WASHINGTON TRUST BANCORP INC
Form 10-Q/A
November 20, 2007

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

FORM 10-Q/A

(Amendment No. 1 to)

(Mark One)
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **JUNE 30, 2007** or

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ______ to ______.

Commission file number: 000-13091

WASHINGTONTRUSTBANCORP,INC.

(Exact name of registrant as specified in its charter)

RHODE ISLAND (State or other jurisdiction of incorporation or organization)	**05-0404671** (I.R.S. Employer Identification No.)
23 BROAD STREET **WESTERLY, RHODE ISLAND** (Address of principal executive offices)	**02891** (Zip Code)
(401) 348-1200 (Registrant's telephone number, including area code)	

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes x No

The number of shares of common stock of the registrant outstanding as of July 31, 2007 was 13,304,518.

Table of Contents

EXPLANATORY NOTE

We are filing this Amendment No. 1 to our Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2007, originally filed with the Securities and Exchange Commission (the “SEC”) on August 8, 2007 (the “Original Filing”), to restate our consolidated financial statements as of June 30, 2007 and for the three and six months ended June 30, 2007. Please refer to Note 1 of our consolidated financial statements for additional information relating to the restatement of our consolidated financial statements.

On October 30, 2007, we announced that we identified accounting errors related to sales of certain held to maturity investment securities conducted in the second quarter of 2007. Based on our assessment of the provisions of Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Liabilities” (“SFAS No. 159”), on April 12, 2007 we had decided to implement early adoption of SFAS No. 159. In connection with this, we selected the fair value option for certain U.S. Government sponsored agency and mortgage-backed securities with lower coupons and slower prepayment characteristics in the held to maturity portfolio totaling approximately $61.9 million. A portfolio restructuring plan was also undertaken to reduce interest rate risk and improve net interest margin, which included the sale of these securities. On Friday April 13, 2007 we executed sale trades for these held to maturity securities. At the time of the sales transactions the historical amortized cost basis of the sold securities exceeded the total sales price by $1.7 million. On Monday April 16, 2007 additional information became available regarding clarifications of the interpretation of the application of SFAS No. 159 by applicable regulatory and accounting industry bodies that led us to conclude that the application of SFAS No. 159 to our transactions might be inconsistent with the intent and spirit of SFAS No. 159. Consequently, we decided not to early-adopt SFAS No. 159.

In connection with that decision, we were able to promptly execute purchase trade transactions for the identical securities prior to the sales settlement date for approximately $49.9 million of the $61.9 million total, with the intent that, in substance, the sale transaction would be offset for these securities. The reacquired securities were retained in the held to maturity portfolio at the original pre-sale amortized cost and a $1.4 million loss on the sale of the reacquired securities was not recognized. The sale and reacquisition of the $49.9 million in held to maturity securities as well as certain other investing and financing transactions conducted in connection with the portfolio restructuring strategy were similarly treated in an offset manner and these transaction amounts were incorrectly omitted from the consolidated statement of cash flows for the period ended June 30, 2007; the correction for these other investing and financing transactions had no effect on net income. For the reacquired securities, the reacquisition price exceeded the selling price by $153 thousand and an expense of this amount was recognized in other noninterest expense in the second quarter of 2007. Also in the second quarter of 2007, a realized securities loss in the amount of $261 thousand was recognized on the securities that were sold but not reacquired. We discussed the accounting treatment described above with KPMG LLP, our independent registered public accounting firm, in connection with its quarterly review process.

Based on a recent review of these transactions, in consultation with KPMG, we have determined that the offsetting of the April 13, 2007 sales and subsequent reacquisition of identical securities was incorrect and that the sale transactions should have been recognized with a $1.4 million realized securities loss and corresponding reduction in the carrying value of the reacquired securities.

Also, we have determined that the remaining held to maturity portfolio should have been reclassified to the available for sale category. This reclassification has been recognized as of April 13, 2007. Accordingly, the effect on the June 30, 2007 consolidated balance sheet was to reclassify the portfolio of held to maturity securities to the available for sale category, which resulted in a $1.6 million reduction in shareholders’ equity. We will not be able to classify securities in the held to maturity category for a period of two years from the April 13, 2007 sales date as a result of this action.

The correction to reduce the cost basis of the reacquired securities results in a change to the accretion of discount for these securities, which is recognized in interest income until their maturity dates. The resulting additional amount of accretion income recognized on these securities was $79 thousand in each of the quarters ended June 30, 2007 and September 30, 2007.

For the quarter ended June 30, 2007, the accounting corrections for these transactions, including recognition of the realized loss on the sales transactions and other related changes, result in an after-tax reduction in net income of

Table of Contents

$828 thousand, or 6 cents per diluted share, from $6.3 million, or 46 cents per diluted share, to $5.5 million, or 40 cents per diluted share. For the six-month period ended June 30, 2007 the accounting corrections result in a reduction in net income from $12.3 million, or 90 cents per diluted share, to $11.5 million, or 84 cents per diluted share.

On October 24, 2007, management, in consultation with KPMG, concluded that the Corporation's interim financial statements for the period ended June 30, 2007 should be restated and that the Corporation's financial statements for the quarter ended June 30, 2007 should no longer be relied upon. The Audit Committee of our Board of Directors has thoroughly reviewed this matter and, on October 26, 2007, approved management's conclusion.

This Form 10-Q/A does not reflect events occurring after the filing of the Original Filing on August 8, 2007 or modify or update those disclosures affected by subsequent events or discoveries. Information not affected by this disclosure is unchanged and reflects the disclosures made at the time of the Original Filing on August 8, 2007. Accordingly, this Form 10-Q/A should be read in conjunction with our filings that we have made with the SEC subsequent to the filing of the Original Filing, which include our Current Reports on Form 8-K.

