefit plans.

Notes to Consolidated Financial Statements – (continued)

The investment philosophy used for the Pension Trust emphasizes consistency of results over an extended market cycle, while reducing the impact of the volatility of the security markets upon investment results. The assets of the Pension Trust should be protected by substantial diversification of investments, providing exposure to a wide range of quality investment opportunities in various asset classes, with a high degree of liquidity.

The investment objective with respect to the Pension Trust assets is to provide capital appreciation with a current income component. At any time, the portfolio will typically be invested in the following ranges: 50% to 70% in equities; 30% to 50% in fixed income; and 0% to 10% in cash and cash equivalents. The trustee investment manager will have authorization to invest within these ranges, making decisions based upon market conditions.

Fixed income bond investments should be limited to those in the top four categories used by the major credit rating agencies. High yield bond funds may be used to provide exposure to this asset class as a diversification tool provided they do not exceed 10% of the portfolio. In order to reduce the volatility of the annual rate of return of the bond portfolio, attention will be given to the maturity structure of the portfolio in the light of money market conditions and interest rate forecasts. The assets of the Pension Trust will typically have a laddered maturity structure, avoiding large concentrations in any single year. Equity holdings provide opportunities for dividend and capital appreciation returns. Holdings will be appropriately diversified by maintaining broad exposure to large-, mid- and small-cap stocks as well as international equities. Concentration in small-cap, mid-cap and international equities is limited to no more than 20%, 20% and 30% of the equity portfolio, respectively. Investment selection and mix of equity holdings should be influenced by forecasts of economic activity, corporate profits and allocation among different segments of the economy while ensuring efficient diversification. The fair value of equity securities of any one issuer will not be permitted to exceed 10% of the total fair value of equity holdings of the Pension Trust. Investments in publicly traded real estate investment trust securities and low-risk derivatives securities such as callable securities, floating rate notes, mortgage-backed securities and treasury inflation protected securities, are permitted.

Cash Flows

Contributions

The Internal Revenue Code permits flexibility in plan contributions so that normally a range of contributions is possible. The Corporation's current funding policy has been generally to contribute the minimum required contribution and additional amounts up to the maximum deductible contribution. The Corporation expects to contribute \$8.5 million to the qualified pension plan in 2016. In addition, the Corporation expects to contribute \$788 thousand in benefit payments to the non-qualified retirement plans in 2016.

Estimated Future Benefit Payments

The following table presents the benefit payments, which reflect expected future service, as appropriate, expected to be paid:

| (Dollars in thousands) | Qualified Pension Plan | Non-Qualified Plans |
|------------------------|------------------------|---------------------|
| 2016 | \$4,401 | \$788 |
| 2017 | 2,992 | 782 |
| 2018 | 3,222 | 775 |
| 2019 | 3,032 | 804 |
| 2020 | 3,896 | 896 |
| Years 2021 - 2025 | 21,768 | 4,304 |

401(k) Plan

The Corporation's 401(k) Plan provides a specified match of employee contributions for substantially all employees. In addition, substantially all employees hired after September 30, 2007, who are ineligible for participation in the qualified defined benefit pension plan, receive a non-elective employer contribution of 4%. Total employer matching contributions under this plan amounted to \$1.8 million, \$1.8 million and \$1.6 million in 2015, 2014 and 2013, respectively.

Notes to Consolidated Financial Statements – (continued)

Other Incentive Plans

The Corporation maintains several non-qualified incentive compensation plans. Substantially all employees participate in one of the incentive compensation plans. Incentive plans provide for annual or more frequent payments based on individual, business line and/or corporate performance targets (measured in terms of the Corporation's net income, earnings per share and return on equity). Total incentive based compensation amounted to \$14.3 million, \$13.8 million and \$13.4 million in 2015, 2014 and 2013, respectively. In general, the terms of incentive plans are subject to annual renewal and may be terminated at any time by the Compensation Committee of the Board of Directors.

Deferred Compensation Plan

The Amended and Restated Nonqualified Deferred Compensation Plan provides supplemental retirement and tax benefits to directors and certain officers. The plan is funded primarily through pre-tax contributions made by the participants. The assets and liabilities of the Deferred Compensation Plan are recorded at fair value in the Corporation's Consolidated Balance Sheets. The participants in the plan bear the risk of market fluctuations of the underlying assets. The accrued liability related to this plan amounted to \$8.6 million and \$7.7 million at December 31, 2015 and 2014, respectively, and is included in other liabilities on the accompanying Consolidated Balance Sheets. The corresponding invested assets are reported in other assets.

(17) Share-Based Compensation Arrangements

Washington Trust's share-based compensation plans are described below.

The 2013 Stock Option and Incentive Plan (the "2013 Plan") was approved by shareholders on April 23, 2013. Under the 2013 Plan, the maximum number of shares of the Bancorp's common stock to be issued is 1,748,250. The 2013 Plan permits the granting of stock options and other equity incentives to officers, employees, directors and other key persons.

The 2003 Stock Incentive Plan (the "2003 Plan") was amended and restated and approved by shareholders in April 2009. The 2003 Plan amendments included increasing the maximum number of shares of Bancorp's common stock to be issued under the 2003 Plan from 600,000 shares to 1,200,000 shares and increasing the number of shares that can be issued in the form of awards other than stock options or stock appreciation rights from 200,000 to 400,000. The 2003 Plan permits the granting of stock options and other equity incentives to officers, employees, directors and other key persons.

The exercise price of each stock option may not be less than the fair market value of the Bancorp's common stock on the date of grant, and options shall have a term of no more than ten years. Stock options are designated as either non-qualified or incentive stock options. In general, the stock option price is payable in cash, by the delivery of shares of common stock already owned by the grantee, or a combination thereof. With respect only to non-qualified stock option grants issued under the 2013 Plan, the exercise may also be accomplished by withholding the exercise price from the number of shares that would otherwise be delivered upon a cash exercise of the option. The fair value of stock options on the date of grant is estimated using the Black-Scholes Option-Pricing Model.

Awards of nonvested share units and nonvested performance share units are valued at the fair market value of the Bancorp's common stock as of the award date. Performance share awards are granted in order to provide certain officers of the Corporation the opportunity to earn shares of common stock, the number of which is determined pursuant to, and subject to the attainment of, performance goals during a specified measurement period. The number of shares earned will range from zero to 200% of the target number of shares dependent upon the Corporation's core

return on equity and core earnings per share growth ranking compared to an industry peer group.

Vesting of stock options and share awards may accelerate or may be subject to proportional vesting if there is a change in control, disability, retirement or death (as defined in the 2013 Plan and the 2003 Plan).

