UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

(Mark One)

☒ Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended **December 31, 2023** or

☐ Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ____________ to ____________

Commission file number: 001-32991

WASHINGTON TRUST BANCORP, INC.

(Exact name of registrant as specified in its charter)

Rhode Island	**05-0404671**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
23 Broad Street, Westerly, Rhode Island	**02891**
(Address of principal executive offices)	(Zip Code)

(401) 348-1200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
COMMON STOCK, $.0625 PAR VALUE PER SHARE	**WASH**	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐Yes ☒No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐Yes ☒No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒Yes ☐No

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to Section 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐Yes ☒No

The aggregate market value of voting stock held by non-affiliates of the registrant at June 30, 2023 was $449,550,350 based on a closing sales price of $26.81 per share as reported on the NASDAQ Stock Market, which includes $21,388,241 held by The Washington Trust Company, of Westerly under trust agreements and other instruments.

The number of shares of the registrant's common stock, $.0625 par value per share, outstanding as of January 31, 2024 was 17,033,173.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement dated March 12, 2024 for the Annual Meeting of Shareholders to be held on April 23, 2024 are incorporated by reference into Part III of this Form 10-K.

FORM 10-K
WASHINGTON TRUST BANCORP, INC.
For the Year Ended December 31, 2023

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Glossary of Acronyms and Terms

The following is a list of acronyms and terms that are used throughout this Annual Report on Form 10-K:

Term	Definition
2003 Stock Incentive Plan	Washington Trust Bancorp, Inc.'s 2003 Stock Incentive Plan
2013 Stock Option and Incentive Plan	Washington Trust Bancorp, Inc.'s 2013 Stock Option and Incentive Plan
2022 Long Term Incentive Plan	Washington Trust Bancorp, Inc.'s 2022 Long Term Incentive Plan
2021 Repurchase Program	Washington Trust Bancorp, Inc.'s Stock Repurchase Program adopted on November 10, 2021
2023 Repurchase Program	Washington Trust Bancorp, Inc.'s Stock Repurchase Program commencing January 1, 2023
2024 Repurchase Program	Washington Trust Bancorp, Inc.'s Stock Repurchase Program commencing January 1, 2024
ACL	Allowance for credit losses
Advisers Act	Investment Advisers Act of 1940
ALCO	Asset/Liability Committee
AOCI	Accumulated other comprehensive income
AOCL	Accumulated other comprehensive loss
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	Automated teller machine
AUA	Assets under administration
Bancorp	Washington Trust Bancorp, Inc.
Bank	The Washington Trust Company, of Westerly
BHCA	Bank Holding Company Act of 1956, as amended
BOLI	Bank-owned life insurance
BSA	Bank Secrecy Act
C&I	Commercial and industrial
CDARS	Certificate of Deposit Account Registry Service
CFPB	Consumer Financial Protection Bureau
Code	Internal Revenue Code of 1986, as amended
Corporation	The Bancorp and its subsidiaries
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRA	Community Reinvestment Act
CRE	Commercial real estate
DCF	Discounted cash flow
DDM	Demand Deposit Marketplace
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as amended
DOJ	U.S. Department of Justice
Economic Growth Act	Economic Growth, Regulatory Relief, and Consumer Protection Act
EPS	Earnings per common share
ERISA	Employee Retirement Income Security Act of 1974, as amended
ERM	Enterprise risk management
Exchange Act	Securities Exchange Act of 1934, as amended
FACT Act	Fair and Accurate Credit Transactions Act of 2003
FDIA	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FHLB	Federal Home Loan Bank of Boston

Glossary of Acronyms and Terms

FRBB	Federal Reserve Bank of Boston
FTE	Fully taxable equivalent
GAAP	Accounting principles generally accepted in the United States of America
GDP	Gross domestic product
GLBA	Gramm-Leach-Bliley Act of 1999
Halsey	Halsey Associates, Inc.
HPI	National home price index
ICS	Insured Cash Sweep
IRA	Inflation Reduction Act of 2022
LTV	Loan to value
NIM	Net interest margin
NUR	National unemployment rate
OFAC	U.S. Treasury's Office of Foreign Assets Control
OREO	Property acquired through foreclosure or repossession
PPP	Paycheck Protection Program
Proxy Statement	Bancorp's Proxy Statement for the 2024 Annual Meeting of Shareholders to be held April 23, 2024
RI Division of Banking	Rhode Island Department of Business Regulation, Division of Banking
ROU	Right-of-use
S&P	Standard and Poors, Inc.
SBA	Small Business Administration
SEC	U.S. Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
TDR	Troubled debt restructuring
TILA	Truth in Lending Act
TLM	Troubled loan modification
Trust I	WT Capital Trust I
Trust II	WT Capital Trust II
USA PATRIOT Act	Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001
Washington Trust	The Bancorp and its subsidiaries
Weston	Weston Financial Group, Inc.
WTA	Washington Trust Advisors, Inc.
WTMC	Washington Trust Mortgage Company LLC

Forward-Looking Statements

This report contains statements that are “forward-looking statements.” We may also make forward-looking statements in other documents we file with the SEC, in our annual reports to shareholders, in press releases and other written materials, and in oral statements made by our officers, directors or employees. You can identify forward-looking statements by the use of the words “believe,” “expect,” “anticipate,” “intend,” “estimate,” “assume,” “outlook,” “will,” “should,” and other expressions that predict or indicate future events and trends and which do not relate to historical matters. You should not rely on forward-looking statements, because they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. These risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different than the anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

Some of the factors that might cause these differences include the following:

- changes in general business and economic conditions on a national basis and in the local markets in which we operate;
- changes in customer behavior due to political, business and economic conditions, including inflation and concerns about liquidity;
- interest rate changes or volatility, as well as changes in the balance and mix of loans and deposits;
- changes in loan demand and collectability;
- the possibility that future credit losses are higher than currently expected due to changes in economic assumptions or adverse economic developments;
- ongoing volatility in national and international financial markets;
- reductions in the market value or outflows of wealth management AUA;
- decreases in the value of securities and other assets;
- increases in defaults and charge-off rates;
- changes in the size and nature of our competition;
- changes in legislation or regulation and accounting principles, policies and guidelines;
- operational risks including, but not limited to, changes in information technology, cybersecurity incidents, fraud, natural disasters, war, terrorism, civil unrest and pandemics;
- regulatory, litigation and reputational risks; and
- changes in the assumptions used in making such forward-looking statements.

In addition, the factors described under “Risk Factors” in Item 1A of this Annual Report on Form 10-K may result in these differences. You should carefully review all of these factors and you should be aware that there may be other factors that could cause these differences. These forward-looking statements were based on information, plans and estimates at the date of this report, and we assume no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

PART I

ITEM 1. Business.

Washington Trust Bancorp, Inc.
The Bancorp, a publicly-owned registered bank holding company that has elected to be a financial holding company, was organized in 1984 under the laws of the state of Rhode Island. The Bancorp's common stock trades on the NASDAQ Stock Market under the symbol WASH. The Bancorp owns all of the outstanding common stock of the Bank, a Rhode Island chartered financial institution founded in 1800. The Bancorp was formed in 1984 under a plan of reorganization in which outstanding common shares of the Bank were exchanged for common shares of the Bancorp. See additional information under the caption "Subsidiaries."

Washington Trust offers a full range of financial services, including commercial, residential and consumer lending, retail and commercial deposit products, and wealth management and trust services.

The accounting and reporting policies of Washington Trust conform to GAAP and to general practices of the banking industry. At December 31, 2023, Washington Trust had total assets of $7.2 billion, total deposits of $5.3 billion and total shareholders' equity of $472.7 million.

Lending Activities
Washington Trust's total loan portfolio amounted to $5.6 billion, or 78% of total assets, at December 31, 2023. The Corporation classifies loans as commercial, residential real estate or consumer. The Corporation's lending activities are conducted primarily in southern New England and, to a lesser extent, other states. Washington Trust offers a variety of commercial and retail lending products. Interest rates charged on loans may be fixed or variable and vary with the degree of risk, loan term, underwriting and servicing costs, loan amount and the extent of other banking relationships maintained with customers. Rates are further subject to competitive pressures, the current interest rate environment, availability of funds and government regulations.

Management evaluates the appropriateness of underwriting standards in response to changes in national and regional economic conditions, including such matters as market interest rates, energy prices, trends in real estate values and employment levels. Based on management's assessment of these matters, underwriting standards and credit monitoring activities are enhanced from time to time in response to changes in these conditions. These assessments may result in clarification of debt service ratio calculations, changes in geographic and loan type concentrations, modifications to LTV standards for real estate collateral, changes in credit monitoring criteria and enhancements to monitoring of construction loans.

Commercial Loans
The commercial loan portfolio represented 48% of total loans at December 31, 2023. In making commercial loans, Washington Trust may occasionally solicit the participation of other banks. Washington Trust also participates from time to time in commercial loans originated by other banks. In such cases, these loans are individually underwritten by us using standards similar to those employed for our self-originated loans. Our participation in commercial loans originated by other banks also includes shared national credits. Shared national credits are defined as participation in loans or loan commitments of at least $100 million that are shared by three or more banks. Commercial loans fall into two major categories: CRE and C&I loans.

CRE loans consist of commercial mortgages secured by real property where the primary source of repayment is derived from rental income associated with the property or the proceeds of the sale, refinancing or permanent financing of the property. CRE loans also include construction loans made to businesses for land development or the on-site construction of industrial, commercial or residential buildings. CRE loans frequently involve larger loan balances to single borrowers or groups of related borrowers. At December 31, 2023, CRE loans represented 78% of the total commercial loan portfolio and 37% of the total loan portfolio.

C&I loans primarily provide working capital, equipment financing and financing for other business-related purposes. C&I loans are frequently collateralized by equipment, inventory, accounts receivable and/or general business assets. A portion of the Bank's C&I loan portfolio is also collateralized by real estate. C&I loans also include tax-exempt loans made to states and political subdivisions, as well as industrial development or revenue bonds issued through quasi-public corporations for

the benefit of a private or non-profit entity where that entity rather than the governmental entity is obligated to pay the debt service. At December 31, 2023, C&I loans represented 22% of the total commercial loan portfolio and 11% of the total loan portfolio.

Residential Real Estate Loans

The residential real estate loan portfolio consists of mortgage and homeowner construction loans secured by one- to four-family residential properties and represented 46% of total loans at December 31, 2023. Residential real estate loans are primarily originated by commissioned mortgage originator employees. Residential real estate loans are originated both for retention in the Bank's loan portfolio, as well as for sale to the secondary market. Loan sales to the secondary market provide funds for additional lending and other banking activities. Loans originated for sale to the secondary market are sold to investors such as the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and other institutional investors. Washington Trust sells loans with servicing retained or released. Residential real estate loans are also originated for various investors in a broker capacity, including conventional mortgages and reverse mortgages.

Also included in the residential real estate loan portfolio are mortgage loans purchased from and serviced by other financial institutions. These loans are individually evaluated at time of purchase to Washington Trust's underwriting standards and are secured by one- to four-family residential properties in southern New England and other states. As of December 31, 2023, purchased residential mortgages serviced by others were largely secured by properties located in Massachusetts and represented 2% of the total residential real estate loan portfolio and 1% of the total loan portfolio.

Consumer Loans

The consumer loan portfolio represented 6% of total loans as of December 31, 2023. Consumer loans include home equity loans and lines of credit and personal installment loans. Home equity lines and home equity loans represent 94% of the total consumer portfolio at December 31, 2023.

Also included in the consumer loan portfolio are purchased loans to individuals secured by general aviation aircraft. These loans were individually underwritten by us at the time of purchase using standards similar to those employed for self-originated consumer loans. At December 31, 2023, these purchased loans represented 4% of the total consumer loan portfolio and 0.2% of the total loan portfolio.

Deposit Activities

At December 31, 2023, total deposits amounted to $5.3 billion. Deposits represent Washington Trust's primary source of funds and are gathered primarily from the areas surrounding our branch network. The Bank offers a wide variety of deposit products with a range of interest rates and terms to consumer, commercial, non-profit and municipal deposit customers. Washington Trust's deposit accounts consist of noninterest-bearing demand deposits, interest-bearing demand deposits, NOW accounts, money market accounts, savings accounts and time deposits. A variety of retirement deposit accounts are offered to customers. Additional deposit services provided to customers include debit cards, ATMs, telephone banking, internet banking, mobile banking, remote deposit capture and other cash management services. Wholesale brokered deposits from out-of-market institutional sources are also utilized as part of our overall funding strategy.

Washington Trust is a participant in the DDM program, the ICS program and the CDARS program. Washington Trust uses these deposit sweep services to place customer and client funds into interest-bearing demand accounts, money market accounts, and/or certificates of deposits issued by other participating banks. Customer and client funds are placed at one or more participating banks to ensure that each deposit customer is eligible for the full amount of FDIC insurance. As a program participant, we receive reciprocal amounts of deposits from other participating banks. We consider these reciprocal deposit balances to be in-market deposits as distinguished from traditional wholesale brokered deposits.

Investment Security Activities

Washington Trust's investment securities portfolio amounted to $1.0 billion, or 14% of total assets, at December 31, 2023 and is managed to generate interest income, to implement interest rate risk management strategies and to provide a readily available source of liquidity for balance sheet management.

Washington Trust may acquire, hold and transact in various types of investment securities in accordance with applicable federal regulations, state statutes and guidelines specified in Washington Trust's internal investment policy. At December 31, 2023, the investment securities portfolio consisted of obligations of U.S. government agencies and U.S.

government-sponsored enterprises, including mortgage-backed securities; individual name issuer trust preferred debt securities; and corporate bonds.

Wholesale Funding Activities

The Bank is a member of the FHLB. The Bank utilizes advances from the FHLB to meet short-term liquidity needs and also to fund loan growth and additions to the securities portfolio. As a member of the FHLB, the Bank must own a minimum amount of FHLB stock, calculated periodically based primarily on its level of borrowings from the FHLB. At December 31, 2023, the Bank had advances payable to the FHLB of $1.2 billion. As of December 31, 2023, the Bank had access to a $40.0 million unused line of credit with the FHLB. Additionally, the Bank had a standby letter of credit with the FHLB of $65.0 million at December 31, 2023. This standby letter of credit collateralizes an institutional deposit. The Bank had remaining available borrowing capacity with the FHLB of $1.1 billion at December 31, 2023. The Bank pledges certain qualified investment securities and loans as collateral to the FHLB.

Additional funding sources are available through the FRBB and in other forms of borrowing, such as securities sold under repurchase agreements. As noted above under the caption "Deposit Activities," the Corporation also utilizes wholesale brokered deposits as part of its overall funding program.

Wealth Management Services

Washington Trust provides a broad range of wealth management services to personal and institutional clients. These services include investment management; holistic financial planning services; personal trust and estate services, including services as trustee, personal representative and custodian; settlement of decedents' estates; and institutional trust services, including custody and fiduciary services. Wealth management services are provided through the Bank and its registered investment adviser subsidiary. See additional information under the caption "Subsidiaries."