We have amended disclosures presented in the Original Filing as required to reflect the matters described above and accordingly, have amended only the following items:

- Part I—Item 1—Financial Statements
- Part I—Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part I—Item 3—Quantitative and Qualitative Disclosures About Market Risk
- Part II—Item 6—Exhibits

The other items of the Original Filing have not been amended and, accordingly, have not been repeated in this Form 10-Q/A.

In addition, in accordance with applicable SEC rules, this Form 10-Q/A includes updated certifications from our chief executive officer and chief financial officer as Exhibits 31.1, 31.2, 32.1 and 32.2.

Table of Contents

FORM 10-Q/A
WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES
For the Quarter Ended June 30, 2007

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES

(Dollars in thousands)

CONSOLIDATED BALANCE SHEETS (Unaudited)

	As Restated June 30, 2007	December 31, 2006
Assets:		
Cash and due from banks	$ 36,942	$ 54,337
Federal funds sold	19,175	16,425
Other short-term investments	1,899	1,147
Mortgage loans held for sale	4,132	2,148
Securities:		
Available for sale, at fair value; amortized cost $683,104 in 2007 and $525,966 in 2006	676,204	526,396
Held to maturity, at cost; fair value $175,369 in 2006	–	177,455
Total securities	676,204	703,851
Federal Home Loan Bank stock, at cost	28,727	28,727
Loans:		
Commercial and other	622,988	587,397
Residential real estate	583,392	588,671
Consumer	282,794	283,918
Total loans	1,489,174	1,459,986
Less allowance for loan losses	19,327	18,894
Net loans	1,469,847	1,441,092
Premises and equipment, net	26,293	24,307
Accrued interest receivable	11,145	11,268
Investment in bank-owned life insurance	40,560	39,770
Goodwill	44,558	44,558
Identifiable intangible assets, net	12,100	12,816
Other assets	22,300	18,719
Total assets	$ 2,393,882	$ 2,399,165
Liabilities:		
Deposits:		
Demand deposits	$ 177,210	$ 186,533
NOW accounts	174,715	175,479
Money market accounts	290,046	286,998
Savings accounts	196,105	205,998
Time deposits	831,013	822,989
Total deposits	1,669,089	1,677,997
Dividends payable	2,667	2,556
Federal Home Loan Bank advances	468,827	474,561
Junior subordinated debentures	22,681	22,681
Other borrowings	27,574	14,684
Accrued expenses and other liabilities	31,856	33,630
Total liabilities	2,222,694	2,226,109
Shareholders' Equity:		
Common stock of $.0625 par value; authorized 30,000,000 shares; issued 13,492,110 in 2007 and 2006	843	843

Paid-in capital	35,734	35,893
Retained earnings	147,657	141,548
Accumulated other comprehensive loss	(8,109)	(3,515)
Treasury stock, at cost; 186,972 shares in 2007 and 62,432 shares in 2006	(4,937)	(1,713)
Total shareholders’ equity	171,188	173,056
Total liabilities and shareholders’ equity	$ 2,393,882	$ 2,399,165

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

Table of Contents

WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

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

	Three Months		Six Months	
	As Restated		As Restated	
Periods ended June 30,	2007	2006	2007	2006
Interest income:				
Interest and fees on loans	$ 24,414	$ 23,130	$ 48,348	$ 45,027
Interest on securities:				
Taxable	7,839	8,648	15,631	17,060
Nontaxable	759	371	1,427	699
Dividends on corporate stock and Federal Home Loan Bank stock	685	249	1,403	926
Interest on federal funds sold and other short-term investments	184	150	375	265
Total interest income	33,881	32,548	67,184	63,977
Interest expense:				
Deposits	13,215	11,161	26,192	21,399
Federal Home Loan Bank advances	5,112	5,745	10,080	11,104
Junior subordinated debentures	338	338	676	676
Other	289	87	439	166
Total interest expense	18,954	17,331	37,387	33,345
Net interest income	14,927	15,217	29,797	30,632
Provision for loan losses	300	300	600	600
Net interest income after provision for loan losses	14,627	14,917	29,197	30,032
Noninterest income:				
Wealth management services:				
Trust and investment advisory fees	5,252	4,682	10,290	9,309
Mutual fund fees	1,352	1,214	2,614	2,344
Financial planning, commissions and other service fees	889	841	1,459	1,524
Wealth management services	7,493	6,737	14,363	13,177
Service charges on deposit accounts	1,220	1,236	2,345	2,355
Merchant processing fees	1,829	1,656	3,033	2,703
Income from bank-owned life insurance	399	346	790	625
Net gains on loan sales and commissions on loans originated for others	510	336	774	612
Net realized (losses) gains on securities	(700)	765	336	824
Other income	372	371	730	671
Total noninterest income	11,123	11,447	22,371	20,967
Noninterest expense:				
Salaries and employee benefits	10,285	9,830	20,097	19,449
Net occupancy	1,038	1,018	2,055	1,972
Equipment	861	881	1,693	1,680
Merchant processing costs	1,558	1,407	2,577	2,294
Outsourced services	535	496	1,054	1,014
Advertising and promotion	572	681	1,001	1,118
Legal, audit and professional fees	404	403	854	779
Amortization of intangibles	348	406	716	811