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Notes to Consolidated Financial Statements – (continued)

The following table presents the amounts recognized in the consolidated financial statements for stock options, nonvested share awards and nonvested performance shares:

(Dollars in thousands)

| Years ended December 31, | 2015 | 2014 | 2013 |
|----------------------------------|---------|---------|---------|
| Share-based compensation expense | \$2,074 | \$1,880 | \$1,876 |
| Related income tax benefit | \$767 | \$676 | \$673 |

Compensation expense for awards is recognized over the service period based on the fair value at the date of grant. Nonvested performance share unit compensation expense is based on the most recent performance assumption available and is adjusted as assumptions change. If the goals are not met, no compensation cost will be recognized and any recognized compensation costs will be reversed.

Stock Options

Washington Trust uses historical data to estimate stock option exercise and employee departure behavior used in the option-pricing model. The expected term of options granted was derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. Expected volatility was based on historical volatility of Washington Trust shares. The risk-free rate for periods within the contractual life of the stock option was based on the U.S. Treasury yield curve in effect at the date of grant.

The following presents the assumptions used in determining the grant date fair value of the stock option awards granted to certain key employees:

| | 2015 | 2014 | 2013 |
|------------------------------------------|---------|---------|---------|
| Options granted | 48,600 | 25,850 | 54,600 |
| Cliff vesting period (years) | 3 - 5 | 3 | 3 |
| Expected term (years) | 7.5 | 8 | 8 |
| Expected dividend yield | 3.94 | % 3.83 | % 3.77 |
| Weighted average expected volatility | 40.76 | % 41.84 | % 42.85 |
| Weighted average risk-free interest rate | 1.95 | % 2.27 | % 2.46 |
| Weighted average grant-date fair value | \$11.15 | \$9.92 | \$10.35 |

Notes to Consolidated Financial Statements – (continued)

The following table presents a summary of the status of Washington Trust's stock options outstanding as of and for the year ended December 31, 2015:

| | Number of Stock Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value (000's) |
|--------------------------------------------|----------------------------|---------------------------------------|-----------------------------------------------------------------|-----------------------------------------|
| Beginning of period | 357,477 | \$24.99 | | |
| Granted | 48,600 | 39.40 | | |
| Exercised | (87,625) |) 25.55 | | |
| Forfeited or expired | (9,336) |) 33.74 | | |
| End of period | 309,116 | \$26.84 | 6.01 | \$3,921 |
| At end of period: | | | | |
| Options exercisable | 189,791 | \$21.78 | 4.34 | \$3,368 |
| Options expected to vest in future periods | 119,325 | \$34.89 | 8.67 | \$554 |

The total intrinsic value is the amount by which the fair value of the underlying stock exceeds the exercise price of an option on the exercise date.

The following table presents additional information concerning options outstanding and options exercisable at December 31, 2015:

| Exercise Price Ranges | Options Outstanding | | | Options Exercisable | |
|-----------------------|---------------------|--------------------------------------------------|------------------------------------------|---------------------|------------------------------------------|
| | Number of Shares | Weighted Average Remaining Life (Years) | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price |
| \$15.01 to \$20.00 | 53,132 | 3.90 | \$17.61 | 53,132 | \$17.61 |
| \$20.01 to \$25.00 | 138,870 | 4.67 | 23.14 | 131,870 | 23.05 |
| \$25.01 to \$30.00 | — | — | — | — | — |
| \$30.01 to \$35.00 | 70,214 | 7.77 | 32.76 | 4,689 | 32.76 |
| \$35.01 to \$40.00 | 46,900 | 9.74 | 39.39 | 100 | 39.55 |
| | 309,116 | 6.01 | \$26.84 | 189,791 | \$21.78 |

The total intrinsic value of stock options exercised during the years ended December 31, 2015, 2014 and 2013 was \$1.2 million, \$1.0 million and \$1.7 million, respectively.

Nonvested Shares

During 2015, the Corporation granted to directors and certain key employees 16,275 nonvested share units, with three- to five-year cliff vesting. During 2014, the Corporation granted to directors and certain key employees 11,630 nonvested share units, with three-year cliff vesting. During 2013, the Corporation granted to certain key employees 24,400 nonvested share units with three- to five-year cliff vesting.

Notes to Consolidated Financial Statements – (continued)

The following table presents a summary of the status of Washington Trust's nonvested shares as of and for the year ended December 31, 2015:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---------------------|---------------------|----------------------------------------------|
| Beginning of period | 70,430 | \$27.34 |
| Granted | 16,275 | 38.53 |
| Vested | (34,779 |) 23.95 |
| Forfeited | (4,701 |) 29.72 |
| End of period | 47,225 | \$33.46 |

Nonvested Performance Shares

The Corporation grants performance share units to certain executive officers providing the opportunity to earn shares of common stock over a three-year performance period based on various profitability results of the Corporation in comparison to a peer group. The number of shares earned can range from zero to 200% of the target number of shares depending upon the Corporation's core return on equity and core earnings per share growth ranking among an industry peer group.

The following table presents a summary of the performance share awards as of December 31, 2015:

| | Grant Date Fair Value per Share | Current Performance Assumption | Expected Performance Share Award |
|-------------------------------------|------------------------------------|--------------------------------------|----------------------------------------|
| Performance shares awarded in: 2015 | \$38.02 | 152% | 47,451 |
| 2014 | 34.66 | 139% | 21,049 |
| 2013 | 26.05 | 141% | 42,391 |
| Total | | | 110,891 |

The following table presents a summary of the status of Washington Trust's performance share awards as of and for the year ended December 31, 2015:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---------------------|---------------------|----------------------------------------------|
| Beginning of period | 99,696 | \$27.12 |
| Granted | 47,451 | 38.02 |
| Vested | (35,743 |) 23.65 |
| Forfeited | (513 |) 30.39 |
| End of period | 110,891 | \$32.81 |

As of December 31, 2015, there was \$3.1 million of total unrecognized compensation cost related to share-based compensation arrangements (including stock options, nonvested share awards and performance share awards) granted under the Plans. That cost is expected to be recognized over a weighted average period of 2.09 years.

Notes to Consolidated Financial Statements – (continued)

(18) Business Segments

Washington Trust segregates financial information in assessing its results among its Commercial Banking and Wealth Management Services operating segments. The amounts in the Corporate unit include activity not related to the segments.

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

Commercial Banking

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

Wealth Management Services

Wealth Management Services includes investment management; financial planning; personal trust and estate services, including services as trustee, personal representative, custodian and guardian; and settlement of decedents' estates. Institutional trust services are also provided, including fiduciary services.