At December 31, 2023, wealth management AUA totaled $6.6 billion. These assets are not included in the Consolidated Financial Statements. Washington Trust's wealth management revenues represented 18% of total revenues in December 31, 2023. A substantial portion of wealth management revenues is dependent on the value of wealth management AUA and is closely tied to the performance of the financial markets. This portion of wealth management revenues is referred to as "asset-based" and includes trust and investment management fees. Wealth management revenues also include "transaction-based" revenues that are not primarily derived from the value of assets.

Subsidiaries

At December 31, 2023, the Bancorp's principal subsidiary is the Bank.

The Bancorp also owns all of the outstanding common stock of Trust I and Trust II, special purpose finance entities formed with the sole purpose of issuing trust preferred debt securities and investing the proceeds in junior subordinated debentures of the Bancorp. See Note 13 to the Consolidated Financial Statements for additional information.

The following is a description of Bancorp's principal subsidiary:

The Washington Trust Company, of Westerly

The Bank was originally chartered in 1800 as the Washington Bank and is the largest state-chartered bank headquartered in Rhode Island and the oldest community bank in the nation. Its current charter dates to 1902.

The Bank provides a full range of financial services, including commercial, residential and consumer lending, retail and commercial deposit products, and wealth management and trust services. The deposits of the Bank are insured by the FDIC, subject to regulatory limits. The Bank has a registered investment adviser subsidiary, WTA. The Bank also has a mortgage banking subsidiary, WTMC, that is licensed to do business in Rhode Island, Massachusetts, Connecticut and New Hampshire. See "-Supervision and Regulation-Consumer Protection Regulation" for a discussion of certain regulations that apply to WTMC. Washington Trust's residential mortgage origination business conducted in our residential mortgage lending offices located outside of Rhode Island is performed by this Bank subsidiary.

The Bank has other subsidiaries whose primary functions are to provide servicing on passive investments, such as loans acquired from the Bank and investment securities. In addition, the Bank has a subsidiary that was formed for the purpose of holding, monitoring and disposing of certain foreclosed properties.

Market Area

Washington Trust's headquarters and main office is located in Westerly in Washington County, Rhode Island. Washington Trust's primary deposit gathering area consists of the communities that are served by its branch network. As of December 31, 2023, the Bank had 10 branch offices located in southern Rhode Island (Washington County), 15 branch offices located in the greater Providence area in Rhode Island and one branch office located in southeastern Connecticut.

As noted above, Washington Trust's lending activities are conducted primarily in southern New England and, to a lesser extent, other states. Washington Trust provides commercial, residential and consumer lending services from its branch locations and other offices. The Bank has commercial lending offices at its main office, in the financial district of Providence, Rhode Island, in Warwick, Rhode Island, and in New Haven, Connecticut. Washington Trust has residential mortgage lending offices located in eastern Massachusetts (Sharon, Burlington, Braintree and Wellesley); in Glastonbury, Connecticut; and in Rhode Island (Westerly and Warwick).

Washington Trust provides wealth management services from its offices located in Westerly, Narragansett and Providence, Rhode Island; Wellesley, Massachusetts; and New Haven, Connecticut.

Competition

Washington Trust faces considerable competition in its market area for all aspects of banking and related financial service activities.

Washington Trust contends with strong competition both in generating loans and attracting deposits. The primary factors in competing are interest rates, financing terms, fees charged, products offered, personalized customer service, online and mobile access to accounts and convenience of branch locations, ATMs and branch hours. Competition comes from commercial banks, credit unions, savings institutions and non-bank lenders. Washington Trust faces strong competition from larger institutions with relatively greater resources, broader product lines and larger delivery systems. Competition could intensify in the future as a result of industry consolidation, the increasing availability of products and services from non-bank institutions and financial technology companies, greater technological developments in the industry and continued bank regulatory changes.

Washington Trust operates in a highly competitive wealth management services marketplace. Key competitive factors include investment performance, quality and level of service, as well as personal relationships. Principal competitors in the wealth management services business are commercial banks and trust companies, investment advisory firms, mutual fund companies, online and full-service stock brokerage firms, and other financial companies. Many of these companies have greater resources than Washington Trust.

Human Capital

Washington Trust had 665 full-time equivalent employees at December 31, 2023. Our employees are the foundation of our success. They serve as trusted advisors, brand ambassadors, and leaders within the community, embodying our core values of quality, integrity and community. We believe that providing caring, personal customer service with a human connection is an important differentiator for Washington Trust, especially in this digital age. We seek to build strong relationships with our customers and understand their needs and challenges. Our talented team is committed to providing an exceptional customer experience by listening and providing trusted advice and personalized solutions.

We invest in our employees. Our employees are on a learning journey that continues throughout their employment and focuses on building industry and job specific knowledge, as well as refining technical and interpersonal skills. We recognize that each position builds a foundation for the next, and therefore, make a conscious effort to provide opportunities for professional growth and advancement. However, we also see the value in bringing new perspectives to our team through external hires, and always seek to hire the best and brightest employees who share our commitment to providing a superior customer experience with each interaction. Attracting and retaining top talent continues to be challenging, and an important tool in our human capital strategy is the availability of a remote or hybrid scheduling option for many of our team members. To ensure human connectivity, continued collaboration and team engagement, we have adopted a philosophy of "intentional presence" regardless of an individual's physical location.

We strive to create an environment where people feel valued and empowered. We take numerous steps to ensure that we are providing a satisfying work experience for employees. We evaluate compensation in relation to market trends and internal pay equity to ensure that we are providing fair and competitive pay; promote and recognize employees for their work

successes; provide training and professional development opportunities for employees to enhance their skills; offer a flexible, wide-ranging benefit package to meet the diverse needs of our workforce; and provide policies and benefits to help employees create a work-life balance.

Additionally, we employ a robust succession planning process, which begins by determining critical roles within the organization; identifying core competencies for individuals in those roles; identifying and assessing possible successors; and providing opportunities for those individuals to develop and hone core competencies through training, mentoring and professional experience. This process is essential to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage professional development.

We are committed to fostering an inclusive culture that respects and values the diversity of our employees, customers, and community, where all ideas, perspectives and experiences are heard. A diverse and inclusive workforce enables us to better understand the needs and challenges of our customers so we can build stronger relationships. We recognize that an inclusive environment will foster increased collaboration, problem-solving, innovation and creativity, ultimately driving positive results. We also recognize that being viewed as an employer that champions diversity, inclusion and equality of opportunity can provide a talent advantage allowing us to attract, hire and retain the best talent available. We have a formalized strategy that guides our diversity, equity & inclusion ("DE&I") efforts, focusing on four pillars – culture and employee experience; recruitment, development and retention; leadership and workforce engagement; and impactful community relationships. To assist us in implementing our DE&I strategy, we have formed a DE&I Council, a cross functional group of colleagues representing different perspectives, backgrounds and experiences. The DE&I Council assists us with developing a diverse talent pipeline; identifying areas for increased education and awareness; providing insight into organizational climate and culture; implementing DE&I initiatives; promoting the use of best practices; and identifying opportunities for Washington Trust to engage with its broader communities.

Statistical Disclosures

The information required by Securities Act Guide 3 "Statistical Disclosure by Bank Holding Companies" is located on the pages noted below.

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Supervision and Regulation

The following discussion addresses elements of the regulatory framework applicable to Washington Trust. This regulatory framework is intended primarily to protect the safety and soundness of depository institutions, the federal deposit insurance system and depositors, rather than the shareholders of a bank holding company such as the Bancorp.

The following discussion is qualified in its entirety by reference to the full text of the statutes, regulations, policies and guidelines described below.

Regulation of the Bancorp

As a bank holding company, the Bancorp is subject to regulation, supervision and examination by the Federal Reserve under the BHCA, and the RI Division of Banking.

The Federal Reserve has the authority, among other things, to order bank holding companies to cease and desist from unsafe or unsound banking practices; to assess civil money penalties; and to order termination of non-banking activities or termination of ownership and control of a non-banking subsidiary by a bank holding company.

Source of Strength. Under the BHCA, as amended by the Dodd-Frank Act, the Bancorp is required to serve as a source of financial strength for the Bank. This support may be required at times when the Bancorp may not have the resources to

provide support to the Bank. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a bank subsidiary will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Acquisitions and Activities. The BHCA prohibits a bank holding company, without prior approval of the Federal Reserve, from acquiring all or substantially all the assets of a bank, acquiring control of a bank, merging or consolidating with another bank holding company, or acquiring direct or indirect ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, the acquiring bank holding company would control more than 5% of any class of the voting shares of such other bank or bank holding company.

The BHCA also generally prohibits a bank holding company from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or furnishing services to its subsidiary banks. However, among other permitted activities, a bank holding company may engage directly or indirectly in, and acquire control of companies engaged in, activities that the Federal Reserve has determined to be closely related to banking or managing and controlling banks, subject to certain notification requirements. In 2005, the Bancorp elected financial holding company status pursuant to the provisions of the GLBA. As a financial holding company, the Bancorp is authorized to engage in certain financial activities in which a bank holding company that has not elected to be a financial holding company may not engage. "Financial activities" is broadly defined to include not only banking, insurance and securities activities, but also merchant banking and additional activities that the Federal Reserve, in consultation with the Secretary of the Treasury, determines to be financial in nature, incidental to such financial activities, or complementary activities that do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

If a financial holding company or any depository institution subsidiary of a financial holding company fails to remain well capitalized and well managed, the Federal Reserve may impose such limitations on the conduct or activities of the financial holding company as the Federal Reserve determines to be appropriate, and the company and its affiliates may not commence any new activity or acquire control of shares of any company engaged in any activity that is authorized particularly for financial holding companies without first obtaining the approval of the Federal Reserve. The company must also enter into an agreement with the Federal Reserve to comply with all applicable requirements to qualify as a financial holding company. If a financial holding company remains out of compliance for 180 days or such longer period as the Federal Reserve permits, the Federal Reserve may require the financial holding company to divest either its insured depository institution or all of its non-banking subsidiaries engaged in activities not permissible for a bank holding company. If an insured depository institution subsidiary of a financial holding company fails to maintain a "satisfactory" or better record of performance under the CRA, the financial holding company will be prohibited, until the rating is raised to "satisfactory" or better, from engaging in new activities authorized particularly for financial holding companies or acquiring companies engaged in such activities.

Limitations on Acquisitions of Bancorp Common Stock. The Change in Bank Control Act prohibits a person or group of persons from acquiring "control" of a bank holding company unless the Federal Reserve has been notified and has not objected to the transaction. Under rebuttable presumptions of control established by the Federal Reserve, the acquisition of control of voting securities of a bank holding company constitutes an acquisition of control under the Change in Bank Control Act, requiring prior notice to the Federal Reserve, if, immediately after the transaction, the acquiring person (or persons acting in concert) will own, control, or hold with power to vote 10% or more of any class of voting securities of the bank holding company, and if either (i) the bank holding company has registered securities under Section 12 of the Exchange Act, or (ii) no other person will own, control, or hold the power to vote a greater percentage of that class of voting securities immediately after the transaction.

In addition, the BHCA prohibits any company from acquiring control of a bank or bank holding company without first having obtained the approval of the Federal Reserve. Among other circumstances, under the BHCA, a company has control of a bank or bank holding company if the company owns, controls or holds with power to vote 25% or more of a class of voting securities of the bank or bank holding company, controls in any manner the election of a majority of directors or trustees of the bank or bank holding company, or the Federal Reserve has determined, after notice and opportunity for hearing, that the company has the power to exercise a controlling influence over the management or policies of the bank or bank holding company. The Federal Reserve has established presumptions of control under which the acquisition of control of 5% or more of a class of voting securities of a bank holding company, together with other factors enumerated by the Federal Reserve, could constitute the acquisition of control of a bank holding company for purposes of the BHCA.

Regulation of the Bank

The Bank is subject to the regulation, supervision and examination by the FDIC, the RI Division of Banking and the Connecticut Department of Banking. The Bank is also subject to various Rhode Island and Connecticut business and banking regulations and the regulations issued by the CFPB (as enforced by the FDIC). The Federal Reserve may also directly examine the subsidiaries of the Bancorp, including the Bank.

The FDIC, the RI Division of Banking and the Connecticut Department of Banking have the authority to issue cease and desist orders; to terminate insurance of deposits; to assess civil money penalties; to issue directives to increase capital; to place the bank into receivership; and to initiate injunctive actions against banking organizations and institution-related parties.

Deposit Insurance. The deposit obligations of the Bank are insured by the FDIC's Deposit Insurance Fund up to $250,000 per depositor with respect to deposits held in the same right and capacity. Deposit insurance premiums are based on assets. The FDIC calculates deposit insurance assessment rates for established small banks, generally those banks with less than $10 billion of assets that have been insured for at least five years, using the CAMELS rating system and other factors. The CAMELS rating system is a supervisory rating system designed to take into account and reflect all financial and operational risks that a bank may face, including capital adequacy, asset quality, management capability, earnings, liquidity and sensitivity to market risk. To determine a bank's assessment rate, each of seven financial ratios and a weighted average of CAMELS component ratings are multiplied by a corresponding pricing multiplier. The sum of these products is added to a uniform amount, with the resulting sum being an institution's initial base assessment rate (subject to minimum or maximum assessment rates based on a bank's CAMELS composite rating). This method takes into account various measures, including an institution's leverage ratio, brokered deposit ratio, one year asset growth, the ratio of net income before taxes to total assets and considerations related to asset quality.

The FDIC has the authority to adjust deposit insurance assessment rates at any time. The FDIC is also required to recover losses to its Deposit Insurance Fund arising from the use of the systemic risk exception invoked on March 12, 2023, by the Secretary of the Treasury, acting on the recommendation of the Board of Directors of the FDIC and the Federal Reserve, and after consultation with the President, to allow the FDIC to complete its resolution of both Silicon Valley Bank and Signature Bank in a manner that fully protected depositors. The FDIC is required to recover such losses through one or more special assessments on insured depository institution, depository institution holding companies (with the concurrence of the Secretary of the Treasury with respect to holding companies), or both, as the FDIC determines appropriate. On November 16, 2023, the FDIC approved a final rule to implement a special assessment to recover such losses. Under the final rule, each insured depository institution's assessment base for the special assessment is generally equal to estimated uninsured deposits as reported in the Consolidated Report of Condition and Income (Call Report) or Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) as of December 31, 2022, after applying the $5 billion deduction. The Bank had total reported uninsured deposits as of December 31, 2022 of less than $5 billion, and therefore the Bank is not required to pay any such special assessment. For 2023, the FDIC insurance expense for the Bank was $4.7 million.

In addition, under the FDIA, the FDIC may terminate deposit insurance, among other circumstances, upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Acquisitions and Branching. Prior approval from the RI Division of Banking and the FDIC is required in order for the Bank to acquire another bank or establish a new branch office. Well capitalized and well managed banks may acquire other banks in any state, subject to certain deposit concentration limits and other conditions, pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, as amended by the Dodd-Frank Act. In addition, the Dodd-Frank Act authorizes a state-chartered bank, such as the Bank, to establish new branches on an interstate basis to the same extent a bank chartered by the host state may establish branches.