Debt prepayment penalties		-		–		1,067		–
Other		2,159		2,158		3,755		3,867
Total noninterest expense		17,760		17,280		34,869		32,984
Income before income taxes		7,990		9,084		16,699		18,015
Income tax expense		2,508		2,907		5,242		5,765
Net income	$	5,482	$	6,177	$	11,457	$	12,250
Weighted average shares outstanding - basic		13,339.6		13,419.9		13,375.7		13,403.4
Weighted average shares outstanding - diluted		13,616.4		13,703.2		13,667.6		13,699.6
Per share information:								
Basic earnings per share	$	0.41	$	0.46	$	0.86	$	0.91
Diluted earnings per share	$	0.40	$	0.45	$	0.84	$	0.89
Cash dividends declared per share	$	0.20	$	0.19	$	0.40	$	0.38

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

-4-

Table of Contents

WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Dollars in thousands)

Six months ended June 30,		As Restated 2007	2006
Cash flows from operating activities:			
Net income		$ 11,457	$ 12,250
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses		600	600
Depreciation of premises and equipment		1,464	1,513
Loss on disposal of premises and equipment		23	–
Net amortization of premium and discount		354	791
Net amortization of intangibles		716	811
Share-based compensation		323	360
Non-cash charitable contribution		520	513
Earnings from bank-owned life insurance		(790)	(625)
Net gains on loan sales		(774)	(612)
Net realized gains on sales of securities		(336)	(824)
Proceeds from sales of loans		28,293	18,208
Loans originated for sale		(29,811)	(18,646)
Decrease (increase) in accrued interest receivable, excluding purchased interest		137	(51)
Increase in other assets		(987)	(1,562)
(Decrease) increase in accrued expenses and other liabilities		(1,635)	42
Other, net		(2)	8
Net cash provided by operating activities		9,552	12,776
Cash flows from investing activities:			
Purchases of:	Mortgage-backed securities available for sale	(113,649)	(23,854)
	Other investment securities available for sale	(33,896)	(41,868)
	Other investment securities held to maturity	(12,882)	(12,526)
Proceeds from sale of:	Mortgage-backed securities available for sale	47,938	–
	Other investment securities available for sale	9,438	706
	Mortgage-backed securities held to maturity	38,501	–
	Other investment securities held to maturity	21,698	–
Maturities and principal payments of:	Mortgage-backed securities available for sale	32,583	49,168
	Other investment securities available for sale	6,432	–
	Mortgage-backed securities held to maturity	3,191	8,965

Other investment securities held to maturity		20,490		7,685
Remittance of Federal Home Loan Bank stock		–		1,051
Net increase in loans		(24,880)		(8,016)
Purchases of loans, including purchased interest		(4,265)		(21,592)
Purchases of premises and equipment		(3,473)		(2,037)
Purchases of bank-owned life insurance		–		(8,000)
Payment of deferred acquisition obligation		(6,720)		–
Net cash used in investing activities		(19,494)		(50,318)
Cash flows from financing activities:				
Net (decrease) increase in deposits		(8,908)		31,541
Net increase (decrease) in other borrowings		19,610		(2,601)
Proceeds from Federal Home Loan Bank advances		391,719		338,104
Repayment of Federal Home Loan Bank advances		(397,433)		(339,814)
Purchases of treasury stock, including deferred compensation plan activity		(4,264)		(91)
Proceeds from the issuance of common stock under dividend reinvestment plan		–		610
Proceeds from the exercise of share options		320		523
Tax benefit from share option exercises		242		241
Cash dividends paid		(5,237)		(4,959)
Net cash (used in) provided by financing activities		(3,951)		23,554
Net decrease in cash and cash equivalents		(13,893)		(13,988)
Cash and cash equivalents at beginning of year		71,909		66,163
Cash and cash equivalents at end of period	$	58,016	$	52,175

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

Table of Contents

WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES **(Dollars in thousands)**
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) **(Continued)**

Six months ended June 30,		As Restated 2007	2006
Noncash Investing and Financing Activities:			
	Loans charged off	$ 370	$ 151
	Held to maturity securities transferred to available for sale	162,997	–
Supplemental Disclosures:	Interest payments	37,588	32,588
	Income tax payments	6,309	6,400

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

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

General

Washington Trust Bancorp, Inc. (the "Bancorp") is a publicly-owned registered bank holding company and financial holding company. The Bancorp owns all of the outstanding common stock of The Washington Trust Company (the "Bank"), a Rhode Island chartered commercial bank founded in 1800. Through its subsidiaries, the Bancorp offers a complete product line of financial services to individuals and businesses including commercial, residential and consumer lending, retail and commercial deposit products, and wealth management services through its branch offices in Rhode Island, Massachusetts and southeastern Connecticut, ATMs, and its Internet web site (www.washtrust.com).

(1) Basis of Presentation

The consolidated financial statements include the accounts of the Bancorp and its subsidiaries (collectively, the "Corporation" or "Washington Trust"). All significant intercompany transactions have been eliminated. Certain prior year amounts have been reclassified to conform to the current year classification. Such reclassifications have no effect on previously reported net income or shareholders' equity.

The accounting and reporting policies of the Corporation conform to U.S. generally accepted accounting principles ("GAAP") and to general practices of the banking industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to near-term change are the determination of the allowance for loan losses and tax estimates.

In the opinion of management, the accompanying consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) and disclosures necessary to present fairly the Corporation's financial position as of June 30, 2007 and December 31, 2006, respectively, and the results of operations and cash flows for the interim periods presented. Interim results are not necessarily reflective of the results of the entire year. The unaudited consolidated financial statements of the Corporation presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by GAAP. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in Washington Trust's Annual Report on Form 10-K for the year ended December 31, 2006.

In the Corporation's quarterly report on Form 10-Q for the quarter ended March 31, 2007, a $6.7 million deferred acquisition obligation payment was misclassified as a financing activity, in the line item "Net increase in other borrowings," in the Consolidated Statements of Cash Flows. The Consolidated Statement of Cash Flows for the six months ended June 30, 2007 has been corrected to properly report this first quarter payment as an investing activity, in the line item "Payment of deferred acquisition obligation."