Corporate

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

The following tables present the statement of operations and total assets for Washington Trust's reportable segments: (Dollars in thousands)

| Year ended December 31, 2015 | Commercial Banking | Wealth Management Services | Corporate | Consolidated Total |
|---------------------------------------------------------------|-----------------------|----------------------------------|-----------|-----------------------|
| Net interest income (expense) | \$84,757 | (\$47) | \$19,272 | \$103,982 |
| Provision for loan losses | 1,050 | — | — | 1,050 |
| Net interest income (expense) after provision for loan losses | 83,707 | (47) | 19,272 | 102,932 |
| Noninterest income | 20,618 | 35,416 | 2,306 | 58,340 |
| Noninterest expenses: | | | | |
| Depreciation and amortization expense | 2,584 | 1,488 | 213 | 4,285 |
| Other noninterest expenses | 55,203 | 25,632 | 11,809 | 92,644 |
| Total noninterest expenses | 57,787 | 27,120 | 12,022 | 96,929 |
| Income before income taxes | 46,538 | 8,249 | 9,556 | 64,343 |
| Income tax expense | 15,330 | 3,475 | 2,073 | 20,878 |
| Net income | \$31,208 | \$4,774 | \$7,483 | \$43,465 |

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| | | | | |
|------------------------------------|-------------|----------|-----------|-------------|
| Total assets at period end | \$3,152,231 | \$63,801 | \$555,572 | \$3,771,604 |
| Expenditures for long-lived assets | 4,714 | 411 | 354 | 5,479 |

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Notes to Consolidated Financial Statements – (continued)

(Dollars in thousands)

| Year ended December 31, 2014 | Commercial Banking | Wealth Management Services | Corporate | Consolidated Total |
|---------------------------------------------------------------|-----------------------|----------------------------------|-----------|-----------------------|
| Net interest income (expense) | \$80,500 | (\$24) | \$19,029 | \$99,505 |
| Provision for loan losses | 1,850 | — | — | 1,850 |
| Net interest income (expense) after provision for loan losses | 78,650 | (24) | 19,029 | 97,655 |
| Noninterest income | 17,575 | 33,378 | 8,062 | 59,015 |
| Noninterest expenses: | | | | |
| Depreciation and amortization expense | 2,447 | 1,127 | 203 | 3,777 |
| Other noninterest expenses | 52,639 | 22,386 | 18,045 | 93,070 |
| Total noninterest expenses | 55,086 | 23,513 | 18,248 | 96,847 |
| Income before income taxes | 41,139 | 9,841 | 8,843 | 59,823 |
| Income tax expense | 13,497 | 3,724 | 1,778 | 18,999 |
| Net income | \$27,642 | \$6,117 | \$7,065 | \$40,824 |
| Total assets at period end | \$2,986,453 | \$52,720 | \$547,701 | \$3,586,874 |
| Expenditures for long-lived assets | 3,474 | 1,578 | 174 | 5,226 |

(Dollars in thousands)

| Year ended December 31, 2013 | Commercial Banking | Wealth Management Services | Corporate | Consolidated Total |
|-----------------------------------------------------|-----------------------|----------------------------------|-----------|-----------------------|
| Net interest income | \$79,633 | \$7 | \$12,145 | \$91,785 |
| Provision for loan losses | 2,400 | — | — | 2,400 |
| Net interest income after provision for loan losses | 77,233 | 7 | 12,145 | 89,385 |
| Noninterest income (expense) | 30,769 | 31,825 | (514) | 62,080 |
| Noninterest expenses: | | | | |
| Depreciation and amortization expense | 2,473 | 1,277 | 213 | 3,963 |
| Other noninterest expenses | 61,976 | 20,494 | 12,352 | 94,822 |
| Total noninterest expenses | 64,449 | 21,771 | 12,565 | 98,785 |
| Income (loss) before income taxes | 43,553 | 10,061 | (934) | 52,680 |
| Income tax expense (benefit) | 14,598 | 3,724 | (1,795) | 16,527 |
| Net income | \$28,955 | \$6,337 | \$861 | \$36,153 |
| Total assets at period end | \$2,517,059 | \$50,297 | \$621,511 | \$3,188,867 |
| Expenditures for long-lived assets | 1,286 | 112 | 93 | 1,491 |

Notes to Consolidated Financial Statements – (continued)

(19) Other Comprehensive Income (Loss)

The following tables present the activity in other comprehensive income (loss):

(Dollars in thousands)

| Year ended December 31, 2015 | Pre-tax Amounts | Income Taxes | Net of Tax |
|-----------------------------------------------------------|--------------------|-----------------|---------------|
| Securities available for sale: | | | |
| Net change in fair value of securities available for sale | (\$4,926) | (\$1,755) | (\$3,171) |
| Cash flow hedges: | | | |
| Changes in fair value of cash flow hedges | (102) | (49) | (53) |
| Net cash flow hedge losses reclassified into earnings (1) | 469 | 172 | 297 |
| Net change in the fair value of cash flow hedges | 367 | 123 | 244 |
| Defined benefit plan obligation adjustment (2) | 2,948 | 911 | 2,037 |
| Total other comprehensive loss | (\$1,611) | (\$721) | (\$890) |

(1) Included in interest expense on junior subordinated debentures in the Consolidated Statements of Income.

(2) Included in salaries and employee benefits expense in the Consolidated Statements of Income.

(Dollars in thousands)

| Year ended December 31, 2014 | Pre-tax Amounts | Income Taxes | Net of Tax |
|-----------------------------------------------------------|--------------------|-----------------|---------------|
| Securities available for sale: | | | |
| Net change in fair value of securities available for sale | \$1,601 | \$580 | \$1,021 |
| Cash flow hedges: | | | |
| Changes in fair value of cash flow hedges | (56) | (18) | (38) |
| Net cash flow hedge losses reclassified into earnings (1) | 577 | 208 | 369 |
| Net change in the fair value of cash flow hedges | 521 | 190 | 331 |
| Defined benefit plan obligation adjustment (2) | (13,493) | (4,885) | (8,608) |
| Total other comprehensive loss | (\$11,371) | (\$4,115) | (\$7,256) |

(1) Included in interest expense on junior subordinated debentures in the Consolidated Statements of Income.

(2) Included in salaries and employee benefits expense in the Consolidated Statements of Income.

Notes to Consolidated Financial Statements – (continued)

(Dollars in thousands)

| Year ended December 31, 2013 | Pre-tax Amounts | Income Taxes | Net of Tax |
|------------------------------------------------------------------------------------------------------|--------------------|-----------------|---------------|
| Securities available for sale: | | | |
| Changes in fair value of securities available for sale | (\$10,586) | (\$3,890) | (\$6,696) |
| Net gains on securities classified into earnings (1) | 294 | 106 | 188 |
| Net change in fair value of securities available for sale | (10,292) | (3,784) | (6,508) |
| Reclassification adjustment for other-than-temporary impairment losses transferred into earnings (2) | 3,195 | 1,258 | 1,937 |
| Cash flow hedges: | | | |
| Changes in fair value of cash flow hedges | (58) | (23) | (35) |
| Net cash flow hedge losses reclassified into earnings (3) | 657 | 234 | 423 |
| Net change in the fair value of cash flow hedges | 599 | 211 | 388 |
| Defined benefit plan obligation adjustment (4) | 20,406 | 7,277 | 13,129 |
| Total other comprehensive income | \$13,908 | \$4,962 | \$8,946 |

(1) Reported as net realized gains on securities and total other-than-temporary impairment losses on securities in the Consolidated Statements of Income.