Activities and Investments of Insured State-Chartered Banks. The FDIA generally limits the types of equity investments an FDIC-insured state-chartered bank, such as the Bank, may make and the kinds of activities in which such a bank may engage, as a principal, to those that are permissible for national banks. Further, the GLBA permits national banks and state banks, to the extent permitted under state law, to engage via financial subsidiaries in certain activities that are permissible for subsidiaries of a financial holding company. In order to form a financial subsidiary, a state-chartered bank must be "well

capitalized," and such banks must comply with certain capital deduction, risk management and affiliate transaction rules, among other requirements.

Brokered Deposits. The FDIA and FDIC regulations generally limit the ability of an insured depository institution to accept, renew or roll over any brokered deposit unless the institution's capital category is "well capitalized" or, with the FDIC's approval, "adequately capitalized." Certain depository institutions that have brokered deposits in excess of 10% of total assets may be subject to increased FDIC deposit insurance premium assessments. However, for institutions that are well capitalized and have a CAMELS composite rating of 1 or 2, reciprocal deposits are deducted from brokered deposits, and established small banks (generally those with less than $10 billion in assets) are not subject to a brokered deposit adjustment. Section 202 of the Economic Growth Act, which was enacted in 2018, amends the FDIA to exempt a capped amount of reciprocal deposits from treatment as brokered deposits for certain insured depository institutions.

Community Reinvestment Act. The CRA requires the FDIC to evaluate the Bank's performance in helping to meet the credit needs of the entire community it serves, including low- and moderate-income neighborhoods, consistent with its safe and sound banking operations, and to take this record into consideration when evaluating certain applications. The FDIC's CRA regulations are generally based upon objective criteria of the performance of institutions under three key assessment tests: (i) a lending test, to evaluate the institution's record of making loans in its service areas; (ii) an investment test, to evaluate the institution's record of investing in community development projects, affordable housing, and programs benefiting low- or moderate-income individuals and businesses; and (iii) a service test, to evaluate the institution's delivery of services through its branches, ATMs and other offices. Failure of an institution to receive at least a "satisfactory" rating could inhibit the Bank or the Bancorp from undertaking certain activities, including engaging in activities permitted as a financial holding company under GLBA and acquisitions of other financial institutions. Rhode Island and Connecticut also have enacted substantially similar community reinvestment requirements. On October 23, 2023, the FDIC approved changes to its CRA regulations, maintaining the existing CRA ratings (outstanding, satisfactory, needs to improve, and substantial noncompliance) but modifying the evaluation framework to replace the existing tests generally applicable to banks with at least $2 billion in assets (the lending, investment, and services tests) with four new tests and associated performance metrics. The new CRA regulations will become effective on January 1, 2026. The Bank has achieved a rating of "satisfactory" on its most recent examination dated December 5, 2022.

Lending Restrictions. Federal law limits a bank's authority to extend credit to directors and executive officers of the bank or its affiliates and persons or companies that own, control or have power to vote more than 10% of any class of securities of a bank or an affiliate of a bank, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. Also, the terms of such extensions of credit may not involve more than the normal risk of repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the bank's capital.

Capital Adequacy and Safety and Soundness

Regulatory Capital Requirements. The Federal Reserve and the FDIC have issued substantially similar risk-based and leverage capital rules applicable to U.S. banking organizations such as the Bancorp and the Bank. These rules are intended to reflect the relationship between a banking organization's capital and the degree of risk associated with its operations based on transactions recorded on-balance sheet as well as off-balance sheet items. The Federal Reserve and the FDIC may from time to time require that a banking organization maintain capital above the minimum levels discussed below, due to the banking organization's financial condition or actual or anticipated growth.

The capital adequacy rules define qualifying capital instruments and specify minimum amounts of capital as a percentage of assets that banking organizations are required to maintain. Common equity Tier 1 generally includes common stock and related surplus, retained earnings and, in certain cases and subject to certain limitations, minority interests in consolidated subsidiaries, less goodwill, other non-qualifying intangible assets and certain other deductions. Tier 1 capital generally consists of the sum of common equity Tier 1 elements, non-cumulative perpetual preferred stock, and related surplus and, in certain cases and subject to limitations, minority interests in consolidated subsidiaries that do not qualify as common equity Tier 1 capital, less certain deductions. Tier 2 capital generally consists of hybrid capital instruments, perpetual debt and mandatory convertible debt securities, cumulative perpetual preferred stock, term subordinated debt and intermediate-term preferred stock, and, subject to limitations, ACL on loans. The sum of Tier 1 and Tier 2 capital less certain required deductions represents qualifying total risk-based capital. Prior to the effectiveness of certain provisions of the Dodd-Frank

Act, bank holding companies were permitted to include trust preferred securities and cumulative perpetual preferred stock in Tier 1 capital, subject to limitations. However, the Federal Reserve's capital rule applicable to bank holding companies permanently grandfathers non-qualifying capital instruments, including trust preferred securities, issued before May 19, 2010 by depository institution holding companies with less than $15 billion in total assets as of December 31, 2009, subject to a limit of 25% of Tier 1 capital. The Bancorp's currently outstanding trust preferred securities were grandfathered under this rule. In addition, under rules that became effective January 1, 2015, AOCI (positive or negative) must be reflected in Tier 1 capital; however, the Bancorp and the Bank were permitted to make a one-time, permanent election to continue to exclude AOCI from capital. The Bancorp and the Bank made this election.

Under the capital rules, risk-based capital ratios are calculated by dividing common equity Tier 1 capital, Tier 1 capital and total capital, respectively, by risk-weighted assets. Assets and off-balance sheet credit equivalents are assigned one of several categories of risk weights based primarily on relative risk. Under the Federal Reserve's rules applicable to the Bancorp and the FDIC's capital rules applicable to the Bank, the Bancorp and the Bank are each required to maintain a minimum common equity Tier 1 capital to risk-weighted assets ratio of 4.5%, a minimum Tier 1 capital to risk-weighted assets ratio of 6.0%, a minimum total capital to risk-weighted assets ratio of 8.0% and a minimum leverage ratio requirement of 4.0%. Additionally, these rules require an institution to establish a capital conservation buffer of common equity Tier 1 capital in an amount above the minimum risk-based capital requirements for "adequately capitalized" institutions of more than 2.5% of total risk weighted assets, or face restrictions on the ability to pay dividends, pay discretionary bonuses, and to engage in share repurchases.

Under the FDIC's prompt corrective action rules, an FDIC supervised institution is considered "well capitalized" if it (i) has a total capital to risk-weighted assets ratio of 10.0% or greater; (ii) a Tier 1 capital to risk-weighted assets ratio of 8.0% or greater; (iii) a common Tier 1 equity ratio of 6.5% or greater, (iv) a leverage capital ratio of 5.0% or greater; and (v) is not subject to any written agreement, order, capital directive, or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. The Bank is considered "well capitalized" under this definition.

Generally, a bank, upon receiving notice that it is not adequately capitalized (i.e., that it is "undercapitalized"), becomes subject to the prompt corrective action provisions of Section 38 of FDIA that, for example, (i) restrict payment of capital distributions and management fees, (ii) require that its federal bank regulator monitor the condition of the institution and its efforts to restore its capital, (iii) require submission of a capital restoration plan, (iv) restrict the growth of the institution's assets and (v) require prior regulatory approval of certain expansion proposals. A bank that is required to submit a capital restoration plan must concurrently submit a performance guarantee by each company that controls the bank. A bank that is "critically undercapitalized" (i.e., has a ratio of tangible equity to total assets that is equal to or less than 2.0%) will be subject to further restrictions, and generally will be placed in conservatorship or receivership within 90 days.

Current capital rules do not establish standards for determining whether a bank holding company is well capitalized. However, for purposes of processing regulatory applications and notices, the Federal Reserve Board's Regulation Y provides that a bank holding company is considered "well capitalized" if (i) on a consolidated basis, the bank holding company maintains a total risk-based capital ratio of 10.0% or greater; (ii) on a consolidated basis, the bank holding company maintains a Tier 1 risk-based capital ratio of 6.0% or greater; and (iii) the bank holding company is not subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the Board to meet and maintain a specific capital level for any capital measure. The Bancorp is considered "well capitalized" under this definition. A banking organization that qualifies for and elects to use the community bank leverage framework described below will be considered well capitalized as long as it is not subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the Board to meet and maintain a specific capital level for any capital measure.

Safety and Soundness Standard. Guidelines adopted by the federal bank regulatory agencies pursuant to the FDIA establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings, and compensation and benefits. In general, these guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, the federal banking agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the

agency must issue an order directing action to correct the deficiency and may issue an order restricting asset growth, requiring an institution to increase its ratio of tangible equity to assets or directing other actions of the types to which an undercapitalized institution is subject under the "prompt corrective action" provisions of the FDIA. See "-Regulatory Capital Requirements" above. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Dividend Restrictions

The Bancorp is a legal entity separate and distinct from the Bank and its other subsidiaries. Revenues of the Bancorp are derived primarily from dividends paid to it by the Bank. The right of the Bancorp, and consequently the right of shareholders of the Bancorp, to participate in any distribution of the assets or earnings of its subsidiaries, through the payment of such dividends or otherwise, is subject to the prior claims of creditors of the subsidiaries, including, with respect to the Bank, depositors of the Bank, except to the extent that certain claims of the Bancorp in a creditor capacity may be recognized.

Restrictions on Bank Holding Company Dividends. The Federal Reserve has the authority to prohibit bank holding companies from paying dividends if such payment is deemed to be an unsafe or unsound practice. The Federal Reserve has indicated generally that it may be an unsafe or unsound practice for bank holding companies to pay a dividend that exceeds earnings for the period for which the dividend is being paid. Further, under the Federal Reserve's capital rules, the Bancorp's ability to pay dividends is restricted if it does not maintain the required capital conservation buffer. See "-Capital Adequacy and Safety and Soundness-Regulatory Capital Requirements" above.

Restrictions on Bank Dividends. The FDIC has the authority to use its enforcement powers to prohibit a bank from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice. Federal law also prohibits the payment of dividends by a bank that will result in the bank failing to meet its applicable capital requirements on a pro forma basis. Payment of dividends by a bank is also restricted pursuant to various state regulatory limitations. Reference is made to Note 14 to the Consolidated Financial Statements for additional discussion of the Bancorp and the Bank's ability to pay dividends.

Certain Transactions by Bank Holding Companies with their Affiliates

There are various statutory restrictions on the extent to which bank holding companies and their non-bank subsidiaries may borrow, obtain credit from or otherwise engage in "covered transactions" with their insured depository institution subsidiaries. An insured depository institution (and its subsidiaries) may not lend money to, or engage in covered transactions with, its non-depository institution affiliates if the aggregate amount of "covered transactions" outstanding involving the bank, plus the proposed transaction, exceeds the following limits: (i) in the case of any one such affiliate, the aggregate amount of "covered transactions" of the insured depository institution and its subsidiaries cannot exceed 10% of the capital stock and surplus of the insured depository institution; and (ii) in the case of all affiliates, the aggregate amount of covered transactions of the insured depository institution and its subsidiaries cannot exceed 20% of the capital stock and surplus of the insured depository institution. For this purpose, "covered transactions" are defined by statute to include: a loan or extension of credit to an affiliate, a purchase of or investment in securities issued by an affiliate, a purchase of assets from an affiliate unless exempted by the Federal Reserve, the acceptance of securities issued by an affiliate as collateral for a loan or extension of credit to any person or company, the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate, securities borrowing or lending transactions with an affiliate that creates a credit exposure to such affiliate, or a derivatives transaction with an affiliate that creates a credit exposure to such affiliate. "Covered transactions" are also subject to certain collateral security requirements. "Covered transactions" as well as other types of transactions between a bank and a bank holding company must be conducted under terms and conditions, including credit standards, that are at least as favorable to the bank as prevailing market terms. If a banking organization elects to use the community bank leverage ratio framework described in "Capital Adequacy and Safety and Soundness - Regulatory Capital Requirements" above, the banking organization would be required to measure the amount of covered transactions as a percentage of Tier 1 capital, subject to certain adjustments. Moreover, Section 106 of the Bank Holding Company Act Amendments of 1970 provides that, to further competition, a bank holding company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with any extension of credit, lease or sale of property of any kind, or the furnishing of any service.

Consumer Protection Regulation

General. The Bancorp and the Bank are subject to federal and state laws designed to protect consumers and prohibit unfair or deceptive business practices including the Equal Credit Opportunity Act, Fair Housing Act, Home Ownership Protection Act, Fair Credit Reporting Act, as amended by the FACT Act, the GLBA, the TILA, the CRA, the Home Mortgage Disclosure

Act, Real Estate Settlement Procedures Act, National Flood Insurance Act and various state law counterparts. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must interact with customers when taking deposits, making loans, collecting loans and providing other services. Further, the CFPB also has a broad mandate to prohibit unfair, deceptive or abusive acts and practices and is specifically empowered to require certain disclosures to consumers and draft model disclosure forms. Failure to comply with consumer protection laws and regulations can subject financial institutions to enforcement actions, fines and other penalties. The FDIC examines the Bank for compliance with CFPB rules and enforces CFPB rules with respect to the Bank.

The Dodd-Frank Act prescribes certain standards that mortgage lenders must consider before making a residential mortgage loan, including verifying a borrower's ability to repay such mortgage loan and allows borrowers to assert violations of certain provisions of the TILA as a defense to foreclosure proceedings. Additionally, the CFPB's qualified mortgage rule, requires creditors, such as Washington Trust, to make a reasonable good faith determination of a consumer's ability to repay any consumer credit transaction secured by a dwelling. The Economic Growth Act included provisions that ease certain requirements related to residential mortgage transactions for certain institutions with less than $10 billion in total consolidated assets.

Privacy and Customer Information Security. The GLBA requires financial institutions to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to nonaffiliated third parties. In general, the Bank must provide its customers with an initial and annual disclosure that explains its policies and procedures regarding the disclosure of such nonpublic personal information, and, except as otherwise required or permitted by law, the Bank is prohibited from disclosing such information except as provided in such policies and procedures. However, an annual disclosure is not required to be provided by a financial institution if the financial institution only discloses information under exceptions from GLBA that do not require an opt out to be provided and if there has been no change in its privacy policies and procedures since its most recent disclosure provided to consumers. The GLBA also requires that the Bank develop, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information (as defined under GLBA), to protect against anticipated threats or hazards to the security or integrity of such information; and to protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. The Bank is also required to send a notice to customers whose sensitive information has been compromised if unauthorized use of the information is reasonably possible. Most states, including the states where the Bank operates, have enacted legislation concerning breaches of data security and the duties of the Bank in response to a data breach. Congress continues to consider federal legislation that would require consumer notice of data security breaches. In addition, individual states in our market area have promulgated data security regulations with respect to personal information of their residents. Pursuant to the FACT Act, the Bank had to develop and implement a written identity theft prevention program to detect, prevent, and mitigate identity theft in connection with the opening of certain accounts or certain existing accounts. Additionally, the FACT Act amended the Fair Credit Reporting Act to generally prohibit a person from using information received from an affiliate to make a solicitation for marketing purposes to a consumer, unless the consumer is given notice and a reasonable opportunity and method to opt out of the making of such solicitations.