The following table presents the impact of the misclassification on the Consolidated Statements of Cash Flows for the three months ended March 31, 2007:

(Dollars in thousands)

Three Months ended March 31, 2007	As Reported	Reclass	As Adjusted
Net cash used in investing activities	$ (11,849)	$ (6,720)	$ (18,569)

Net cash (used in) provided by financing activities	(4,886)	6,720	1,834

Table of Contents

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

On November 20, 2007, we filed an Amendment No. 1 to our Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2007, originally filed with the SEC on August 8, 2007, to restate our consolidated financial statements as of June 30, 2007 and for the three and six months ended June 30, 2007.

On October 30, 2007, we announced that we identified accounting errors related to sales of certain held to maturity investment securities conducted in the second quarter of 2007. Based on our assessment of the provisions of SFAS No. 159, on April 12, 2007 we had decided to implement early adoption of SFAS No. 159. In connection with this, we selected the fair value option for certain U.S. Government sponsored agency and mortgage-backed securities with lower coupons and slower prepayment characteristics in the held to maturity portfolio totaling approximately $61.9 million. A portfolio restructuring plan was also undertaken to reduce interest rate risk and improve net interest margin, which included the sale of these securities. On Friday April 13, 2007 we executed sale trades for these held to maturity securities. At the time of the sales transactions the historical amortized cost basis of the sold securities exceeded the total sales price by $1.7 million. On Monday April 16, 2007 additional information became available regarding clarifications of the interpretation of the application of SFAS No. 159 by applicable regulatory and accounting industry bodies that led us to conclude that the application of SFAS No. 159 to our transactions might be inconsistent with the intent and spirit of SFAS No. 159. Consequently, we decided not to early-adopt SFAS No. 159.

In connection with that decision, we were able to promptly execute purchase trade transactions for the identical securities prior to the sales settlement date for approximately $49.9 million of the $61.9 million total, with the intent that, in substance, the sale transaction would be offset for these securities. The reacquired securities were retained in the held to maturity portfolio at the original pre-sale amortized cost and a $1.4 million loss on the sale of the reacquired securities was not recognized. The sale and reacquisition of the $49.9 million in held to maturity securities as well as certain other investing and financing transactions conducted in connection with the portfolio restructuring strategy were similarly treated in an offset manner and these transaction amounts were incorrectly omitted from the consolidated statement of cash flows for the period ended June 30, 2007; the correction for these other investing and financing transactions had no effect on net income. For the reacquired securities, the reacquisition price exceeded the selling price by $153 thousand and an expense of this amount was recognized in other noninterest expense in the second quarter of 2007. Also in the second quarter of 2007, a realized securities loss in the amount of $261 thousand was recognized on the securities that were sold but not reacquired. We discussed the accounting treatment described above with KPMG LLP, our independent registered public accounting firm, in connection with its quarterly review process.

Based on a recent review of these transactions, in consultation with KPMG, we have determined that the offsetting of the April 13, 2007 sales and subsequent reacquisition of identical securities was incorrect and that the sale transactions should have been recognized with a $1.4 million realized securities loss and corresponding reduction in the carrying value of the reacquired securities.

Also, we have determined that the remaining held to maturity portfolio should have been reclassified to the available for sale category. This reclassification has been recognized as of April 13, 2007. Accordingly, the effect on the June 30, 2007 consolidated balance sheet was to reclassify the portfolio of held to maturity securities to the available for sale category, which resulted in a $1.6 million reduction in shareholders' equity. We will not be able to classify securities in the held to maturity category for a period of two years from the April 13, 2007 sales date as a result of this action.

The correction to reduce the cost basis of the reacquired securities results in a change to the accretion of discount for these securities, which is recognized in interest income until their maturity dates. The resulting additional amount of accretion income recognized on these securities was $79 thousand in each of the quarters ended June 30, 2007 and September 30, 2007.

For the quarter ended June 30, 2007, the accounting corrections for these transactions, including recognition of the realized loss on the sales transactions and other related changes, result in an after-tax reduction in net income of $828 thousand, or 6 cents per diluted share, from $6.3 million, or 46 cents per diluted share, to $5.5 million, or 40 cents per diluted share. For the six-month period ended June 30, 2007 the accounting corrections result in a reduction in net income from $12.3 million, or 90 cents per diluted share, to $11.5 million, or 84 cents per diluted share.

Table of Contents

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

On October 24, 2007, management, in consultation with KPMG, concluded that the Corporation's interim financial statements for the period ended June 30, 2007 should be restated and that the Corporation's financial statements for the quarter ended June 30, 2007 should no longer be relied upon. The Audit Committee of our Board of Directors has thoroughly reviewed this matter and, on October 26, 2007, approved management's conclusion.