(2) Reported as the portion of loss recognized in other comprehensive income in the Consolidated Statements of Income.

(3) Included in interest expense on junior subordinated debentures in the Consolidated Statements of Income.

(4) Included in salaries and employee benefits expense in the Consolidated Statements of Income.

The following tables present the changes in accumulated other comprehensive income (loss) by component, net of tax:

| (Dollars in thousands) | Net Unrealized Gains on Available For Sale Securities | Noncredit -related Impairment | Net Unrealized Losses on Cash Flow Hedges | Pension Benefit Adjustment | Total |
|------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------|----------------------------------------------------|----------------------------------|------------|
| Balance at December 31, 2014 | \$4,222 | \$— | (\$287) | (\$12,744) | (\$8,809) |
| Other comprehensive loss before reclassifications | (3,171) | — | (53) | — | (3,224) |
| Amounts reclassified from accumulated other comprehensive income | — | — | 297 | 2,037 | 2,334 |
| Net other comprehensive (loss) income | (3,171) | — | 244 | 2,037 | (890) |
| Balance at December 31, 2015 | \$1,051 | \$— | (\$43) | (\$10,707) | (\$9,699) |

| (Dollars in thousands) | Net Unrealized Gains on Available For Sale Securities | Noncredit -related Impairment | Net Unrealized Losses on Cash Flow Hedges | Pension Benefit Adjustment | Total |
|------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------|----------------------------------------------------|----------------------------------|------------|
| Balance at December 31, 2013 | \$3,201 | \$— | (\$618) | (\$4,136) | (\$1,553) |
| Other comprehensive income (loss) before reclassifications | 1,021 | — | (38) | — | 983 |
| Amounts reclassified from accumulated other comprehensive income | — | — | 369 | (8,608) | (8,239) |

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| | | | | | |
|---------------------------------------|---------|-----|----------|-------------|------------|
| Net other comprehensive income (loss) | 1,021 | — | 331 | (8,608) | (7,256) |
| Balance at December 31, 2014 | \$4,222 | \$— | (\$287) | (\$12,744) | (\$8,809) |

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Notes to Consolidated Financial Statements – (continued)

| (Dollars in thousands) | Net Unrealized Gains on Available For Sale Securities | Noncredit -related Impairment | Net Unrealized Losses on Cash Flow Hedges | Pension Benefit Adjustment | Total |
|---------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------|----------------------------------------------------|----------------------------------|-------------|
| Balance at December 31, 2012 | \$9,709 | (\$1,937) | (\$1,006) | (\$17,265) | (\$10,499) |
| Other comprehensive loss before reclassifications | (6,808) | — | (35) | — | (6,843) |
| Amounts reclassified from accumulated other comprehensive income | 300 | 1,937 | 423 | 13,129 | 15,789 |
| Net other comprehensive (loss) income | (6,508) | 1,937 | 388 | 13,129 | 8,946 |
| Balance at December 31, 2013 | \$3,201 | \$— | (\$618) | (\$4,136) | (\$1,553) |

(20) Earnings per Common Share

The following table presents the calculation of earnings per common share:

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

| Years ended December 31, | 2015 | 2014 | 2013 |
|---------------------------------------------------------------------------------|----------|----------|----------|
| Earnings per common share - basic: | | | |
| Net income | \$43,465 | \$40,824 | \$36,153 |
| Less dividends and undistributed earnings allocated to participating securities | (126) | (152) | (156) |
| Net income applicable to common shareholders | 43,339 | 40,672 | 35,997 |
| Weighted average common shares | 16,879 | 16,689 | 16,506 |
| Earnings per common share - basic | \$2.57 | \$2.44 | \$2.18 |
| Earnings per common share - diluted: | | | |
| Net income | \$43,465 | \$40,824 | \$36,153 |
| Less dividends and undistributed earnings allocated to participating securities | (126) | (151) | (155) |
| Net income applicable to common shareholders | 43,339 | 40,673 | 35,998 |
| Weighted average common shares | 16,879 | 16,689 | 16,506 |
| Dilutive effect of common stock equivalents | 188 | 183 | 158 |
| Weighted average diluted common shares | 17,067 | 16,872 | 16,664 |
| Earnings per common share - diluted | \$2.54 | \$2.41 | \$2.16 |

Weighted average common stock equivalents, not included in common stock equivalents above because they were anti dilutive, totaled 34,850, 59,234 and 23,286 for the years ended December 31, 2015, 2014 and 2013, respectively.

Notes to Consolidated Financial Statements – (continued)

(21) Commitments and Contingencies

Financial Instruments with Off-Balance Risk

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to manage the Corporation's exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, standby letters of credit, interest rate swap agreements and interest rate lock commitments and commitments to sell residential real estate mortgage loans. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Corporation's Consolidated Balance Sheets. The contract or notional amounts of these instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments. The Corporation's credit policies with respect to interest rate swap agreements with commercial borrowers, commitments to extend credit, and financial guarantees are similar to those used for loans. The interest rate swaps with other counterparties are generally subject to bilateral collateralization terms.

The following table presents the contractual and notional amounts of financial instruments with off-balance sheet risk: (Dollars in thousands)

| December 31, | 2015 | 2014 |
|--------------------------------------------------------------------------------|-----------|-----------|
| Financial instruments whose contract amounts represent credit risk: | | |
| Commitments to extend credit: | | |
| Commercial loans | \$360,795 | \$325,402 |
| Home equity lines | 219,427 | 200,932 |
| Other loans | 44,164 | 48,551 |
| Standby letters of credit | 5,629 | 5,102 |
| Financial instruments whose notional amounts exceed the amount of credit risk: | | |
| Forward loan commitments: | | |
| Interest rate lock commitments | 49,712 | 40,015 |
| Commitments to sell mortgage loans | 87,498 | 84,808 |
| Loan related derivative contracts: | | |
| Interest rate swaps with customers | 302,142 | 165,795 |
| Mirror swaps with counterparties | 302,142 | 165,795 |
| Risk participation-in agreements | 21,474 | — |
| Interest rate risk management contracts: | | |
| Interest rate swaps | — | 22,681 |

Commitments to Extend Credit

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

Standby Letters of Credit

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These standby letters of credit are primarily issued to support the financing needs of the Bank's commercial customers. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. The collateral supporting those commitments is essentially the same as for other

commitments. Most standby letters of credit extend for 1 year. At December 31, 2015 and 2014, the maximum potential amount of undiscounted future payments, not reduced by amounts that may be recovered, totaled \$5.6 million and \$5.1 million, respectively. At December 31, 2015 and 2014, there were no liabilities to beneficiaries resulting from standby letters of credit. Fee income on standby letters of credit was insignificant for the years ended December 31, 2015, 2014 and 2013.