Anti-Money Laundering

The Bank Secrecy Act. Under the BSA, a financial institution is required to have systems in place to detect certain transactions, based on the size and nature of the transaction. Financial institutions are generally required to report to the U.S. Treasury any cash transactions involving at least $10,000. In addition, financial institutions are required to file suspicious activity reports for any transaction or series of transactions that involve more than $5,000 and which the financial institution knows, suspects or has reason to suspect involves illegal funds, is designed to evade the requirements of the BSA or has no lawful purpose. The USA PATRIOT Act, which amended the BSA, together with the implementing regulations of various federal regulatory agencies, has caused financial institutions, such as the Bank, to adopt and implement additional policies or amend existing policies and procedures with respect to, among other things, anti-money laundering compliance, suspicious activity, currency transaction reporting, customer identity verification and customer risk analysis. In evaluating an application to acquire a bank or to merge banks or effect a purchase of assets and assumption of deposits and other liabilities, the applicable federal banking regulator must consider the anti-money laundering compliance record of both the applicant and the target. In addition, under the USA PATRIOT Act financial institutions are required to take steps to monitor their correspondent banking and private banking relationships as well as, if applicable, their relationships with "shell banks."

Office of Foreign Assets Control. The U.S. has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These sanctions, which are administered by OFAC, take many different forms. Generally,

however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on "U.S. persons" engaging in financial or other transactions relating to a sanctioned country or with certain designated persons and entities; (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons); and (iii) restrictions on transactions with or involving certain persons or entities. Blocked assets (for example, property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences for Washington Trust.

Regulation of Other Activities

Registered Investment Adviser. WTA is registered as an investment adviser under the Advisers Act. The Advisers Act imposes numerous obligations on registered investment advisers, including compliance with the anti-fraud provisions of the Advisers Act and fiduciary duties arising out of those provisions. WTA must maintain a compliance program reasonably designed to prevent violations of the Advisers Act and are also subject to recordkeeping, operational and disclosure obligations.

Employee Retirement Income Security Act of 1974. The Bank and WTA are each also subject to ERISA, and related regulations, to the extent it is a "fiduciary" under ERISA with respect to some of its clients. ERISA and related provisions of the Code impose duties on persons who are fiduciaries under ERISA, and prohibit certain transactions involving the assets of each ERISA plan that is a client of the Bank or WTA, as applicable, as well as certain transactions by the fiduciaries (and several other related parties) to such plans.

The foregoing laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict WTA from conducting business in the event it fails to comply with such laws and regulations. Possible sanctions that may be imposed in the event of such noncompliance include the suspension of individual employees, limitations on business activities for specified periods of time, revocation of registration as an investment adviser, commodity trading adviser and/or other registrations, and other censures and fines.

Mortgage Lending. WTMC is a mortgage banking subsidiary of the Bank and licensed to do business in Rhode Island, Massachusetts, Connecticut and New Hampshire. WTMC is subject to the regulation, supervision and examination by the banking divisions in each of these states. See "-Consumer Protection Regulation" for a description of certain regulations that apply to WTMC.

Securities and Exchange Commission Availability of Filings

Under Sections 13 and 15(d) of the Exchange Act, periodic and current reports must be filed or furnished with the SEC. You may read and copy any reports, statements or other information filed by Washington Trust from commercial document retrieval services and at the website maintained by the SEC at https://www.sec.gov. In addition, Washington Trust makes available free of charge on the Investor Relations section of its website (https://ir.washtrust.com) its annual report on Form 10-K, its quarterly reports on Form 10-Q, current reports on Form 8-K, and exhibits and amendments to those reports as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC. Information on the Washington Trust website is not incorporated by reference into this Annual Report on Form 10-K.

ITEM 1A. Risk Factors.

Before making any investment decision with respect to our common stock, you should carefully consider the risks described below, in addition to the other information contained in this report and in our other filings with the SEC. The risks and uncertainties described below and in our other filings are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs, our business, financial condition and results of operations could be impaired. In that event, the market price for our common stock could decline and you may lose your investment. This report is qualified in its entirety by these risk factors.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

The possibility of the economy entering a recession and/or experiencing further turmoil or volatility in the financial markets would likely have an adverse effect on our business, financial position, and results of operations.

The economy in the United States and globally has experienced volatility in recent years and may continue to experience such volatility for the foreseeable future. There can be no assurance that economic conditions will not worsen. Unfavorable or uncertain economic conditions can be caused by declines in economic growth, business activity, or investor or business confidence, limitations on the availability of or increases in the cost of credit and capital, increases in inflation or interest rates, the timing and impact of changing governmental policies, natural disasters, climate change, epidemics, pandemics, terrorist attacks, acts of war, or a combination of these or other factors. A worsening of business and economic conditions could have adverse effects on our business, including the following:

- investors may have less confidence in the equity markets in general and in financial services industry stocks in particular, which could place downward pressure on our stock price and resulting market valuation;
- economic and market developments may further affect consumer and business confidence levels and may cause declines in credit usage and adverse changes in payment patterns, causing increases in delinquencies and default rates;
- our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite loans become less predictive of future behaviors;
- we could suffer decreases in demand for loans or other financial products and services or decreased deposits or other investments in accounts with us;
- our Wealth Management Services customers may liquidate investments, which together with lower asset values, may reduce the level of assets under management and administration, and thereby decrease our wealth management revenues;
- competition in the financial services industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions or otherwise; and
- the value of loans and other assets or collateral securing loans may decrease.

Changes in the business and economic conditions in southern New England could adversely affect our financial condition and results of operations.

We primarily serve individuals and businesses located in southern New England, and a substantial portion of our loans are secured by properties in southern New England. The real estate collateral securing the Bank's loans provides an alternate source of repayment in the event of default by the borrower. However, unlike other larger institutions, we are not able to spread the risks of unfavorable local economic conditions across a large number of diversified economies. An economic downturn could, therefore, result in losses that materially and adversely affect our business. An economic downturn or a prolonged economic recession in southern New England could result in the following consequences:

- loan delinquencies may increase;
- problem assets and foreclosures may increase;
- demand for our products and services may decline;
- collateral for our loans may decline in value, in turn reducing a customer's borrowing power and reducing the value of collateral securing a loan;
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; and
- our ability to continue to originate real estate loans may be impaired.

Inflationary pressures and rising prices may affect our results of operations and financial condition.

Inflation continued at elevated levels in 2023. Inflationary pressures, including the impact of recent increases in inflation, may remain elevated in 2024. Small to medium-sized businesses may be impacted more during periods of high inflation as they are not able to leverage economies of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business customers to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact our results of operations and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to increase, which could adversely affect our results of operations and financial condition.

Fluctuations in interest rates may impair the Bank's business.
The Bank's earnings and financial condition are largely dependent on net interest income, which is the difference between interest income from interest-earning assets, such as loans and investment securities, and interest expense on interest-bearing liabilities, such as deposits and borrowings. However, certain assets and liabilities may react differently to changes in market interest rates. Further, interest rates on some types of assets and liabilities may fluctuate prior to changes in broader market interest rates, while rates on other types of assets and liabilities may lag behind. These rates are highly sensitive to many factors beyond our control, including general economic conditions, both domestic and foreign, and the monetary and fiscal policies of various governmental and regulatory authorities.

When interest rates increase, loan prepayments generally decline and depositors may shift funds from accounts that have a comparatively lower cost, such as regular savings accounts, to accounts with a higher cost, such as certificates of deposit. In addition, wholesale funds may reprice more quickly and by a greater amount than the repricing of in-market deposits. When interest rates decrease, loan prepayments and the receipt of payments on mortgage-backed securities generally increase, and may result in the proceeds having to be reinvested at a lower rate than the loan or mortgage-backed security being prepaid. Changes in interest rates can also affect the value of loans and investment securities. Fixed-rate investment securities, mortgage-backed securities and mortgage loans typically decline in value as interest rates rise.

The Bank has adopted asset and liability management policies to mitigate the potential adverse effects of changes in interest rates on net interest income, primarily by altering the mix and maturity of loans, investments, funding sources, and derivatives. However, even with these policies in place, a change in interest rates can impact our results of operations or financial condition.

We are subject to liquidity risk, which could negatively affect our funding levels.
We must maintain sufficient funds to respond to the needs of depositors and borrowers. To manage liquidity, we draw upon a number of funding sources in addition to in-market deposit growth and repayments and maturities of loans and investments. Market conditions or other events could negatively affect our access to or cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, or fund asset growth and new business initiatives at a reasonable cost, in a timely manner and without adverse consequences.

Although we maintain a liquid asset portfolio and have implemented strategies to maintain sufficient and diverse sources of funding to accommodate planned, as well as unanticipated, changes in assets, liabilities, and off-balance sheet commitments under various economic conditions, a substantial, unexpected, or prolonged change in the level or cost of liquidity could have a material adverse effect on us. If the cost effectiveness or the availability of supply in these credit markets is reduced for a prolonged period of time, our funding needs may require us to access funding and manage liquidity by other means. These alternatives may include generating client deposits, extending the maturity of wholesale borrowings, borrowing under certain secured borrowing arrangements, using relationships developed with a variety of fixed income investors, selling or securitizing loans, and further managing loan growth and investment opportunities. These alternative means of funding may result in an increase to the overall cost of funds and may not be available under stressed conditions, which would cause us to liquidate a portion of our liquid asset portfolio to meet any funding needs.

Our cost of funds for banking operations may increase as a result of general economic conditions, interest rates and competitive pressures.
Deposits are a low cost and stable source of funding. We compete with banks and other financial institutions for deposits. If, as a result of general economic conditions, market interest rates, competitive pressures, or otherwise, the amount of deposits at the Bank decreases relative to its overall banking operations, the Bank may have to rely more heavily on higher cost borrowings as a source of funds, such as the FHLB, or otherwise reduce its loan growth or pursue loan sales. Higher funding costs reduce our NIM, net interest income and net income.

A significant component of our liquidity needs is met through our access to funding pursuant to our membership in the FHLB. The FHLB is a cooperative that provides services to its member banking institutions. The primary reason for joining the FHLB is to obtain funding. The purchase of stock in the FHLB is a requirement for a member to gain access to funding. Any deterioration in the FHLB's performance or financial condition may affect our ability to access funding and/or require us to deem the required investment in FHLB stock to be impaired. If we are not able to access funding through the FHLB, we may not be able to meet our liquidity needs, which could have an adverse effect on our results of operations or financial condition. Similarly, if we deem all or part of our investment in FHLB stock impaired, such action could have an adverse effect on our financial condition or results of operations.

Our loan portfolio includes commercial loans, which are generally riskier than other types of loans.
At December 31, 2023, commercial loans represented 48% of our loan portfolio. Commercial loans generally carry larger loan balances and involve a higher risk of nonpayment or late payment than residential mortgage loans. These loans may lack standardized terms and may include a balloon payment feature. The ability of a borrower to make or refinance a balloon payment may be affected by a number of factors, including the financial condition of the borrower, prevailing economic conditions (including conditions in the real estate market), interest rates, and collateral values. Repayment of these loans is generally more dependent on the economy and the successful operation of a business. Additionally, the COVID-19 pandemic has had a potentially long-term negative impact on certain commercial real estate properties due to the risk that tenants may reduce the office space they lease as some portion of the workforce continues to work remotely on a hybrid or full-time basis. Because of the risks associated with commercial loans, we may experience higher rates of default than if our portfolio were more heavily weighted toward residential mortgage loans. Higher rates of default could have an adverse effect on our financial condition and results of operations.

We may experience losses and expenses if security interests granted for loans are not enforceable.
When we make loans, we sometimes obtain liens, such as real estate mortgages or other asset pledges, to provide us with a security interest in collateral. If there is a loan default, we may seek to foreclose upon collateral and enforce the security interests to obtain repayment and eliminate or mitigate our loss. Drafting errors, recording errors, other defects or imperfections in the security interests granted to us and/or changes in law may render liens granted to the us unenforceable. We may incur losses or expenses if security interests granted to us are not enforceable.

Environmental liability associated with our lending activities could result in losses.
In the course of business, we may acquire, through foreclosure, properties securing loans we have originated that are in default. While we believe that our credit granting process incorporates appropriate procedures for the assessment of environmental contamination risk, there is a risk that material environmental violations could be discovered on these properties, particularly with respect to commercial loans secured by real estate. In this event, we might be required to remedy these violations at the affected properties at our sole cost and expense. The cost of this remedial action could substantially exceed the value of affected properties. We may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have an adverse effect on our financial condition and results of operations.

We may be required to repurchase mortgage loans or indemnify buyers against losses in some circumstances, which could adversely affect our results of operations and financial condition.
When mortgage loans are sold, we are required to make customary representations and warranties to purchasers, guarantors and insurers, including government-sponsored entities, about the mortgage loans and the manner in which they were originated. Whole loan sale agreements require us to repurchase or substitute mortgage loans, or indemnify buyers against losses, in the event we breach these representations or warranties. In addition, we may be required to repurchase mortgage loans as a result of early payment default of the borrower on a mortgage loan. If repurchase and indemnity demands increase and such demands are valid claims and are in excess of our provision for potential losses, our results of operations and financial condition may be adversely affected.

Our ACL on loans may not be adequate to cover actual loan losses, and an increase in the ACL on loans will adversely affect our earnings.
We maintain an ACL on loans that is based on relevant internal and external information related to past events, current economic conditions and reasonable supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. We make various assumptions and judgments about the quality and collectability of the loan portfolio, the creditworthiness of borrowers, the value of the underlying collateral, the enforceability of the loan documents, current economic conditions and reasonable and supportable forecasts. If the assumptions underlying the determination of the ACL prove to be incorrect, the ACL may not be sufficient to cover actual loan losses and an increase to the ACL may be necessary to allow for different assumptions or adverse developments. In addition, a problem with one or more loans could require a significant increase to the ACL. Federal and state regulators, in reviewing our loan portfolio as part of a regulatory examination, may request that we increase our ACL. Any increases in our ACL will result in a decrease in our net income and, possibly, our capital, and could have an adverse effect on our financial condition and results of operations.

We are a holding company and depend on the Bank for dividends, distributions and other payments.
The Bancorp is a legal entity separate and distinct from the Bank. Revenues of the Bancorp are derived primarily from dividends paid to it by the Bank. The right of the Bancorp, and consequently the right of shareholders of the Bancorp, to participate in any distribution of the assets or earnings of the Bank, through the payment of such dividends or otherwise, is necessarily subject to the prior claims of creditors of the Bank (including depositors), except to the extent that certain claims of the Bancorp in a creditor capacity may be recognized.