The following tables summarize the effect of the restatement adjustments on the consolidated financial statements as of and for the three and six months ended June 30, 2007:

Consolidated Balance Sheet (unaudited)	**As of June 30, 2007**		
(Dollars in thousands)	As Reported	Adjustment	As Restated
Available for sale securities	$ 525,688	$ 150,516	$ 676,204
Held to maturity securities	154,171	(154,171)	–
Total securities	679,859	(3,655)	676,204
Other assets	21,063	1,237	22,300
Total assets	2,396,300	(2,418)	2,393,882
Retained earnings	148,485	(828)	147,657
Accumulated other comprehensive loss	(6,519)	(1,590)	(8,109)
Shareholders' equity	173,606	(2,418)	171,188
Total liabilities and shareholders' equity	2,396,300	(2,418)	2,393,882

Consolidated Statement of Income (unaudited)	**Three Months Ended June 30, 2007**		
(Dollars in thousands, except per share amounts)	As Reported	Adjustment	As Restated
Interest income on taxable securities	$ 7,709	$ 130	$ 7,839
Interest expense on Federal Home Loan Bank advances	5,063	49	5,112
Net interest income	14,846	81	14,927
Net interest income after provision for loan losses	14,546	81	14,627
Net realized gains (losses) on securities	705	(1,405)	(700)
Total noninterest income	12,528	(1,405)	11,123
Other noninterest expense	2,274	(115)	2,159
Total noninterest expense	17,875	(115)	17,760
Income before taxes	9,199	(1,209)	7,990
Income tax expense	2,889	(381)	2,508
Net income	6,310	(828)	5,482
Basic earnings per share	$ 0.47	$ (0.06)	$ 0.41
Diluted earnings per share	$ 0.46	$ (0.06)	$ 0.40

Table of Contents

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

Consolidated Statement of Income (unaudited)

(Dollars in thousands, except per share amounts)	Six Months Ended June 30, 2007 As Reported	Adjustment	As Restated
Interest income on taxable securities	$ 15,501	$ 130	$ 15,631
Interest expense on FHLB advances	10,031	49	10,080
Net interest income	29,716	81	29,797
Net interest income after provision for loan losses	29,116	81	29,197
Net realized gains on securities	1,741	(1,405)	336
Total noninterest income	23,776	(1,405)	22,371
Other noninterest expense	3,870	(115)	3,755
Total noninterest expense	34,984	(115)	34,869
Income before taxes	17,908	(1,209)	16,699
Income tax expense	5,623	(381)	5,242
Net income	12,285	(828)	11,457
Basic earnings	$ 0.92	$ (0.06)	$ 0.86
Diluted earnings	$ 0.90	$ (0.06)	$ 0.84

Consolidated Statement of Cash Flows (unaudited)

(Dollars in thousands)	Six Months Ended June 30, 2007 As Reported	Adjustment	As Restated
Cash flows from operating activities:			
Net income	$ 12,285	$ (828)	$ 11,457
Adjustments to reconcile net income to net cash provided by operating activities:			
Net amortization of premium and discount	433	(79)	354
Net realized gains on sales of securities	(1,741)	1,405	(336)
Increase in other assets	(607)	(380)	(987)
Net cash provided by operating activities	9,434	118	9,552
Cash flows from investing activities:			
Purchases of:			
Mortgage-backed securities available for sale	(29,065)	(84,584)	(113,649)
Other investment securities available for sale	(18,865)	(15,031)	(33,896)
Mortgage-backed securities held to maturity	–	–	–
Other investment securities held to maturity	(16,011)	3,129	(12,882)
Proceeds from sale of:			
Mortgage-backed securities available for sale	–	47,938	47,938
Other investment securities available for sale	9,438	–	9,438
Mortgage-backed securities held to maturity	1,954	36,547	38,501
Other investment securities held to maturity	9,815	11,883	21,698
Maturities and principal payments of:			
Mortgage-backed securities available for sale	29,542	3,041	32,583
Other investment securities available for sale	5,982	450	6,432
Mortgage-backed securities held to maturity	6,232	(3,041)	3,191
Other investment securities held to maturity	20,940	(450)	20,490

Net cash used in investing activities	(19,376)	(118)	(19,494)
Cash flows from financing activities:			
Proceeds from Federal Home Loan Bank advances	344,719	47,000	391,719
Repayment of Federal Home Loan Bank advances	(350,433)	(47,000)	(397,433)
Net cash provided by financing activities	(3,951)	–	(3,951)
Net decrease in cash and cash and cash equivalents	(13,893)	–	(13,893)

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

(2) New Accounting Pronouncements

In February 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140," ("SFAS No. 155"). This Statement eliminates the exemption from applying SFAS No. 133 to interests in securitized financial assets so that similar instruments are accounted for similarly regardless of the form of the instruments. This Statement also allows a preparer to elect fair value measurement at acquisition, at issuance, or when a previously recognized financial instrument is subject to a remeasurement event, on an instrument-by-instrument basis, in cases in which a derivative would otherwise have to be bifurcated. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. Provisions of this Statement may be applied to instruments that an entity holds at the date of adoption on an instrument-by-instrument basis. Prior periods should not be restated. The adoption of SFAS No. 155 did not have a material impact on the Corporation's financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140," ("SFAS No. 156"). This Statement requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value. SFAS No. 156 permits, but does not require, the subsequent measurement of servicing assets and servicing liabilities at fair value. An entity that used derivative instruments to mitigate the risks inherent in servicing assets and servicing liabilities is required to account for those derivative instruments at fair value. SFAS No. 156 is effective as of the beginning of the first fiscal year that begins after September 15, 2006. The adoption of SFAS No. 156 did not have a material impact on the Corporation's financial position or results of operations.