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Notes to Consolidated Financial Statements – (continued)

At December 31, 2015 and 2014, a substantial portion of the standby letters of credit were supported by pledged collateral. The collateral obtained is determined based on management’s credit evaluation of the customer. Should the Corporation be required to make payments to the beneficiary, repayment from the customer to the Corporation is required.

Forward Loan Commitments

Interest rate lock commitments are extended to borrowers and relate to the origination of residential real estate mortgage loans held for sale. To mitigate the interest rate risk inherent in these rate locks, as well as closed residential real estate mortgage loans held for sale, forward commitments are established to sell individual residential real estate mortgage loans. Both interest rate lock commitments and commitments to sell residential real estate mortgage loans are derivative financial instruments.

Leases

At December 31, 2015, the Corporation was committed to rent premises used in banking operations under non-cancelable operating leases. Rental expense under the operating leases amounted to \$3.5 million, \$3.1 million and \$2.8 million for December 31, 2015, 2014 and 2013, respectively. The following table presents the minimum annual lease payments under the terms of these leases, exclusive of renewal provisions:

(Dollars in thousands)

| | | |
|------------------------------|---------------------|----------|
| Years ending December 31: | 2016 | \$3,110 |
| | 2017 | 2,841 |
| | 2018 | 2,551 |
| | 2019 | 2,273 |
| | 2020 | 1,631 |
| | 2021 and thereafter | 25,535 |
| Total minimum lease payments | | \$37,941 |

Lease expiration dates range from 4 months to 25 years, with renewal options on certain leases of 6 months to 25 years.

Other Contingencies

Litigation

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

Other

When selling a residential real estate mortgage loan or acting as originating agent on behalf of a third party, Washington Trust generally makes various representations and warranties. The specific representations and warranties depend on the nature of the transaction and the requirements of the buyer. Contractual liability may arise when the representations and warranties are breached. In the event of a breach of these representations and warranties, Washington Trust may be required to either repurchase the residential real estate mortgage loan (generally at unpaid principal balance plus accrued interest) with the identified defects or indemnify (“make-whole”) the investor for its losses.

In the case of a repurchase, the Corporation will bear any subsequent credit loss on the residential real estate mortgage loan. Washington Trust has experienced an insignificant number of repurchase demands over a period of many years. As of December 31, 2015 and 2014, the carrying value of loans repurchased due to representation and warranty claims was \$534 thousand and \$342 thousand, respectively. Washington Trust has recorded a reserve for its exposure to losses for premium recapture and the obligation to repurchase previously sold residential real estate mortgage loans. The reserve balance amounted to \$180 thousand and \$280 thousand at December 31, 2015 and December 31, 2014 and is included in other liabilities in the Consolidated Balance Sheets. Any change in the estimate is recorded in mortgage banking revenues in the Consolidated Statements of Income.

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Notes to Consolidated Financial Statements – (continued)

(22) Parent Company Financial Statements

The following tables present parent company only financial statements of the Bancorp, reflecting the investment in the Bank on the equity basis of accounting. The Statements of Changes in Shareholders' Equity for the parent company only are identical to the Consolidated Statements of Changes in Shareholders' Equity and are therefore not presented.

| Balance Sheets | (Dollars in thousands, except par value) | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-----------|----------|
| December 31, | 2015 | 2014 | |
| Assets: | | | |
| Cash on deposit with bank subsidiary | \$3,169 | \$2,998 | |
| Interest-bearing balances due from banks | — | 939 | |
| Investment in subsidiaries at equity value | 398,520 | 365,766 | |
| Dividends receivable from subsidiaries | 5,082 | 5,101 | |
| Other assets | 377 | 311 | |
| Total assets | \$407,148 | \$375,115 | |
| Liabilities: | | | |
| Junior subordinated debentures | \$22,681 | \$22,681 | |
| Dividends payable | 6,075 | 5,617 | |
| Contingent consideration liability | 2,945 | — | |
| Other liabilities | 59 | 538 | |
| Total liabilities | 31,760 | 28,836 | |
| Shareholders' Equity: | | | |
| Common stock of \$.0625 par value; authorized 30,000,000 shares; issued and outstanding 17,019,578 shares in 2015 and 16,746,363 shares in 2014 | 1,064 | 1,047 | |
| Paid-in capital | 110,949 | 101,204 | |
| Retained earnings | 273,074 | 252,837 | |
| Accumulated other comprehensive loss | (9,699) | (8,809) | |
| Total shareholders' equity | 375,388 | 346,279 | |
| Total liabilities and shareholders' equity | \$407,148 | \$375,115 | |
| | | | |
| Statements of Income | | | |
| (Dollars in thousands) | | | |
| Years ended December 31, | 2015 | 2014 | 2013 |
| Income: | | | |
| Dividends from subsidiaries | \$23,399 | \$20,116 | \$24,481 |
| Other income | 13 | 13 | 20 |
| Total income | 23,412 | 20,129 | 24,501 |
| Expenses: | | | |
| Interest on junior subordinated debentures | 871 | 964 | 1,484 |
| Legal and professional fees | 134 | 96 | 145 |
| Acquisition related expenses | 308 | — | — |
| Other | 295 | 253 | 279 |
| Total expenses | 1,608 | 1,313 | 1,908 |
| Income before income taxes | 21,804 | 18,816 | 22,593 |
| Income tax benefit | 557 | 454 | 661 |
| Income before equity in undistributed earnings of subsidiaries | 22,361 | 19,270 | 23,254 |
| Equity in undistributed earnings of subsidiaries | 21,104 | 21,554 | 12,899 |

| | | | |
|------------|----------|----------|----------|
| Net income | \$43,465 | \$40,824 | \$36,153 |
|------------|----------|----------|----------|