Holders of our common stock are entitled to receive dividends only when, as and if declared by our Board of Directors. Although we have historically declared cash dividends on our common stock, we are not required to do so and our Board of Directors may reduce or eliminate our common stock dividend in the future. The Federal Reserve has authority to prohibit bank holding companies from paying dividends if such payment is deemed to be an unsafe or unsound practice. Additionally, the FDIC has the authority to use its enforcement powers to prohibit the Bank from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice. Further, our ability to pay dividends would be restricted if we do not maintain a capital conservation buffer. A reduction or elimination of dividends could adversely affect the market price of our common stock. See Item, "Business-Supervision and Regulation-Dividend Restrictions" and "Business-Supervision and Regulation-Capital Adequacy and Safety and Soundness-Regulatory Capital Requirements."

We have credit and market risk inherent in our investment securities portfolio.
We maintain a securities portfolio, which may include obligations of U.S. government-sponsored enterprises and agencies, including mortgage-backed securities; obligations of states and political subdivisions; individual name issuer trust preferred debt securities; and corporate bonds. We seek to limit credit losses in our securities portfolios by generally purchasing only highly-rated securities. The valuation and liquidity of our securities could be adversely impacted by reduced market liquidity, increased normal bid-asked spreads and increased uncertainty of market participants, which could reduce the market value of our securities, even those with no apparent credit exposure. Inflation and rapid increases in interest rates led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. The valuation of our securities requires judgment and as market conditions change security values may also change. Significant negative changes to valuations could result in impairments in the value of our securities portfolio, which could have an adverse effect on our financial condition or results of operations.

Potential downgrades of U.S. government agency and government-sponsored enterprise securities by one or more of the credit ratings agencies could have a material adverse effect on our operations, earnings and financial condition.
A possible future downgrade of the sovereign credit ratings of the U.S. government and a decline in the perceived creditworthiness of U.S. government-related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affect the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. Such ratings actions could result in a significant adverse impact on us. Among other things, a downgrade of the sovereign credit ratings of the U.S. government could adversely impact the value of our investment securities portfolio and may trigger requirements to post additional collateral for trades relative to these securities. A downgrade of the sovereign credit ratings of the U.S. government or the credit ratings of related institutions, agencies or instruments could significantly exacerbate the other risks to which we are subject and any related adverse effects on the business, financial condition and results of operations.

The soundness of other financial institutions could adversely affect us.
Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to a number of different counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, other commercial banks, investment banks, and other financial institutions. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, could lead to market-wide liquidity problems and losses or defaults by us or by other institutions and organizations. Many of these transactions expose us to credit risk in the event of default of our counterparty or customer. In addition, our credit risk may be exacerbated when the collateral held by us cannot be liquidated or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to us. There is no assurance that any such losses would not materially and adversely affect our results of operations.

Market changes or economic downturns may adversely affect demand for our fee-based services and level of wealth management AUA.

Economic downturns could affect the volume of income earned from, and demand for, fee-based services.

Revenues from mortgage banking activities are largely dependent on mortgage origination volume and sales volume. Changes in interest rates and the condition of housing markets could adversely impact the volume of residential mortgage originations, sales and related mortgage banking activities.

Revenues from wealth management services depend in large part on the level of AUA, which are primarily marketable securities. Market volatility that results in clients liquidating investments, as well as lower asset values, can reduce the level of assets under management and administration and decrease our wealth management revenues, which could materially adversely affect our results of operations.

We face continuing and growing security risks to our information base, including the information we maintain relating to our customers.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our business and to store sensitive data, including financial information regarding customers. Our electronic communications and information systems infrastructure could be susceptible to cyberattacks, hacking, identity theft or terrorist activity. We have implemented and regularly review and update extensive systems of internal controls and procedures as well as corporate governance policies and procedures intended to protect our business operations, including the security and privacy of all confidential customer information. In addition, we rely on the services of a variety of third-party service providers to meet our data processing and communication needs. No matter how well designed or implemented our controls are, we cannot provide an absolute guarantee to protect our business operations from every type of problem in every situation. A failure or circumvention of these controls could have a material adverse effect on our business operations and financial condition.

We regularly assess and test our security systems and disaster preparedness, including back-up systems, but the risks are escalating. We also review and assess the cybersecurity risk of our third-party service providers. As a result, cybersecurity and the continued enhancement of our controls and processes to protect our systems, data and networks from attacks, unauthorized access or significant damage remain a priority. Accordingly, we may be required to expend additional resources to enhance our protective measures or to investigate and remediate any information security vulnerabilities or exposures. Any breach of our system security could result in disruption of our operations, unauthorized access to confidential customer information, significant regulatory costs, litigation exposure and other liability. A breach could negatively impact customer confidence, damaging our reputation and undermining our ability to attract and keep customers.

We rely on other companies to provide key components of our business infrastructure.

Third-party vendors provide key components of our business infrastructure such as internet connections, network access and core application processing. While we have selected these third-party vendors carefully, we do not control them or their actions. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to our customers or otherwise conduct our business efficiently and effectively. Replacing these third-party vendors could also entail significant delay and expense.

We may not be able to successfully implement future information technology system enhancements, which could adversely affect our business operations and profitability.

We invest significant resources in information technology system enhancements in order to provide functionality and security at an appropriate level. We may not be able to successfully implement and integrate future system enhancements, which could adversely impact the ability to provide timely and accurate financial information in compliance with legal and regulatory requirements, which could result in sanctions from regulatory authorities. Such sanctions could include fines and suspension of trading in our stock, among others. In addition, future system enhancements could have higher than expected costs and/or result in operating inefficiencies, which could increase the costs associated with the implementation as well as ongoing operations.

Failure to properly utilize system enhancements that are implemented in the future could result in impairment charges that adversely impact our financial condition and results of operations and could result in significant costs to remediate or replace the defective components. In addition, we may incur significant training, licensing, maintenance, consulting and amortization expenses during and after systems implementations, and any such costs may continue for an extended period of time.

Our business may be adversely affected if we fail to adapt our products and services to evolving industry standards and consumer preferences.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. The widespread adoption of new technologies, including cryptocurrencies and payment systems, could require substantial expenditures to modify or adapt our existing products and services. The introduction of new or modified products or services can entail significant time and resources. We might not be successful in developing or introducing new or modified products and services, integrating new products or services into our existing offerings, responding or adapting to changes in consumer behavior, preferences, spending, investing and/or saving habits, achieving market acceptance of our products and services, reducing costs in response to pressures to deliver products and services at lower prices or sufficiently developing and maintaining loyal customers. Products and services relying on internet and mobile technologies may expose us to fraud and cybersecurity risks. Implementation of certain new technologies, such as those related to artificial intelligence, automation and algorithms, may have unintended consequences due to their limitations, potential manipulation, or our failure to use them effectively. Failure to successfully manage these risks in the development and implementation of new or modified products or services could have an adverse effect on our business and reputation.

We may incur significant losses as a result of ineffective risk management processes and strategies.

We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance, and legal reporting systems; internal controls; management review processes; and other mechanisms. In some cases, management of our risks depends upon the use of analytical and/or forecasting models, which, in turn, rely on assumptions and estimates. If the models used to mitigate these risks are inadequate, or the assumption or estimates are inaccurate or otherwise flawed, we may fail to adequately protect against risks and may incur losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated, which could lead to unexpected losses and our results of operations or financial condition could be materially adversely affected.

Damage to our reputation could significantly harm our business, including our competitive position and business prospects.

We are dependent on our reputation within our market area, as a trusted and responsible financial services company, for all aspects of our business with customers, employees, vendors, third-party service providers, and others, with whom we conduct business or potential future businesses. Negative public opinion about the financial services industry generally (including the types of banking and wealth management services that we provide) or us specifically could adversely affect our reputation and our ability to keep and attract customers and employees. Our actual or perceived failure to address various issues could give rise to negative public opinion and reputational risk that could cause harm to us and our business prospects. These issues include, but are not limited to, legal and regulatory requirements; properly maintaining customer and employee personal information; record keeping; money-laundering; sales and trading practices; ethical issues; appropriately addressing potential conflicts of interest; and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in our products. Failure to appropriately address any of these issues could also give rise to additional regulatory restrictions and legal risks, which could, among other consequences, increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur related costs and expenses.

The proliferation of social media websites utilized by us and other third parties, as well as the personal use of social media by our employees and others, including personal blogs and social network profiles, also may increase the risk that negative, inappropriate or unauthorized information may be posted or released publicly that could harm our reputation or have other negative consequences, including as a result of our employees interacting with our customers in an unauthorized manner in various social media outlets. Any damage to our reputation could affect our ability to retain and develop the business relationships necessary to conduct business, which in turn could negatively impact our financial condition, results of operations, and the market price of our common stock.

We may not be able to compete effectively in our increasingly competitive industry.

We compete with financial and non-financial services firms, including traditional banks, online banks, financial technology companies, and investment management and wealth advisory firms, including commercial banks and trust companies, investment advisory firms, mutual fund companies, stock brokerage firms. These companies compete on the basis of, among other factors, size, location, quality and type of products and services offered, price, technology, brand recognition and reputation. Emerging technologies have the potential to further intensify competition and accelerate disruption in the financial services industry. In recent years, non-financial services firms, such as financial technology companies, have begun

to offer services traditionally provided by financial institutions. These firms attempt to use technology and mobile platforms to enhance the ability of companies and individuals to borrow, save and invest money. Many of these non-financial services competitors have fewer regulatory constraints and may have lower cost structures than we do. Our long-term success depends on our ability to develop and execute strategic plans and initiatives; to develop competitive products and technologies; and to attract, retain and develop a highly skilled employee workforce. Our ability to successfully attract and retain wealth management clients is dependent upon our ability to compete with competitors' investment products, level of investment performance, client services and marketing and distribution capabilities. If we are not successful, our results of operations and financial condition may be negatively impacted.

We may be unable to attract and retain key personnel.
Our success depends, in large part, on our ability to attract and retain key personnel. Certain key personnel that have regular direct contact with customers and clients often build strong relationships that are important to our business. In addition, we rely on key personnel to manage and operate its business, including major revenue producing functions, such as loan and deposit generation and wealth management services. Competition for qualified personnel in the financial services industry can be intense and we may not be able to hire or retain the key personnel that we depend upon for success. Frequently, we compete in the market for talent with entities that are not subject to comprehensive regulation, including with respect to the structure of incentive compensation. The unexpected loss of services of one or more of our key personnel could have a material adverse impact on our business because of their skills, knowledge of the markets in which we operate, years of industry experience and the difficulty of promptly finding qualified replacement personnel. Also, the loss of key personnel could jeopardize our relationships with customers and clients and could lead to the loss of accounts. Losses of such accounts could have a material adverse impact on our business.

Natural disasters, acts of terrorism, pandemics and other external events could harm our business.
Natural disasters can disrupt our operations, result in damage to our properties, reduce or destroy the value of the collateral for our loans and negatively affect the economies in which we operate, which could have a material adverse effect on our results of operations and financial condition. A significant natural disaster, such as a hurricane, blizzard, flood, fire or earthquake, could have a material adverse impact on our ability to conduct business, and our insurance coverage may be insufficient to compensate for losses that may occur. Acts of terrorism, war, civil unrest, or pandemics could cause disruptions to our business or the economy as a whole. While we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations and financial condition.

Climate change and related legislative and regulatory initiatives may result in operational changes and expenditures that could significantly impact our business.
The current and anticipated effects of climate change are creating an increasing level of concern for the state of the global environment. As a result, political and social attention to the issue of climate change has increased. In recent years, governments across the world have entered into international agreements to attempt to reduce global temperatures, in part by limiting greenhouse gas emissions. The U.S. Congress, state legislatures and federal and state regulatory agencies have continued to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. These agreements and measures may result in the imposition of taxes and fees, the required purchase of emission credits, and the implementation of significant operational changes, each of which may require us to expend significant capital and incur compliance, operating, maintenance, and remediation costs. Consumers and businesses may also change their behavior on their own as a result of these concerns. The impact on our customers will likely vary depending on their specific attributes, including reliance on, or role in, carbon intensive activities. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate-friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.

If we are required to write-down goodwill or other intangible assets recorded in connection with our acquisitions, our profitability would be negatively impacted.
Under GAAP, if the purchase price of an acquired company exceeds the fair value of the company's net assets, the excess is carried on the acquirer's balance sheet as goodwill or other identifiable intangible assets. Goodwill must be evaluated for impairment at least annually. Long-lived intangible assets are amortized and are tested for recoverability whenever events or changes in circumstances indicate the carrying amount of the asset or asset group may not be recoverable. A significant and sustained decline in our stock price and market capitalization, a significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or other factors could result in impairment of goodwill. Write-downs of the amount of any impairment, if necessary, would be charged to the results of operations in the

period in which the impairment occurs. There can be no assurance that future evaluations of goodwill or intangible assets will not result in findings of impairment and related write-downs, which would have an adverse effect on our financial condition and results of operations.

Changes in accounting standards can materially impact our financial statements.
Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the Financial Accounting Standards Board or regulatory authorities change the financial accounting and reporting standards that govern the preparation of our financial statements. Such changes are expected to continue and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. Additionally, significant changes to accounting standards may require costly technology changes, additional training and personnel, and other expense that will negatively impact our results of operations.

Changes in tax laws and regulations, differences in interpretation of tax laws and regulations, and reductions in the value of our deferred tax assets may adversely impact our financial statements.
We are subject to tax law changes that could impact our effective income tax rate and our net deferred tax assets. Our net deferred tax assets are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled. We assess the deferred tax assets periodically to determine the likelihood of our ability to realize the benefits. A valuation allowance is established when it is more-likely-than-not that all or some portion of our deferred tax assets will not be realized. Management judgment is required in determining the appropriate recognition and valuation of deferred tax assets and liabilities, including projections of future taxable income, as well as the character of that income. A change in statutory tax rates and/or a change in realizability may result in a decrease or increase to our deferred tax assets. A decrease in our deferred tax assets could have a material adverse effect on our results of operations or financial condition.

Local, state or federal tax authorities may interpret tax laws and regulations differently than we do and challenge tax positions that we have taken on tax returns. This may result in differences in the treatment of revenues, deductions, credits and/or differences in the timing of these items. The differences in treatment may result in payment of additional taxes, interest, penalties, or litigation costs that could have a material adverse effect on our results.

The market price and trading volume of our stock can be volatile.
The price of our common stock can fluctuate widely in response to a variety of factors. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly. Some of the factors that could cause fluctuations or declines in the price of our common stock include, but are not limited to, actual or anticipated variations in reported operating results, recommendations by securities analysts, the level of trading activity in our common stock, our past and future dividend and share repurchase practices, new services or delivery systems offered by competitors, business combinations involving our competitors, operating and stock price performance of companies that investors deem to be comparable to us, news reports relating to trends or developments in the financial, credit, mortgage and housing markets, as well as the financial services industry, and changes in government regulations.