Effective January 1, 2007, the Corporation adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48 did not have a material impact on the Corporation's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures of fair value measurements. SFAS No. 157 applies to the accounting principles that currently use fair value measurement, and does not require any new fair value measurements. The expanded disclosures focus on the inputs used to measure fair value as well as the effect of the fair value measurements on earnings. This Statement is effective as of the beginning of the first fiscal year beginning after November 15, 2007 and interim periods within that fiscal year. The Corporation believes the adoption of SFAS No. 157 will not have a material impact on the Corporation's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans (an amendment of FASB Statements No. 87, 88, 106 and 132R)" ("SFAS No. 158"). The recognition and disclosure provisions of SFAS No. 158 were adopted by the Corporation for the fiscal year ended December 31, 2006. Upon adoption, the funded status of an employer's postretirement benefit plan was recognized in the statement of financial position and the changes in funded status of the defined benefit plan, including actuarial gains and losses and prior service costs and credits were recognized in comprehensive income. The requirement to measure the plan' assets and obligations as of the employers fiscal year end is effective for fiscal years ending after December 15, 2008. The Corporation is currently evaluating the impact the measurement date provisions of SFAS No. 158 will have on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Liabilities – Including an amendment to FASB No. 115" ("SFAS No. 159"). This Statement permits entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) may be applied instrument-by-instrument with certain exceptions, (ii) is irrevocable (unless a new election date occurs) and

Table of Contents

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

(iii) is applied only to entire instruments and not to portions of instruments. This Statement is effective as of the beginning of the first fiscal year that begins after November 15, 2007. Early adoption was permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elected to apply the provisions of SFAS No. 157, "Fair Value Instruments." Based on our assessment of the provisions of SFAS No. 159, on April 12, 2007 we had decided to implement early adoption of SFAS No. 159. In connection with this, we selected the fair value option for certain U.S. Government sponsored agency and mortgage-backed securities with lower coupons and slower prepayment characteristics in the held to maturity portfolio totaling approximately $61.9 million. A portfolio restructuring plan was also undertaken to reduce interest rate risk and improve net interest margin, which included the sale of these securities. On Friday April 13, 2007 we executed sale trades for these held to maturity securities. At the time of the sales transactions the historical amortized cost basis of the sold securities exceeded the total sales price by $1.7 million. On Monday April 16, 2007 additional information became available regarding clarifications of the interpretation of the application of SFAS No. 159 by applicable regulatory and accounting industry bodies that led us to conclude that the application of SFAS No. 159 to our transactions might be inconsistent with the intent and spirit of SFAS No. 159. Consequently, we decided not to early-adopt SFAS No. 159. See further discussion in the Explanatory Note and in Note 3.

(3) Securities

Securities available for sale are summarized as follows:

(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2007 (As Restated)				
U.S. Treasury obligations and obligations				
of U.S. government-sponsored agencies	$ 173,342	$ 19	$ (1,124)	$ 172,237
Mortgage-backed securities issued by				
U.S. government-sponsored agencies	357,164	857	(7,337)	350,684
States and political subdivisions	81,173	6	(1,966)	79,213
Trust preferred securities	33,317	206	(192)	33,331
Corporate bonds	24,968	33	(142)	24,859
Corporate stocks	13,140	3,063	(323)	15,880
Total	683,104	4,184	(11,084)	676,204
December 31, 2006				
U.S. Treasury obligations and obligations				
of U.S. government-sponsored agencies	157,383	778	(876)	157,285
Mortgage-backed securities issued by				
U.S. government-sponsored agencies	298,038	923	(5,174)	293,787
Trust preferred securities	30,571	208	(205)	30,574
Corporate bonds	24,998	83	(47)	25,034
Corporate stocks	14,976	4,915	(175)	19,716
Total	$ 525,966	$ 6,907	$ (6,477)	$ 526,396

Securities held to maturity are summarized as follows:

(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value

December 31, 2006								
U.S. Treasury obligations and obligations								
of U.S. government-sponsored agencies	$	42,000	$	–	$	(422)	$	41,578
Mortgage-backed securities issued by								
U.S. government-sponsored agencies		69,340		440		(1,604)		68,176
States and political subdivisions		66,115		88		(588)		65,615
Total	$	177,455	$	528	$	(2,614)	$	175,369

Table of Contents

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

In connection with a planned early adoption of SFAS No. 159, the Corporation sold twelve held to maturity debt securities with an amortized cost of $61.9 million on April 13, 2007. The Corporation subsequently decided not to early-adopt SFAS No. 159 and realized securities losses of $1.7 million were recognized in the second quarter of 2007 (as restated). In addition, the remaining held to maturity portfolio was reclassified to the available for sale category as of April 13, 2007. The Corporation will not be able to classify securities in the held to maturity category for a period of two years from the April 13, 2007 sales date as a result of this action. See additional discussion regarding the restatement in the Explanatory Note and Note 1 to the Consolidated Financial Statements.

Securities available for sale with a fair value of $527.8 million and securities available for sale and held to maturity with a fair value of $557.4 million were pledged in compliance with state regulations concerning trust powers and to secure Treasury Tax and Loan deposits, borrowings, and certain public deposits at June 30, 2007 and December 31, 2006, respectively. In addition, securities available for sale with a fair value of $8.7 million and securities available for sale and held to maturity with a fair value of $9.6 million were collateralized for the discount window at the Federal Reserve Bank at June 30, 2007 and December 31, 2006, respectively. There were no borrowings with the Federal Reserve Bank at either date. Securities available for sale with a fair value of $2.0 million and $2.1 million were designated in a rabbi trust for a nonqualified retirement plan at June 30, 2007 and December 31, 2006. As of June 30, 2007, securities available for sale with a fair value of $20.8 million were pledged as collateral to secure securities sold under agreements to repurchase.

At June 30, 2007 and December 31, 2006, the securities portfolio included $6.9 million (as restated) and $1.7 million of net pretax unrealized losses, respectively. Included in these net amounts were gross unrealized losses amounting to $11.1 million (as restated) and $9.1 million at June 30, 2007 and December 31, 2006, respectively.

The following tables summarize, for all securities in an unrealized loss position at June 30, 2007 and December 31, 2006, respectively, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position.