Notes to Consolidated Financial Statements – (continued)

| Statements of Cash Flows Years ended December 31, | (Dollars in thousands) | | |
|-----------------------------------------------------------------------------------|------------------------|-----------|-----------|
| | 2015 | 2014 | 2013 |
| Cash flow from operating activities: | | | |
| Net income | \$43,465 | \$40,824 | \$36,153 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Equity in undistributed earnings of subsidiary | (21,104) | (21,554) | (12,899) |
| Increase in dividend receivable | 19 | (495) | (408) |
| Decrease in other assets | (67) | 183 | 397 |
| Decrease in accrued expenses and other liabilities | 2,466 | (516) | (621) |
| Other, net | (3,363) | (245) | (214) |
| Net cash provided by operating activities | 21,416 | 18,197 | 22,408 |
| Cash flows from investing activities: | | | |
| Repayment of equity investment in capital trust | — | — | 310 |
| Cash used in business combination, net of cash acquired | (1,671) | — | — |
| Net cash provided by investing activities | (1,671) | — | 310 |
| Cash flows from financing activities: | | | |
| Issuance of treasury stock, including net deferred compensation plan activity | — | — | 30 |
| Proceeds from stock option exercises and issuance of other equity instruments | 1,563 | 1,189 | 3,651 |
| Tax benefit from stock option exercises and other equity instrument issuances | 694 | 578 | 570 |
| Redemption of junior subordinated debentures | — | — | (10,310) |
| Cash dividends paid | (22,770) | (19,722) | (16,628) |
| Net cash used in financing activities | (20,513) | (17,955) | (22,687) |
| Net increase (decrease) in cash | (768) | 242 | 31 |
| Cash at beginning of year | 3,937 | 3,695 | 3,664 |
| Cash at end of year | \$3,169 | \$3,937 | \$3,695 |

(23) Sale of Business Line

On March 1, 2014, the Corporation sold its merchant processing service business line to a third party. The sale resulted in a net gain of \$6.3 million; after-tax \$4.0 million, or 24 cents per diluted share. In connection with the sale, Washington Trust incurred divestiture related costs of \$355 thousand; after-tax \$227 thousand, or 1 cent per diluted share, in the first quarter of 2014. The net proceeds received from the sale totaled \$7.2 million, including \$900 thousand of deferred revenue that can be earned over a 5-year period by providing business referrals to the buyer. We have recognized \$180 thousand in both 2015 and 2014 as other income as a result of this activity. As of December 31, 2015, \$540 thousand of deferred revenue remained to be earned under this arrangement.

ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.
None.

ITEM 9A. Controls and Procedures.

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as amended (the “Exchange Act”), the Corporation carried out an evaluation under the supervision and with the participation of the Corporation’s management, including the Corporation’s principal executive officer and principal financial officer, of the Corporation’s disclosure controls and procedures as of the end of the period ended December 31, 2015. Based upon that evaluation, the principal executive officer and principal financial officer concluded that the Corporation’s disclosure controls and procedures are effective and designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to the Corporation’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Corporation will continue to review and document its disclosure controls and procedures and consider such changes in future evaluations of the effectiveness of such controls and procedures, as it deems appropriate.

Internal Control Over Financial Reporting

The Corporation’s management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f). The Corporation’s internal control system was designed to provide reasonable assurance to its management and the Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. The Corporation’s management assessed the effectiveness of its internal control over financial reporting as of the end of the period covered by this report using the criteria described in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In addition, the effectiveness of the Corporation’s internal control over financial reporting as of the end of the period covered by this report has been audited by KPMG LLP, an independent registered public accounting firm.

There has been no change in our internal control over financial reporting during the fourth quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. In the third quarter of 2015, the Corporation completed its acquisition of Halsey Associates, Inc., as discussed previously. The Corporation has not yet completed the documentation, evaluation and testing of Halsey’s internal controls over financial reporting, which is ongoing.

ITEM 9B. Other Information.

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item appears under the captions “Proposal 1: Election of Directors,” “Board of Directors and Committees – Board Committees – Audit Committee,” “Executive Officers,” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Bancorp’s Proxy Statement dated March 28, 2016 prepared for the Annual Meeting of Shareholders to be held May 10, 2016, which is incorporated herein by reference.

The Corporation maintains a code of ethics that applies to all of the Corporation’s directors, officers and employees, including the Corporation’s principal executive officer, principal financial officer and principal accounting officer. This code of ethics is available on the Corporation’s website at www.washtrust.com, under the heading Investor Relations.

ITEM 11. Executive Compensation.

The information required by this Item appears under the captions “Compensation Discussion and Analysis,” “Director Compensation Table,” “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” in the Bancorp’s Proxy Statement for the 2016 Annual Meeting of Shareholders, which are incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Required information regarding security ownership of certain beneficial owners and management appears under the caption “Proposal 1: Election of Directors” in the Bancorp’s Proxy Statement for the 2016 Annual Meeting of Shareholders, which is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2015 regarding shares of common stock of the Bancorp that may be issued under our existing equity compensation plans, including the 2003 Plan and the 2013 Plan.

Equity Compensation Plan Information

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plan (excluding securities referenced in column (a)) |
|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| | (a) | (b) | (c) |
| Equity compensation plans approved by security holders (2) | 568,802 | \$26.84 | 1,666,829 |
| Equity compensation plans not approved by security holders— | | N/A | N/A |
| Total | 568,802 | \$26.84 | 1,666,829 |

(1) Does not include any shares already reflected in the Bancorp’s outstanding shares.

Consists of the 2003 Plan and the 2013 Plan. Under the 2013 Plan, the grant of any full value award (an award (2) other than an option or a stock appreciation award) shall be deemed, for the purposes determining the number of shares of stock available for issuance, as an award of 1.85 shares of stock for each such share subject to the award.

For performance share awards, amounts included represent the maximum amount of performance shares that could (3) be issued under existing awards. The actual shares issued may differ based on the attainment of performance goals.

(4) Does not include the effect of the nonvested share units awarded under the 2003 Plan and the 2013 Plan because these units do not have an exercise price.

(5) Includes up to 3,773 securities that may be issued in the form of nonvested shares under the 2003 Plan.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item is incorporated herein by reference to the captions “Indebtedness and Other Transactions,” “Policies and Procedures for Related Party Transactions” and “Corporate Governance – Director Independence” in the Bancorp’s Proxy Statement for the 2016 Annual Meeting of Shareholders.

ITEM 14. Principal Accounting Fees and Services.

The information required by this Item is incorporated herein by reference to the caption “Independent Registered Public Accounting Firm” in the Bancorp’s Proxy Statement for the 2016 Annual Meeting of Shareholders.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules.

- (a) 1. Financial Statements. The financial statements of the Corporation required in response to this Item are listed in response to Part II, Item 8 of this Annual Report on Form 10-K.
2. Financial Statement Schedules. All schedules normally required by Article 9 of Regulation S-X and all other schedules to the consolidated financial statements of the Corporation have been omitted because the required information is either not required, not applicable, or is included in the consolidated financial statements or notes thereto.
3. Exhibits. The following exhibits are included as part of this Form 10-K.