We may need to raise additional capital in the future and such capital may not be available when needed.
We are required by regulatory authorities to maintain adequate levels of capital to support our operations. We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial performance. We cannot assure you that such capital will be available to us on acceptable terms or at all. Our inability to raise sufficient additional capital on acceptable terms when needed could subject us to certain activity restrictions or to a variety of enforcement remedies available to the regulatory authorities, including limitations on our ability to pay dividends or pursue acquisitions, the issuance by regulatory authorities of a capital directive to increase capital and the termination of deposit insurance by the FDIC.

Certain provisions of our articles of incorporation may have an anti-takeover effect.
Provisions of Rhode Island law, our articles of incorporation and by-laws, and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. The combination of these provisions may inhibit a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock.

Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non-performance by financial institutions or transactional counterparties, could adversely affect our financial condition and results of operations.
Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on May 1, 2023, First Republic Bank went into receivership and its deposits and substantially all of its assets were acquired by JPMorgan Chase Bank, National Association. Similarly, on March 10, 2023, Silicon Valley Bank went into receivership, and on March 12, 2023, Signature Bank went into receivership.

Inflation and rapid increases in interest rates led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. The Federal Reserve announced a program to provide loans to FDIC-insured depository institutions and certain U.S. branches and agencies of foreign banks secured by certain of such government securities to mitigate the risk of potential losses on the sale of such instruments. Currently new advances (with terms up to one year) under the program can only be made through March 11, 2024. There is no guarantee that the Treasury, FDIC and/or Federal Reserve, as applicable, take such actions in the future in the event of the closure of other banks or financial institutions, that they would do so in a timely fashion or that such actions, if taken, would have their intended effect.

RISKS RELATED TO OUR REGULATORY ENVIRONMENT

We operate in a highly regulated industry, and laws and regulations, or changes in them, could limit or restrict our activities and could have a material adverse effect on our operations.
We are subject to extensive federal and state regulation and supervision. Federal and state laws and regulations govern numerous matters affecting us, including changes in the ownership or control of banks and bank holding companies; maintenance of adequate capital and the financial condition of a financial institution; permissible types, amounts and terms of extensions of credit and investments; the manner in which we conduct mortgage banking activities; permissible non-banking activities; the level of reserves against deposits; and restrictions on dividend payments. The FDIC and the banking divisions or departments of states in which we are licensed to do business have the power to issue consent orders to prevent or remedy unsafe or unsound practices or violations of law by banks subject to their regulation, and the Federal Reserve possesses similar powers with respect to bank holding companies. In addition, WTA, a registered investment advisor subsidiary, is subject to regulation under federal and state securities laws and fiduciary laws. These and other restrictions limit the manner in which we may conduct business and obtain financing.

Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk-based capital and leverage ratios, and define "capital" for calculating these ratios. The minimum capital requirements are: (i) a common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6%; (iii) a total capital ratio of 8%; and (iv) a Tier 1 leverage ratio of 4%. The regulations also establish a "capital conservation buffer" of 2.5%. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the capital conservation buffer amount. The application of these capital requirements could, among other things, require us to maintain higher capital resulting in lower returns on equity, and we may be required to obtain additional capital to comply or result in regulatory actions if we are unable to comply with such requirements.

The laws, rules, regulations, and supervisory guidance and policies applicable to us are subject to regular modification and change. These changes could adversely and materially impact us. Such changes could, among other things, subject us to additional costs, including costs of compliance; limit the types of financial services and products we may offer; and/or increase the ability of non-banks to offer competing financial services and products. Failure to comply with laws, regulations, policies, or supervisory guidance could result in enforcement and other legal actions by federal and state authorities, including criminal and civil penalties, the loss of FDIC insurance, revocation of a banking charter or registration as an investment adviser, other sanctions by regulatory agencies, civil money penalties, and/or reputational damage, which could have a material adverse effect on our business, financial condition, and results of operations. See "Business-Supervision and Regulation."

Our wealth management business is highly regulated, and the regulators have the ability to limit or restrict our activities and impose fines or suspensions on the conduct of our business.

We offer wealth management services through the Bank and WTA. WTA is a registered investment adviser under the Advisers Act. The Advisers Act imposes numerous obligations on registered investment advisers, including fiduciary, record keeping, operational and disclosure obligations. We are also subject to the provisions and regulations of ERISA to the extent that we act as a "fiduciary" under ERISA with respect to certain of our clients. ERISA and the applicable provisions of the federal tax laws impose a number of duties on persons who are fiduciaries under ERISA and prohibit certain transactions involving the assets of each ERISA plan which is a client, as well as certain transactions by the fiduciaries (and certain other related parties) to such plans. Investment contracts with institutional and other clients are typically terminable by the client, also without penalty, upon 30 to 60 days' notice. Changes in these laws or regulations could have a material adverse impact on our profitability and mode of operations.

We are subject to numerous laws designed to protect consumers, including the CRA and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose community investment and nondiscriminatory lending requirements on financial institutions. The CFPB, the Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the CRA, the Equal Credit Opportunity Act, the Fair Housing Act or other fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions, restrictions on expansion and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations.

We may become subject to enforcement actions even though noncompliance was inadvertent or unintentional.

The financial services industry is subject to intense scrutiny from bank supervisors in the examination process and aggressive enforcement of federal and state regulations, particularly with respect to mortgage-related practices and other consumer compliance matters, and compliance with anti-money laundering, BSA and OFAC regulations, and economic sanctions against certain foreign countries and nationals. Enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations; however, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there were systems and procedures designed to ensure compliance in place at the time.

On September 27, 2023, the Bank entered into a settlement with the DOJ through an agreement to resolve allegations that it violated fair lending laws in the state of Rhode Island from 2016 to 2021. Under the settlement, the Bank will provide $7.0 million in loan subsidies over a five-year period with the goal of increasing home mortgage loans, home improvement loans, and home refinance loans in specific census tracts in Rhode Island. Loan subsidies may include originating a loan for a home purchase, refinancing or home improvement at an interest rate below the otherwise prevailing market interest rate offered by Washington Trust and payment of the initial mortgage insurance premium on loans subject to such mortgage insurance. The cost of such subsidies will generally be recognized over the life of the respective loans. Loan subsidies may also include down payment assistance and closing cost assistance. The Bank also will commit $2.0 million for focused community outreach and marketing efforts over a five-year period. The expenses associated with community outreach and marketing efforts will be recorded in the period in which the activities occur and are consistent with historical spending levels. In addition, the Bank will commit to opening two full-service branches in specific census tracts in Rhode Island, including the previously announced new branch in Olneyville, Rhode Island. The settlement included no civil penalties levied against the Bank. The United States District Court for the District of Rhode Island approved the settlement on October 31, 2023. The settlement resolved all claims made by the DOJ against the Bank related to its lending practices in the state of Rhode Island from 2016 to 2021.

Failure to comply with these and other regulations or any applicable enforcement actions or settlement agreements, and supervisory expectations related thereto, may result in fines, penalties, lawsuits, regulatory sanctions, reputation damage, or restrictions on our business.

We face significant legal risks, both from regulatory investigations and proceedings, and from private actions brought against us.
As a participant in the financial services industry, many aspects of our business involve substantial risk of legal liability. From time to time, customers and others make claims and take legal action pertaining to the performance of our responsibilities. Whether customer claims and legal action related to the performance of our responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant expenses, attention from management and financial liability. Any financial liability or reputational damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations. There is no assurance that litigation with private parties will not increase in the future. Actions currently pending against us may result in judgments, settlements, fines, penalties or other results adverse to us, which could materially adversely affect our business, financial condition or results of operations, or cause serious reputational harm to us.

ITEM 1B. Unresolved Staff Comments.
None.

ITEM 1C. Cybersecurity.
All companies utilizing technology are subject to threats of breaches of their cybersecurity programs. In addition, as a financial services company, we are subject to extensive regulatory compliance requirements, including those established by the Federal Reserve, FDIC, RI Division of Banking and Connecticut Department of Banking. To mitigate the threat to our business and address regulatory requirements, we take a comprehensive approach to cybersecurity risk management and have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. As described in more detail below, we have established policies, standards, processes, and practices for assessing, identifying, and managing material risks from cybersecurity threats. We devote significant financial and personnel resources to implement and maintain security measures to meet regulatory requirements and customer expectations, and we intend to continue to make significant investments to maintain the security of our data and cybersecurity infrastructure. There can be no guarantee that our policies and procedures will be properly followed in every instance or that those policies and procedures will be effective. Although our "Risk Factors" in Item 1A include further detail about the material cybersecurity risks we face, we believe that risks from prior cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected our business to date. We can provide no assurance that there will not be incidents in the future or that they will not materially affect us, including our business strategy, results of operations, or financial condition.

Risk Management and Strategy
Our policies, standards, processes, and practices for assessing, identifying, and managing material risks from cybersecurity threats are integrated into our comprehensive ERM program and are based on frameworks established by the National Institute of Standards and Technology ("NIST"), Center for Internet Security ("CIS") and other applicable industry standards. Our cybersecurity program in particular focuses on the following key areas:

<u>Collaboration</u>
Our cybersecurity risks are identified and addressed through a comprehensive approach led by our Information Assurance team. The Information Assurance team works collaboratively across the organization to develop strategies for preserving the confidentiality, integrity and availability of Corporation and customer information, identifying, preventing and mitigating cybersecurity threats, and effectively responding to cybersecurity incidents. We maintain controls and procedures that are designed to ensure prompt escalation of certain cybersecurity incidents so that decisions regarding public disclosure and reporting of such incidents can be made to management and the Audit Committee of the Board of Directors ("Audit Committee") in a timely manner.

<u>Risk Assessment</u>
At least annually, we conduct a cybersecurity risk assessment that considers information from internal stakeholders, known information security vulnerabilities, and information from external sources (e.g., reported security incidents that have impacted other companies, industry trends, and evaluations of our environment by third parties and consultants). The results of the assessment are used to develop plans for, and prioritization of, initiatives to enhance our security controls, and to make recommendations to improve processes.

Technical Safeguards
We regularly assess and deploy technical safeguards designed to protect our information systems from cybersecurity threats. Such safeguards are regularly evaluated and improved based on vulnerability assessments, cybersecurity threat intelligence and incident response experience.

Incident Response and Recovery Planning
We have established comprehensive incident response and recovery plans and continue to regularly test and evaluate the effectiveness of those plans. Our incident response and recovery plans address and guide our employees, management and the Audit Committee on our response to a cybersecurity incident.

Third-Party Risk Management
We have implemented controls designed to identify and mitigate cybersecurity threats associated with our use of third-party service providers. Such providers are subject to security risk assessments at the time of onboarding, contract renewal, and based on risk profile. We use a variety of inputs in such risk assessments, including information supplied by providers and third parties. In addition, we require our providers to meet appropriate security requirements, controls and responsibilities and investigate security incidents that have impacted our third-party providers, as appropriate.

Education and Awareness
Our policies require each of our employees to contribute to our data security efforts. We regularly remind employees of the importance of handling and protecting customer and employee data, including through annual privacy and security training to enhance employee awareness of how to detect and respond to cybersecurity threats. We also provide quarterly training updates for our employees, which include social engineering exercises.

External Assessments
Our cybersecurity policies, standards, processes, and practices are regularly assessed by consultants and external auditors. These assessments include a variety of activities including information security maturity assessments, audits and independent reviews of our information security control environment and operating effectiveness. For example, we engage with a third-party auditing firm to conduct cyber audits to assess our controls against the NIST Cybersecurity Framework and CIS controls on an annual basis. The results of these assessments are reported to management and Audit Committee. Cybersecurity processes and controls are adjusted based on the information provided from these assessments.

Governance
Board Oversight
Our Board of Directors has overall responsibility for risk oversight, with its committees assisting in performing this function based on their respective areas of expertise. Our Board of Directors has delegated oversight of risks related to cybersecurity to the Audit Committee. The Audit Committee reports the results of their oversight function to the Board of Directors.

The Audit Committee directly oversees our cybersecurity program and receives regular reports from management about the status of our control environment based on the CIS controls, and the prevention, detection, mitigation, and remediation of cybersecurity incidents. This reporting also includes information concerning material security risks and information security vulnerabilities, cybersecurity risk resulting from risk assessments, progress of risk reduction initiatives, external auditor feedback, control maturity assessments, and relevant internal and industry cybersecurity incidents.

Management's Role
Our chief information officer ("CIO"), chief information security officer ("CISO") and chief technology officer ("CTO") have primary responsibility for assessing and managing material cybersecurity risks. Through the ongoing assessments they perform, including third-party assessments, they make recommendations on enhancing the security controls, and the continued maturity of our information technology and information assurance programs.

Our CIO joined Washington Trust as CISO in 2016 and has more than 35 years of experience in the financial, technology, auditing, and banking industries. He has expertise in technology deployment, information technology risk management and information security policies and programs. Our current CISO has served in that position since 2018 and is a 27-year employee of Washington Trust. He has extensive experience and expertise in information technology risk management and information security policies and programs. He holds a Bachelor of Science in Computer Information Systems and several certifications, including Certified Information Systems Security Professional and Certified Information Security Auditor. Our CTO has served in that position since 2021 and is a 12-year employee of Washington Trust. He has broad technical

experience and expertise in information technology and holds a Bachelor of Science in Information Science and several certifications, including Cisco Certified Network Associate.

ITEM 2. Properties.

Washington Trust's headquarters and main office is located at 23 Broad Street, in Westerly, in Washington County, Rhode Island.

As of December 31, 2023, Washington Trust conducts business from 10 branch offices located in southern Rhode Island (Washington County), 15 branch offices located in the greater Providence area in Rhode Island and one branch office located in southeastern Connecticut.

In addition to branches, Washington Trust has a number of offices in which other services are offered or conducted. Residential mortgage lending offices are located in eastern Massachusetts (Sharon, Burlington, Braintree and Wellesley); in Glastonbury, Connecticut; and in Rhode Island (Westerly and Warwick). Commercial lending offices are located in Rhode Island (Westerly, Warwick and Providence); and in New Haven, Connecticut. Wealth management services are offered from offices that are located in Rhode Island (Westerly, Narragansett and Providence); in New Haven, Connecticut; and in Wellesley, Massachusetts. In addition, Washington Trust has an executive office in Providence, Rhode Island, an employment and training center and operations facilities located in Westerly, Rhode Island, as well as a loan servicing facility in Stonington, CT.

At December 31, 2023, 10 of the Corporation's facilities were owned, 29 were leased and one branch office was owned on leased land. Lease expiration dates range from 3 months to 24 years, with additional renewal options on certain leases ranging from 3 years to 5 years. In addition, the Bank has one owned offsite-ATM in a leased space. All of the Corporation's properties are considered to be in good condition and adequate for the purpose for which they are used.

The Bank also brands ATMs located in retail stores and other locations primarily in Rhode Island and to a lesser extent in southeastern Connecticut. These ATMs are operated under contracts with a third-party vendor.