(Dollars in thousands)	Less than 12 Months			12 Months or Longer			Total		
(As Restated)		Fair	Unrealized		Fair	Unrealized		Fair	Unrealized
At June 30, 2007	#	Value	Losses	#	Value	Losses	#	Value	Losses
U.S. Treasury obligations and obligations of U.S. government-sponsored agencies	10	$ 91,357	$ 378	12	$ 72,661	$ 746	22	$ 164,018	$ 1,124
Mortgage-backed securities issued by U.S. government-sponsored agencies	20	75,349	740	65	196,272	6,597	85	271,621	7,337
States and political subdivisions	91	70,674	1,705	12	6,648	261	103	77,322	1,966
Trust preferred securities	3	10,477	63	5	11,927	129	8	22,404	192
Corporate bonds	4	14,092	133	1	3,000	9	5	17,092	142
Subtotal, debt securities	128	261,949	3,019	95	290,508	7,742	223	552,457	10,761
Corporate stocks	6	7,027	226	4	1,462	97	10	8,489	323

Total temporarily impaired securities	134	$ 268,976	$ 3,245	99	$ 291,970	$ 7,839	233	$ 560,946	$ 11,084

Table of Contents

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

(Dollars in thousands)	Less than 12 Months			12 Months or Longer			Total		
At December 31, 2006	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
U.S. Treasury obligations and obligations of U.S. government-sponsored agencies	8	$ 52,751	$ 211	14	$ 94,393	$ 1,087	22	$ 147,144	$ 1,298
Mortgage-backed securities issued by U.S. government-sponsored agencies	7	20,620	122	69	240,457	6,656	76	261,077	6,778
States and political subdivisions	61	45,948	419	12	6,747	169	73	52,695	588
Trust preferred securities	–	–	–	7	14,840	205	7	14,840	205
Corporate bonds	2	6,130	34	1	3,006	13	3	9,136	47
Subtotal, debt securities	78	125,449	786	103	359,443	8,130	181	484,892	8,916
Corporate stocks	5	5,823	110	4	1,494	65	9	7,317	175
Total temporarily impaired securities	83	$ 131,272	$ 896	107	$ 360,937	$ 8,195	190	$ 492,209	$ 9,091

For those debt securities whose amortized cost exceeds fair value, the primary cause is related to the movement of interest rates. The Corporation believes that the nature and duration of impairment on its debt security holdings are primarily a function of interest rate movements and changes in investment spreads, and does not consider full repayment of principal on the reported debt obligations to be at risk. The Corporation has the ability and intent to hold these investments to full recovery of the cost basis. The debt securities in an unrealized loss position at June 30, 2007 consisted of 223 debt security holdings. The largest loss percentage of any single holding was 6.28% of its amortized cost.

Causes of conditions whereby the fair value of corporate stock equity securities is less than cost include the timing of purchases and changes in valuation specific to individual industries or issuers. The relationship between the level of market interest rates and the dividend rates paid on individual equity securities may also be a contributing factor. The Corporation believes that the nature and duration of impairment on its equity securities holdings are considered to be a function of general financial market movements and industry conditions. The equity securities in an unrealized loss position at June 30, 2007 consisted of 10 holdings of financial and commercial entities.

Table of Contents

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

(4) Loan Portfolio
The following is a summary of loans:

(Dollars in thousands)	June 30, 2007		December 31, 2006	
	Amount	%	Amount	%
Commercial:				
Mortgages (1)	$ 265,560	18%	$ 282,019	19%
Construction and development (2)	43,755	3%	32,233	2%
Other (3)	313,673	21%	273,145	19%
Total commercial	622,988	42%	587,397	40%
Residential real estate:				
Mortgages (4)	572,321	38%	577,522	39%
Homeowner construction	11,071	1%	11,149	1%
Total residential real estate	583,392	39%	588,671	40%
Consumer:				
Home equity lines	139,256	9%	145,676	10%
Home equity loans	97,253	7%	93,947	6%
Other	46,285	3%	44,295	4%
Total consumer	282,794	19%	283,918	20%
Total loans (5)	$ 1,489,174	100%	$ 1,459,986	100%

(1) Amortizing mortgages, primarily secured by income producing property.
(2) Loans for construction of residential and commercial properties and for land development.
(3) Loans to businesses and individuals, a substantial portion of which are fully or partially collateralized by real estate.
(4) A substantial portion of these loans is used as qualified collateral for FHLB borrowings (See Note 8 for additional discussion of FHLB borrowings).
(5) Net of unamortized loan origination fees, net of costs, totaling $65 thousand and $277 thousand at June 30, 2007 and December 31, 2006, respectively. Also includes $112 thousand and $342 thousand of premium, net of discount, on purchased loans at June 30, 2007 and December 31, 2006, respectively.

(5) Allowance for Loan Losses
The following is an analysis of the allowance for loan losses:

(Dollars in thousands)

	Three Months		Six Months	
Periods ended June 30,	2007	2006	2007	2006
Balance at beginning of period	$ 19,360	$ 18,247	$ 18,894	$ 17,918
Provision charged to expense	300	300	600	600
Recoveries of loans previously charged off	13	46	203	113
Loans charged off	(346)	(113)	(370)	(151)
Balance at end of period	$ 19,327	$ 18,480	$ 19,327	$ 18,480

-15-

Table of Contents

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

(6) Goodwill and Other Intangibles

The changes in the carrying value of goodwill and other intangible assets for the six months ended June 30, 2007 are as follows:

Goodwill

(Dollars in thousands)	Commercial Banking Segment	Wealth Management Service Segment	Total
Balance at December 31, 2006	$ 22,591	$ 21,967	$ 44,558
Additions to goodwill during the period	–	–	–
Impairment recognized	–	–	–
Balance at June 30, 2007	$ 22,591	$ 21,967	$ 44,558

Other Intangible Assets

	Core Deposit Intangible	Advisory Contracts	Non-compete Agreements	Total
Balance at December 31, 2006	$ 650	$ 11,937	$ 229	$ 12,816
Amortization	80	612	24	716
Balance at June 30, 2007	$ 570	$ 11,325	$ 205	$ 12,100

Amortization of intangible assets for the six months ended June 30, 2007 totaled $716 thousand. Estimated annual amortization expense of current intangible assets with finite useful lives, absent any impairment or change in estimated useful lives, is summarized below.