Exhibit
Number

- 3.1 Restated Articles of Incorporation of the Registrant – Filed as Exhibit 3.a to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2000. (1)
- 3.2 Amendment to Restated Articles of Incorporation – Filed as Exhibit 3.b to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2002. (1)
- 3.3 Amended and Restated By-Laws of the Registrant – Filed as Exhibit 3.4 to the Registrant’s Current Report on Form 8-K dated November 19, 2015. (1)
- 4.1 Transfer Agency and Registrar Services Agreement, between Registrant and American Stock Transfer & Trust Company, dated February 15, 2006 – Filed as Exhibit 4.1 on the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006. (1)
- 4.2 Agreement of Substitution and Amendment of Amended and Restated Rights Agreement, between Registrant and American Stock Transfer & Trust Company, dated February 15, 2006 – Filed as Exhibit 4.2 on the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006. (1)
- 4.3 Shareholder Rights Agreement, dated as of August 17, 2006, between Washington Trust Bancorp, Inc. and American Stock Transfer & Trust Company, as Rights Agent – Filed as Exhibit 4.1 to the Registrant’s Current Report on Form 8-K dated August 17, 2006. (1)
- 10.1 Form of Nonqualified Stock Option Certificate under the Washington Trust Bancorp, Inc. 2003 Stock Incentive Plan, as amended (employees) - Filed as Exhibit No. 10.2 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on June 17, 2005. (1) (2)
- 10.2 Form of Nonqualified Stock Option Certificate under the Washington Trust Bancorp, Inc. 2003 Stock Incentive Plan, as amended (members of the Board of Directors) – Filed as Exhibit No. 10.8 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on June 17, 2005. (1) (2)
- 10.3 Form of Incentive Stock Option Certificate under the Washington Trust Bancorp, Inc. 2003 Stock Incentive Plan, as amended – Filed as Exhibit No. 10.9 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on June 17, 2005. (1) (2)
- 10.4 2003 Stock Incentive Plan as Amended and Restated - Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on April 29, 2009. (1) (2)
- 10.5 The Registrant’s 2013 Stock Incentive Plan – Filed as Exhibit No. 10.1 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on April 23, 2013. (1) (2)
- 10.6 Amended and Restated Declaration of Trust of WT Capital Trust I dated August 29, 2005, by and among Wilmington Trust Company, as Delaware Trustee and Institutional Trustee, Washington Trust Bancorp, Inc., as Sponsor, and the Administrators listed therein – Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on September 1, 2005. (1)
- 10.7 Indenture dated as of August 29, 2005, between Washington Trust Bancorp, Inc., as Issuer, and Wilmington Trust Company, as Trustee – Filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on September 1, 2005. (1)

- 10.8 Guaranty Agreement dated August 29, 2005, by and between Washington Trust Bancorp, Inc. and Wilmington Trust Company – Filed as Exhibit 10.3 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on September 1, 2005. (1)
- 10.9 Certificate Evidencing Fixed/Floating Rate Capital Securities of WT Capital Trust I dated August 29, 2005 – Filed as Exhibit 10.4 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on September 1, 2005. (1)
- 10.10 Fixed/Floating Rate Junior Subordinated Deferrable Interest Debenture of Washington Trust Bancorp, Inc. dated August 29, 2005 – Filed as Exhibit 10.5 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on September 1, 2005. (1)
- 10.11 Amended and Restated Declaration of Trust of WT Capital Trust II dated August 29, 2005, by and among Wilmington Trust Company, as Delaware Trustee and Institutional Trustee, Washington Trust Bancorp, Inc., as Sponsor, and the Administrators listed therein – Filed as Exhibit 10.6 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on September 1, 2005. (1)
- 10.12 Indenture dated as of August 29, 2005, between Washington Trust Bancorp, Inc., as Issuer, and Wilmington Trust Company, as Trustee – Filed as Exhibit 10.7 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on September 1, 2005. (1)
- 10.13 Guaranty Agreement dated August 29, 2005, by and between Washington Trust Bancorp, Inc. and Wilmington Trust Company – Filed as Exhibit 10.8 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on September 1, 2005. (1)
- 10.14 Certificate Evidencing Capital Securities of WT Capital Trust II (Number of Capital Securities – 10,000) dated August 29, 2005 – Filed as Exhibit 10.9 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on September 1, 2005. (1)
- 10.15 Certificate Evidencing Capital Securities of WT Capital Trust II (Number of Capital Securities – 4,000) dated August 29, 2005 – Filed as Exhibit 10.10 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on September 1, 2005. (1)
- 10.16 Fixed/Floating Rate Junior Subordinated Debt Security due 2035 of Washington Trust Bancorp, Inc. dated August 29, 2005 – Filed as Exhibit 10.11 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on September 1, 2005. (1)
- 10.17 Form of Restricted Stock Units Certificate under the Washington Trust Bancorp, Inc. 2003 Stock Incentive Plan, as amended (employees) – Filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on May 19, 2006. (1) (2)
- 10.18 Form of Restricted Stock Units Certificate under the Washington Trust Bancorp, Inc. 2003 Stock Incentive Plan, as amended (members of the Board of Directors) – Filed as Exhibit 10.3 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on May 19, 2006. (1) (2)
- 10.19 Form of Restricted Stock Agreement under the Washington Trust Bancorp, Inc. 2003 Stock Incentive Plan, as amended (employees) – Filed as Exhibit 10.4 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on May 19, 2006. (1) (2)
- 10.20 Form of Restricted Stock Agreement under the Washington Trust Bancorp, Inc. 2003 Stock Incentive Plan, as amended (members of the Board of Directors) – Filed as Exhibit 10.5 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on May 19, 2006. (1) (2)
- 10.21 Amended and Restated Nonqualified Deferred Compensation Plan – Filed as Exhibit 10.1 to the Registrant’s Registration Statement on Form S-8 (File No. 333-146388) filed with the Securities and Exchange Commission on September 28, 2007. (1) (2)
- 10.22 Amended and Restated Supplemental Pension Benefit Plan – Filed as Exhibit 10.36 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007. (1) (2)
- 10.23 Amended and Restated Supplemental Executive Retirement Plan – Filed as Exhibit 10.37 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007. (1) (2)
- 10.24 Form and terms of Executive Severance Agreement – Filed as Exhibit 10.38 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007. (1) (2)