See Notes 6 and 7 to the Consolidated Financial Statements for additional information regarding premises and equipment and leases.

ITEM 3. Legal Proceedings.

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.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Bancorp's common stock trades on the NASDAQ Stock Market under the symbol WASH. At January 31, 2024, there were 1,395 holders of record of the Bancorp's common stock.

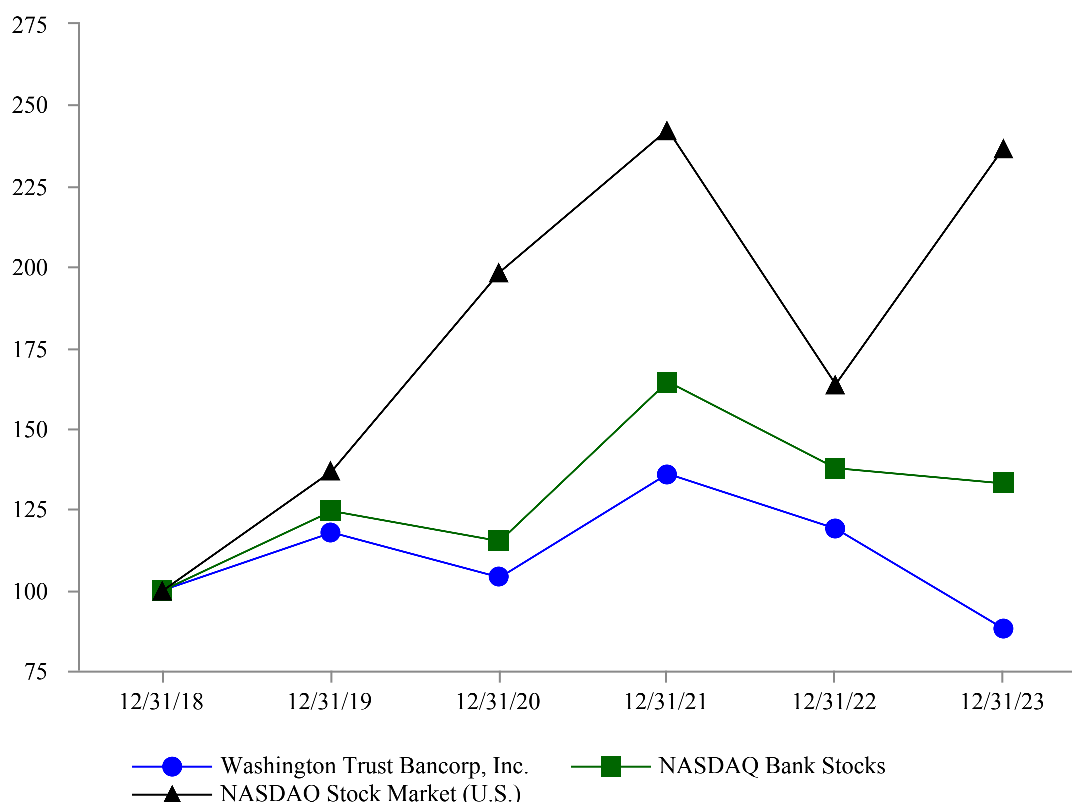
The Bancorp (including the Bank prior to 1984) has recorded consecutive quarterly dividends for over 100 years. Since the Bancorp's primary source of funds for dividends paid to shareholders is the receipt of dividends from the Bank, future dividends will depend on the earnings of the Bank, its financial condition, its need for funds, applicable government policies and regulations, and other such matters the Board of Directors deems appropriate. Management believes that the Bank will continue to generate adequate earnings to continue to pay dividends in the future.

See additional disclosures on Equity Compensation Plan Information in Part III, Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters." The Bancorp did not repurchase any shares during the fourth quarter of December 31, 2023.

Stock Performance Graph

Set forth below is a line graph comparing the cumulative total shareholder return on the Corporation's common stock against the cumulative total return of the NASDAQ Bank Stocks index and the NASDAQ Stock Market (U.S.) from December 31, 2018 to December 31, 2023. The results presented assume that the value of the Corporation's common stock and each index was $100.00 on December 31, 2018. The total return assumes reinvestment of dividends.

The stock price performance shown on the stock performance graph and associated table below is not necessarily indicative of future price performance. Information used in the graph and table was obtained from a third-party provider, a source believed to be reliable, but the Corporation is not responsible for any errors or omissions in such information.



For the period ending December 31,	2018	2019	2020	2021	2022	2023
Washington Trust Bancorp, Inc.	$100.00	$117.72	$103.83	$135.89	$118.94	$87.97
NASDAQ Bank Stocks	$100.00	$124.38	$115.04	$164.41	$137.65	$132.92
NASDAQ Stock Market (U.S.)	$100.00	$136.73	$198.33	$242.38	$163.58	$236.70

ITEM 6. Reserved.

ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following analysis is intended to provide the reader with a further understanding of the consolidated financial condition and results of operations of the Corporation for the periods shown. For a full understanding of this analysis, it should be read in conjunction with other sections of this Annual Report on Form 10-K, including Part I, “Item 1. Business” and Part II, “Item 8. Financial Statements and Supplementary Data.”

Information pertaining to 2021 was included in the Corporation’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022, starting on page 32 under Part II, Item 7. “Management’s Discussion and Analysis of Results of Operations and Financial Condition,” which was filed with the SEC on February 23, 2023.

Overview

Washington Trust offers a full range of financial services, including commercial, residential and consumer lending, retail and commercial deposit products, and wealth management and trust services through its offices in Rhode Island, Massachusetts and Connecticut.

Our largest source of operating income is net interest income, which is the difference between interest earned on loans and securities and interest paid on deposits and borrowings. In addition, we generate noninterest income from a number of sources, including wealth management services, mortgage banking activities and deposit services. Our principal noninterest expenses include salaries and employee benefit costs, outsourced services provided by third-party vendors, occupancy and facility-related costs and other administrative expenses.

We continue to leverage our strong regional brand to build market share and remain steadfast in our commitment to provide superior service. We believe the key to future growth is providing customers with convenient in-person service and digital banking solutions. In April 2023, we opened a new full-service branch in Barrington, Rhode Island and in January 2024, we opened a new full-service branch in Smithfield, Rhode Island. We plan to open another branch in the Olneyville section of Providence in mid-2024.

Risk Management

The Corporation has a comprehensive ERM program through which the Corporation identifies, measures, monitors and controls current and emerging material risks.

The Board of Directors is responsible for oversight of the ERM program. The ERM program enables the aggregation of risk across the Corporation and ensures the Corporation has the tools, programs and processes in place to support informed decision making, to anticipate risks before they materialize and to maintain the Corporation’s risk profile consistent with its risk strategy. The Board of Directors has approved an ERM Policy that addresses each category of risk. The risk categories include: credit risk, interest rate risk, liquidity risk, price and market risk, compliance risk, strategic and reputation risk, and operational risk. A description of each risk category is provided below.

Credit risk represents the possibility that borrowers or other counterparties may not repay loans or other contractual obligations according to their terms due to changes in the financial capacity, ability and willingness of such borrowers or counterparties to meet their obligations. In some cases, the collateral securing the payment of the loans may be sufficient to assure repayment, but in other cases the Corporation may experience significant credit losses which could have an adverse effect on its operating results. The Corporation makes various assumptions and judgments about the collectability of its loan portfolio, including the creditworthiness of its borrowers and counterparties and the value of the real estate and other assets serving as collateral for the repayment of loans. Credit risk also exists with respect to investment securities. For further discussion regarding the credit risk and the credit quality of the Corporation’s loan portfolio, see Notes 4 and 5 to the Consolidated Financial Statements. For further discussion regarding credit risk associated with unfunded commitments, see Note 21 to the Consolidated Financial Statements. For further discussion regarding the Corporation’s securities portfolio, see Note 3 to the Consolidated Financial Statements.

The risk to earnings arising from movements in interest rates. Interest rate risk arises from differences between the timing of rate changes and the timing of cash flows. It exists because the repricing frequency and magnitude of interest-earning assets and interest-bearing liabilities are not identical. See the “Asset/Liability Management and Interest Rate Risk” section below for additional disclosure.

Liquidity risk is the risk that the Corporation will not have the ability to generate adequate amounts of cash in the most economical way for it to meet its maturing liability obligations and customer loan demand. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. For detailed disclosure regarding liquidity management, see the “Liquidity and Capital Resources” section below.

Price and market risk refers to the risk of loss arising from adverse changes in interest rates and other relevant market rates and prices, such as equity prices. Interest rate risk, discussed above, is the most significant market risk to which the Corporation is exposed. The Corporation is also exposed to financial market risk and housing market risk.

Compliance risk represents the risk of regulatory sanctions or financial loss resulting from the failure to comply with laws, rules and regulations and standards of good banking practice. Activities which may expose the Corporation to compliance risk include, but are not limited to, those dealing with the prevention of money laundering, privacy and data protection, adherence to all applicable laws and regulations and employment and tax matters.

Strategic and reputation risk represent the risk of loss due to impairment of reputation, failure to fully develop and execute business plans, and failure to assess existing and new opportunities and threats in business, markets and products.

Operational risk is the risk of loss due to human behavior, inadequate or failed internal processes, systems and controls, information technology changes or failures, and external influences such as market conditions, fraudulent activities, cybersecurity incidents, natural disasters and security risks.

ERM is an overarching program that includes all areas of the Corporation. A framework approach is utilized to assign responsibility and to ensure that the various business units and activities involved in the risk management life cycle are effectively integrated. The Corporation has adopted the “three lines of defense” concept that is an industry best practice for ERM. Business units are the first line of defense in managing risk. They are responsible for identifying, measuring, monitoring, and controlling current and emerging risks. They must report on and escalate their concerns. Corporate functions such as Credit Risk Management, Financial Administration, Information Assurance and Compliance, represent the second line of defense. They are responsible for policy setting and for reviewing and challenging the risk management activities of the business units. They collaborate closely with business units on planning and resource allocation with respect to risk management. Internal Audit is a third line of defense. They provide independent assurance to the Board of Directors of the effectiveness of the first and second lines in fulfilling their risk management responsibilities.

For additional factors that could adversely impact Washington Trust’s future results of operations and financial condition, see the section labeled “Risk Factors” in Item 1A of this Annual Report on Form 10-K.

Results of Operations

The following table presents a summarized consolidated statement of operations:

(Dollars in thousands)

Years Ended December 31,	2023	2022	Change $	Change %
Net interest income	$137,098	$155,990	($18,892)	(12%)
Noninterest income	56,140	62,602	(6,462)	(10)
Total revenues	193,238	218,592	(25,354)	(12)
Provision for credit losses	3,200	(1,300)	4,500	346
Noninterest expense	133,557	128,722	4,835	4
Income before income taxes	56,481	91,170	(34,689)	(38)
Income tax expense	8,305	19,489	(11,184)	(57)
Net income	$48,176	$71,681	($23,505)	(33%)

The following table presents a summary of performance metrics and ratios:

Years Ended December 31,	2023	2022
Diluted earnings per common share	$2.82	$4.11
Return on average assets (net income divided by average assets)	0.69%	1.17%
Return on average equity (net income available for common shareholders divided by average equity)	10.57%	14.49%
Net interest income as a percentage of total revenues	71%	71%
Noninterest income as a percentage of total revenues	29%	29%

Net income totaled $48.2 million in 2023, down by 33% from the $71.7 million reported in 2022. Results in 2023 were impacted by steep increases in market interest rates and declines in wealth management and mortgage banking revenues.

The decline in net interest income in 2023 was driven by increased funding costs, which offset the benefit of higher yields on, and growth in, average interest-earning asset balances. The decline in noninterest income reflected lower wealth management asset-based revenues and lower average AUA balances, attributable to client asset outflows concentrated in the fourth quarter of 2022. The decline in noninterest income also reflected lower mortgage banking revenues, as higher market interest rates have dampened mortgage activity. The provision for credit losses reflected loan growth and slowdown of loan prepayment speeds, changes in asset and credit quality, and reflected our estimate of forecasted economic conditions. The increase in noninterest expenses reflected higher FDIC deposit insurance costs and increases in various categories of noninterest expenses, partially offset by a decrease in salaries and employee benefits. Income tax expense declined in 2023, largely reflecting a lower level of pre-tax income and a net $3.3 million reduction of income tax expense resulting from the revaluation of the Corporation's net deferred tax assets.

Average Balances/Net Interest Margin - Fully Taxable Equivalent Basis
The following table presents average balance and interest rate information. Tax-exempt income is converted to an FTE basis using the statutory federal income tax rate adjusted for applicable state income taxes net of the related federal tax benefit. Unrealized gains (losses) on available for sale securities and changes in fair value on mortgage loans held for sale are excluded from the average balance and yield calculations. Nonaccrual loans, as well as interest recognized on these loans, are included in amounts presented for loans.

Years ended December 31,	2023			2022			Change		
(Dollars in thousands)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets:									
Cash, federal funds sold and short-term investments	$101,166	$4,975	4.92%	$119,932	$1,624	1.35%	($18,766)	$3,351	3.57%
Mortgage loans held for sale	17,384	980	5.64	29,539	1,165	3.94	(12,155)	(185)	1.70
Taxable debt securities	1,185,102	29,059	2.45	1,121,413	21,827	1.95	63,689	7,232	0.50
FHLB stock	46,880	3,315	7.07	20,721	548	2.64	26,159	2,767	4.43
Commercial real estate	1,970,580	118,887	6.03	1,679,300	65,660	3.91	291,280	53,227	2.12
Commercial & industrial	615,494	38,326	6.23	632,938	28,099	4.44	(17,444)	10,227	1.79
Total commercial	2,586,074	157,213	6.08	2,312,238	93,759	4.05	273,836	63,454	2.03
Residential real estate	2,490,991	96,080	3.86	1,960,629	65,866	3.36	530,362	30,214	0.50
Home equity	297,396	17,129	5.76	263,578	10,139	3.85	33,818	6,990	1.91
Other	18,085	854	4.72	15,799	724	4.58	2,286	130	0.14
Total consumer	315,481	17,983	5.70	279,377	10,863	3.89	36,104	7,120	1.81
Total loans	5,392,546	271,276	5.03	4,552,244	170,488	3.75	840,302	100,788	1.28
Total interest-earning assets	6,743,078	309,605	4.59	5,843,849	195,652	3.35	899,229	113,953	1.24
Noninterest-earning assets	255,962			258,906			(2,944)		
Total assets	$6,999,040			$6,102,755			$896,285		
Liabilities and Shareholders' Equity:									
Interest-bearing demand deposits (in-market)	$415,725	$17,521	4.21%	$263,154	$2,891	1.10%	$152,571	$14,630	3.11%
NOW accounts	766,492	1,594	0.21	864,084	862	0.10	(97,592)	732	0.11
Money market accounts	1,191,036	37,145	3.12	1,198,714	8,954	0.75	(7,678)	28,191	2.37
Savings accounts	526,275	1,687	0.32	574,349	473	0.08	(48,074)	1,214	0.24
Time deposits (in-market)	1,010,629	33,609	3.33	799,645	8,630	1.08	210,984	24,979	2.25
Interest-bearing in-market deposits	3,910,157	91,556	2.34	3,699,946	21,810	0.59	210,211	69,746	1.75
Wholesale brokered demand deposits	4,015	178	4.43	20,696	494	2.39	(16,681)	(316)	2.04
Wholesale brokered time deposits	602,423	28,695	4.76	386,170	3,719	0.96	216,253	24,976	3.80
Wholesale brokered deposits	606,438	28,873	4.76	406,866	4,213	1.04	199,572	24,660	3.72
Total interest-bearing deposits	4,516,595	120,429	2.67	4,106,812	26,023	0.63	409,783	94,406	2.04
FHLB advances	1,056,726	49,589	4.69	414,263	11,713	2.83	642,463	37,876	1.86
Junior subordinated debentures	22,681	1,543	6.80	22,681	739	3.26	—	804	3.54
Total interest-bearing liabilities	5,596,002	171,561	3.07	4,543,756	38,475	0.85	1,052,246	133,086	2.22
Noninterest-bearing demand deposits	778,152			923,423			(145,271)		
Other liabilities	169,842			142,324			27,518		
Shareholders' equity	455,044			493,252			(38,208)		
Total liabilities and shareholders' equity	$6,999,040			$6,102,755			$896,285		
Net interest income (FTE)		$138,044			$157,177			($19,133)	
Interest rate spread			1.52%			2.50%			(0.98%)
Net interest margin			2.05%			2.69%			(0.64%)

Interest income amounts presented in the preceding table include the following adjustments for taxable equivalency:

(Dollars in thousands)

Years ended December 31,	2023	2022	Change
Commercial loans	$946	$1,187	($241)

Net Interest Income

Net interest income, the primary source of our operating income, totaled $137.1 million and $156.0 million, respectively, for 2023 and 2022. Net interest income is affected by the level of and changes in interest rates, and changes in the amount and composition of interest-earning assets and interest-bearing liabilities. Prepayment penalty income associated with loan payoffs is included in net interest income.