(Dollars in thousands)

Estimated amortization expense:	Core Deposits	Advisory Contracts	Non-compete Agreements	Total
2007 (full year)	$ 140	$ 1,194	$ 49	$ 1,383
2008	120	1,111	49	1,280
2009	120	1,040	49	1,209
2010	120	922	49	1,091
2011	120	768	33	921

The components of intangible assets at June 30, 2007 are as follows:

(Dollars in thousands)

	Core Deposits	Advisory Contracts	Non-compete Agreements	Total
Gross carrying amount	$ 2,997	$ 13,657	$ 1,147	$ 17,801
Accumulated amortization	2,427	2,332	942	5,701
Net amount	$ 570	$ 11,325	$ 205	$ 12,100

(7) Income Taxes

Effective January 1, 2007, the Corporation adopted FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”). The adoption of FIN 48 did not result in any adjustment to retained earnings as of January 1, 2007.

As of the adoption date, the Corporation had gross tax affected unrecognized tax benefits of $1.2 million. If recognized, this amount would be recorded as a component of income tax expense. There have been no significant changes to this during the six months ended June 30, 2007.

The Corporation recognizes potential accrued interest related to unrecognized tax benefits in income tax expense in the Consolidated Statements of Income. As of the adoption date of January 1, 2007, accrued interest amounted to

Table of Contents

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

$70 thousand. To the extent interest is not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision. Penalties, if incurred, would be recognized as a component of income tax expense.

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 income tax examinations by tax authorities for years before 2003. With a few exceptions, the Corporation is no longer subject to state income tax examinations by tax authorities for years before 2000.

(8) Borrowings
Federal Home Loan Bank Advances
Advances payable to the Federal Home Loan Bank ("FHLB") are summarized as follows:

(Dollars in thousands)	June 30, 2007	December 31, 2006
FHLB advances	$ 468,827	$ 474,561

During the first quarter of 2007, the Corporation prepaid $26.5 million in advances payable to the FHLB resulting in a debt prepayment penalty charge, recorded in noninterest expense, of $1.1 million. See additional discussion in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the caption "Noninterest Expense."

In addition to outstanding advances, the Corporation also has access to an unused line of credit amounting to $8.0 million at June 30, 2007. Under an agreement with the FHLB, the Corporation is required to maintain qualified collateral, free and clear of liens, pledges, or encumbrances that, based on certain percentages of book and market values, has a value equal to the aggregate amount of the line of credit and outstanding advances ("FHLB borrowings"). The FHLB maintains a security interest in various assets of the Corporation including, but not limited to, residential mortgages loans, U.S. government or agency securities, U.S. government-sponsored agency securities, and amounts maintained on deposit at the FHLB. The Corporation maintained qualified collateral in excess of the amount required to collateralize the line of credit and outstanding advances at June 30, 2007. Included in the collateral were securities available for sale with a fair value of $403.0 million and securities available for sale and held to maturity with a fair value of $451.5 million that were specifically pledged to secure FHLB borrowings at June 30, 2007 and December 31, 2006, respectively. Unless there is an event of default under the agreement with the FHLB, the Corporation may use, encumber or dispose of any portion of the collateral in excess of the amount required to secure FHLB borrowings, except for that collateral that has been specifically pledged.

Other Borrowings
The following is a summary of other borrowings:

(Dollars in thousands)	June 30, 2007	December 31, 2006
Treasury, Tax and Loan demand note balance	$ 3,868	$ 3,863
Deferred acquisition obligations	3,810	10,372
Securities sold under repurchase agreements	19,500	–

Other		396		449
Other borrowings	$	27,574	$	14,684

In the first quarter of 2007, securities sold under repurchase agreements of $19.5 million were executed. The securities sold under agreements to repurchase are callable at the issuer's option, at one time only, in one year and mature in five years. The securities underlying the agreements are held in safekeeping by the counterparty in the name of the Corporation and are repurchased when the agreement matures. Accordingly, these underlying securities are included in securities available for sale and the obligations to repurchase such securities are reflected as a liability.

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

The Stock Purchase Agreement for the August 2005 acquisition of Weston Financial Group, Inc. ("Weston Financial") provides for the payment of contingent purchase price amounts based on operating results in each of the years in the three-year earn-out period ending December 31, 2008. Contingent payments are added to goodwill and recorded as deferred acquisition liabilities at the time the payments are determinable beyond a reasonable doubt. Deferred acquisition obligations amounted to $3.8 million at June 30, 2007 compared to $10.4 million at December 31, 2006. In the first quarter of 2007 the Corporation paid approximately $6.7 million in earn-out payments.

(9) Shareholders' Equity
Stock Repurchase Plan:
Under the Corporation's 2006 Stock Repurchase Plan, 149,700 shares of stock were repurchased at a total cost of $3.9 million during the six months ended June 30, 2007. In addition, 13,717 shares were acquired in the same period pursuant to the Nonqualified Deferred Compensation Plan.

Regulatory Capital Requirements:
The following table presents the Corporation's and the Bank's actual capital amounts and ratios at June 30, 2007 and December 31, 2006, as well as the corresponding minimum regulatory amounts and ratios:

(Dollars in thousands)	Actual