- 10.25 Form and terms of Deferred Stock Unit Award Agreement under the Washington Trust Bancorp, Inc. 2003 Stock Incentive Plan, as amended (employees) – Filed as Exhibit 10.6 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008. (1) (2)
- 10.26 First Amendment to The Washington Trust Company Nonqualified Deferred Compensation Plan As Amended and Restated– Filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008. (1) (2)
- 10.27 Share Purchase Agreement, dated October 2, 2008, by and among Washington Trust Bancorp, Inc. and the Purchasers – Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on October 2, 2008. (1)
- 10.28 Form and terms of Change in Control Agreement – Filed as Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009. (1) (2)
- 10.29 Compensatory agreement with an executive officer, dated July 16, 2009 – Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on July 24, 2009. (1) (2)
- 10.30 Terms of Change in Control Agreement with an executive officer, dated September 21, 2009 – Filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009. (1) (2)
- 10.31 Terms of Deferred Stock Unit Award Agreement with an executive officer, dated January 20, 2010 – Filed as Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010. (1) (2)
- 10.32 Terms of Change in Control Agreement with an executive officer, dated December 21, 2010 – Filed as Exhibit 10.49 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010. (1) (2)
- 10.33 Terms of Deferred Stock Unit Award Agreement with certain executive officers, dated January 18, 2011 – Filed as Exhibit 10.50 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010. (1) (2)
- 10.34 Terms of Deferred Stock Unit Award Agreement with certain executive officers, dated January 17, 2012 – Filed as Exhibit 10.51 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011. (1) (2)
- 10.35 Compensatory agreement with an executive officer, dated June 20, 2012 – Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on June 28, 2012. (1) (2)
- 10.36 Terms of Change in Control Agreement with an executive officer, dated January 10, 2013 – Filed as Exhibit 10.53 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2012. (1) (2)
- 10.37 Terms of Deferred Stock Unit Award Agreement with certain executive officers, dated January 22, 2013 – Filed as Exhibit 10.54 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2012. (1) (2)
- 10.38 Compensatory agreement with an executive officer, dated September 19, 2013 – Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on September 25, 2013. (1) (2)
- 10.39 Separation Agreement with an executive officer, dated June 12, 2013 – Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on June 12, 2013. (1) (2)
- 10.40 Amendment to Supplemental Pension Benefit Plan – Filed as Exhibit 10.49 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. (1) (2)
- 10.41 Amended and Restated Annual Performance Plan, dated December 16, 2013 – Filed as Exhibit 10.50 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. (1) (2)
- 10.42 Amended and Restated Wealth Management Business Building Incentive Plan, dated March 3, 2014 – Filed as Exhibit 10.51 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. (1) (2)

- 10.43 Terms of Deferred Stock Unit Award Agreement with certain executive officers, dated March 3, 2014 – Filed as Exhibit 10.52 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. (1) (2)
- 10.44 Form of Nonqualified Stock Option Certificate and Statement of Terms and Conditions under the Washington Trust Bancorp, Inc. 2013 Stock Option and Incentive Plan for non-employee directors – Filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014. (1) (2)
- 10.45 Form of Nonqualified Stock Option Certificate and Statement of Terms and Conditions under the Washington Trust Bancorp, Inc. 2013 Stock Option and Incentive Plan for employees – Filed as Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014. (1) (2)
- 10.46 Form of Restricted Stock Agreement under the Washington Trust Bancorp, Inc. 2013 Stock Option and Incentive Plan for non-employee directors – Filed as Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014. (1) (2)
- 10.47 Form of Restricted Stock Agreement under the Washington Trust Bancorp, Inc. 2013 Stock Option and Incentive Plan for employees – Filed as Exhibit 10.4 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014. (1) (2)
- 10.48 Form of Restricted Stock Unit Certificate and Statement of Terms and Conditions under the Washington Trust Bancorp, Inc. 2013 Stock Option and Incentive Plan for non-employee directors – Filed as Exhibit 10.5 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014. (1) (2)
- 10.49 Form of Restricted Stock Unit Certificate and Statement of Terms and Conditions under the Washington Trust Bancorp, Inc. 2013 Stock Option and Incentive Plan for employees – Filed as Exhibit 10.6 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014. (1) (2)
- 10.50 Form of Performance Share Unit Award Agreement under the Washington Trust Bancorp, Inc. 2013 Stock Option and Incentive Plan for employees – Filed as Exhibit 10.7 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014. (1) (2)
- 10.51 Form of Incentive Stock Option Certificate and Statement of Terms and Conditions under the Washington Trust Bancorp, Inc. 2013 Stock Option and Incentive Plan for employees – Filed as Exhibit 10.8 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014. (1) (2)
- 10.52 Form of First Amendment to Change in Control Agreement – Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on August 5, 2014. (1) (2)
- 10.53 Fourth Amendment to The Washington Trust Company Nonqualified Deferred Compensation Plan as Amended and Restated – Filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014. (1) (2)
- 10.54 Form of Amended and Restated Change in Control Agreement – Filed as Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014. (1) (2)
- 10.55 Terms of Amended and Restated Change in Control Agreement – Filed as Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014. (1) (2)
- 10.56 Fifth Amendment to The Washington Trust Company Nonqualified Deferred Compensation Plan as Amended and Restated – Filed as Exhibit 10.61 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014. (1) (2)
- 10.57 Terms of Deferred Stock Unit Award Agreement with certain executive officers, dated January 20, 2015 – Filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015. (1) (2)
- 10.58 Terms of Amended and Restated Change in Control with an executive officer, dated June 1, 2015 – Filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015. (1) (2)
- 10.59 Sixth Amendment to The Washington Trust Company Nonqualified Deferred Compensation Plan as Amended and Restated – Filed as Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015. (1) (2)
- 10.60

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Form and terms of Split-Dollar Agreement with certain executive officers – Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015. (1) (2)

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- 10.61 Terms of Deferred Stock Unit Award Agreement with certain executive officers, dated January 20, 2016 – Filed herewith. (2)
- 14.1 Amended and Restated Code of Ethics and Standards of Personal Conduct, dated December 19, 2013 – Filed as Exhibit 14.1 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. (1)
- 21.1 Subsidiaries of the Registrant – Filed as Exhibit 21.1 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008. (1)
- 23.1 Consent of Independent Accountants – Filed herewith.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Filed herewith.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Filed herewith.
- 32.1 Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Furnished herewith. (3)
- 101 The following materials from Washington Trust Bancorp, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Comprehensive Income (v) the Consolidated Statements of Cash Flows, and (vi) related notes to these financial statements - Filed herewith.
- (1) Not filed herewith. In accordance with Rule 12b-32 promulgated pursuant to the Exchange Act, reference is made to the documents previously filed with the SEC, which are incorporated by reference herein.
- (2) Management contract or compensatory plan or arrangement.
- (3) These certifications are not “filed” for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing under the Securities Act or the Exchange Act.
- (b) See (a)(3) above for all exhibits filed herewith and the Exhibit Index.
- (c) Financial Statement Schedules. None.

Date: March 8, 2016

/s/ Victor J. Orsinger II
Victor J. Orsinger II, Director

Date: March 8, 2016

/s/ H. Douglas Randall III
H. Douglas Randall, III, Director

Date: March 8, 2016

/s/ Edwin J. Santos
Edwin J. Santos, Director

Date: March 8, 2016

/s/ John F. Treanor
John F. Treanor, Director

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