The following discussion presents net interest income on an FTE basis by adjusting income and yields on tax-exempt loans to be comparable to taxable loans.

Net interest income includes the periodic recognition of prepayment penalty fee income associated with commercial loan payoffs. Prepayment penalty fee income amounted to $272 thousand (or 1 basis point benefit to NIM) and $183 thousand (or no basis point benefit to NIM), respectively, in 2023 and 2022.

The analysis of net interest income, NIM and the yield on loans is also impacted by changes in the level of net amortization of premiums and discounts on securities and loans, which is included in interest income. Changes in market interest rates affect the level of loan prepayments and the receipt of payments on mortgage-backed securities. Prepayment speeds generally decrease as market interest rates rise and increase as market interest rates decline. Changes in prepayment speeds could increase or decrease the level of net amortization of premiums and discounts, thereby affecting interest income. Additionally, as PPP loans were forgiven by the SBA, related unamortized net fee balances were accelerated and amortized, increasing net interest income.

As noted in the Consolidated Statements of Cash Flows, net amortization of premiums and discounts on securities and loans (a net reduction to net interest income) amounted to $1.4 million in 2023, compared to $2.9 million in 2022. This included no accelerated amortization of net deferred fee balances on PPP loans forgiven by the SBA in 2023, compared to $1.2 million (or 2 basis points benefit to NIM) in 2022.

FTE net interest income in 2023 amounted to $138.0 million, down by $19.1 million, or 12%, from 2022. Growth in average interest-earning assets, net of increased average interest-bearing liability balances, contributed $544 thousand of net interest income in 2023. Increases in funding costs outpaced increases in asset yields, reducing net interest income by $19.7 million. See additional discussion regarding interest rate sensitivity under the caption “Asset/Liability Management and Interest Rate Risk.”

NIM was 2.05% in 2023, down by 64 basis points from 2.69% in 2022. While NIM benefited from higher market interest rate on loans, it was adversely impacted by a higher cost of funds.

Total average securities for 2023 increased by $63.7 million, or 6%, from the average balance for 2022, due to purchases of debt securities. The FTE rate of return on securities was 2.45% in 2023, up by 50 basis points from 1.95% in 2022, reflecting the impact of higher market interest rates in 2023.

Total average loan balances increased by $840.3 million, or 18%, from the average balance for 2022. This reflected growth in average residential real estate and CRE loans. The yield on total loans in 2023 was 5.03%, up by 128 basis points from 3.75% in 2022, reflecting higher market interest rates in 2023.

Higher levels of wholesale funding were used in 2023 to fund balance sheet growth. The average balance of FHLB advances for 2023 increased by $642.5 million, or 155%, compared to the average balance for 2022. Due to increases in market rates, the average rate paid on such advances in 2023 was 4.69%, up 186 basis points from 2.83% in 2022. Included in total average interest-bearing deposits were wholesale brokered deposits, which increased by $199.6 million, or 49%, from 2022. The average rate paid on wholesale brokered deposits in 2023 was 4.76%, up by 372 basis points from 1.04% in 2022.

As market interest rates rose, deposit balances shifted from lower cost deposits to higher cost deposits. Average in-market interest-bearing deposits, which excludes wholesale brokered deposits, increased by $210.2 million, or 6%, from the average balance in 2022, with increases in time deposits and interest-bearing demand deposits. The average rate paid on in-market interest-bearing deposits in 2023 was 2.34%, up by 175 basis points from 0.59% in 2022. The average balance of noninterest-bearing demand deposits for 2023 decreased by $145.3 million, or 16%, from the average balance in 2022.

Volume/Rate Analysis - Interest Income and Expense (FTE Basis)
The following table presents certain information on an FTE basis regarding changes in our interest income and interest expense for the period indicated. The net change attributable to both volume and rate has been allocated proportionately.

(Dollars in thousands)	Changes Due To		
Years Ended December 31, 2023 vs. 2022	Volume	Rate	Net Change
Interest on interest-earning assets:			
Cash, federal funds sold and short-term investments	($291)	$3,642	$3,351
Mortgage loans held for sale	(581)	396	(185)
Taxable debt securities	1,311	5,921	7,232
FHLB stock	1,188	1,579	2,767
Commercial real estate	12,901	40,326	53,227
Commercial & industrial	(796)	11,023	10,227
Total commercial	12,105	51,349	63,454
Residential real estate	19,491	10,723	30,214
Home equity	1,436	5,554	6,990
Other	107	23	130
Total consumer	1,543	5,577	7,120
Total loans	33,139	67,649	100,788
Total interest income	34,766	79,187	113,953
Interest on interest-bearing liabilities:			
Interest-bearing demand deposits	2,490	12,140	14,630
NOW accounts	(109)	841	732
Money market accounts	(58)	28,249	28,191
Savings accounts	(42)	1,256	1,214
Time deposits (in-market)	2,808	22,171	24,979
Interest-bearing in-market deposits	5,089	64,657	69,746
Wholesale brokered demand deposits	(564)	248	(316)
Wholesale brokered time deposits	3,095	21,881	24,976
Wholesale brokered deposits	2,531	22,129	24,660
Total interest-bearing deposits	7,620	86,786	94,406
FHLB advances	26,602	11,274	37,876
Junior subordinated debentures	—	804	804
Total interest expense	34,222	98,864	133,086
Net interest income FTE	$544	($19,677)	($19,133)

Provision for Credit Losses
The provision for credit losses results from management’s review of the adequacy of the ACL. The ACL is management’s estimate, at the reporting date, of expected lifetime credit losses and includes consideration of current forecasted economic conditions. Estimating an appropriate level of ACL necessarily involves a high degree of judgment.

The following table presents the provision for credit losses:

(Dollars in thousands)

Years ended December 31,	2023	2022	$	%
Provision for credit losses on loans	$3,550	($1,429)	$4,979	348%
Provision for credit losses on unfunded commitments	(350)	129	(479)	(371)
Provision for credit losses	$3,200	($1,300)	$4,500	346%

The provision recognized in 2023 reflected loan growth and slowdown of loan prepayment speeds, changes in asset and credit quality, and our current estimate of forecasted economic conditions. Econometric factors have been stable to improving in 2023 with our forecast reflecting a lower probability of a recession.

The negative provision in 2022 reflected low loss rates and strong asset and credit quality that more than offset negative trends in economic forecasts and loan growth that was concentrated in residential real estate loans.

Net charge-offs totaled $520 thousand, or 0.01% of average loans, in 2023, compared to net recoveries of $368 thousand, or 0.01% of average loans, in 2022.

The ACL on loans was $41.1 million, or 0.73% of total loans, at December 31, 2023, compared to $38.0 million, or 0.74% of total loans, at December 31, 2022. See additional discussion under the caption "Asset Quality" for further information on the ACL on loans.

Noninterest Income

Noninterest income is an important source of revenue for Washington Trust. The principal categories of noninterest income are shown in the following table:

(Dollars in thousands)

			Change	
Years Ended December 31,	2023	2022	$	%
Noninterest income:				
Wealth management revenues	$35,540	$38,746	($3,206)	(8%)
Mortgage banking revenues	6,660	8,733	(2,073)	(24)
Card interchange fees	4,921	4,996	(75)	(2)
Service charges on deposit accounts	2,806	3,192	(386)	(12)
Loan related derivative income	1,390	2,756	(1,366)	(50)
Income from bank-owned life insurance	3,488	2,591	897	35
Other income	1,335	1,588	(253)	(16)
Total noninterest income	$56,140	$62,602	($6,462)	(10%)

Noninterest Income Analysis

Revenue from wealth management services represented 63% of total noninterest income in 2023, compared to 62% in 2022. A substantial portion of wealth management revenues is dependent on the value of wealth management AUA and is closely tied to the performance of the financial markets. This portion of wealth management revenues is referred to as "asset-based" and includes trust and investment management fees. Wealth management revenues also include "transaction-based" revenues that are not primarily derived from the value of assets.

The categories of wealth management revenues are shown in the following table:

(Dollars in thousands)

Years Ended December 31,	2023	2022	Change $	Change %
Wealth management revenues:				
Asset-based revenues	$34,308	$37,602	($3,294)	(9%)
Transaction-based revenues	1,232	1,144	88	8
Total wealth management revenues	$35,540	$38,746	($3,206)	(8%)

Wealth management revenues for 2023 decreased by $3.2 million, or 8%, from 2022, reflecting a decrease in asset-based revenues. The change in asset-based revenues correlated with the decrease in average AUA balances in 2023. The average balance of AUA in 2023 decreased by 9% from the average balance in 2022.

The end of period AUA balance amounted to $6.6 billion at December 31, 2023, up by $626.4 million, or 11%, from December 31, 2022, reflecting net investment appreciation and income. The following table presents the changes in wealth management AUA balances:

(Dollars in thousands)	2023	2022
Wealth management AUA:		
Balance at the beginning of period	$5,961,990	$7,784,211
Net investment appreciation (depreciation) & income	894,990	(1,132,378)
Net client asset outflows	(268,574)	(689,843)
Balance at the end of period	$6,588,406	$5,961,990

AUA and related asset-based revenues were adversely impacted by client withdrawals associated with the departure of four client-facing advisors at the end of the third quarter of 2022. These four advisors were associated with approximately $1.0 billion of AUA as of September 30, 2022. Through December 31, 2023, cumulative client asset withdrawals associated with the departure of the advisors amounted to $675 million, of which $71 million was withdrawn in 2023 and $604 million was withdrawn in the fourth quarter of 2022. The cumulative withdrawals reduced wealth management revenues by approximately $3.8 million in 2023. While there were cost savings in salaries and employee benefits expense associated with the departure of these advisors, they were partially offset by a higher level of legal expenses also associated with this matter.

Mortgage banking revenues represented 12% of total noninterest income in 2023, compared to 14% for 2022. These revenues are dependent on mortgage origination volume and are sensitive to interest rates and the condition of housing markets. The composition of mortgage banking revenues and the volume of loans sold to the secondary market are shown in the following table:

(Dollars in thousands)

Years Ended December 31,	2023	2022	Change $	Change %
Mortgage banking revenues:				
Realized gains on loan sales, net (1)	$4,282	$7,954	($3,672)	(46%)
Changes in fair value, net (2)	232	(1,224)	1,456	119
Loan servicing fee income, net (3)	2,146	2,003	143	7
Total mortgage banking revenues	$6,660	$8,733	($2,073)	(24%)
Loans sold to the secondary market (4)	$249,972	$339,748	($89,776)	(26%)

(1) Includes gains on loan sales, commission income on loans originated for others, servicing right gains, and gains (losses) on forward loan commitments.
(2) Represents fair value changes on mortgage loans held for sale and forward loan commitments.
(3) Represents loan servicing fee income, net of servicing right amortization and valuation adjustments.
(4) Includes brokered loans (loans originated for others).

Mortgage banking revenues decreased by $2.1 million, or 24%, in 2023. The decline in mortgage banking revenues was mainly attributable to a decline in sales volume and a reduction in the sales yield. Residential real estate loan origination, refinancing and sales activity decreased in response to increases in market interest rates and changes in the housing markets. Mortgage banking revenues were also impacted by changes in the fair value of mortgage loans held for sale and forward loan commitments, which are primarily based on current market prices in the secondary market and correlate to changes in the size of the mortgage pipeline.

Loan related derivative income from interest rate swap contracts with commercial borrowers decreased by $1.4 million, or 50%, in 2023, reflecting a decline in volume.

Income from BOLI was up by $897 thousand, or 35%, from 2022, reflecting the recognition of $658 thousand in non-taxable income in 2023 associated with the receipt of life insurance proceeds.

Noninterest Expense

The following table presents noninterest expense comparisons:

(Dollars in thousands)

			Change	
Years Ended December 31,	2023	2022	$	%
Noninterest expense:				
Salaries and employee benefits	$82,458	$83,804	($1,346)	(2%)
Outsourced services	14,521	13,737	784	6
Net occupancy	9,636	9,126	510	6
Equipment	4,318	3,797	521	14
Legal, audit and professional fees	3,891	3,127	764	24
FDIC deposit insurance costs	4,667	1,687	2,980	177
Advertising and promotion	2,562	2,587	(25)	(1)
Amortization of intangibles	843	860	(17)	(2)
Other	10,661	9,997	664	7
Total noninterest expense	$133,557	$128,722	$4,835	4%

Noninterest Expense Analysis

Salaries and employee benefits expense, the largest component of noninterest expense, for 2023 decreased by $1.3 million, or 2%, from 2022, largely reflecting adjustments to performance-based compensation accruals, partially offset by annual merit increases and higher staffing levels.

Outsourced services expense for 2023 increased by $784 thousand, or 6%, from 2022 due to changes to and expansion of services provided by third-party vendors.

Net occupancy expense for 2023 increased by $510 thousand, or 6%, from 2022 primarily due to branch expansion. Equipment expense for 2023 increased by $521 thousand, or 14%, from 2022, largely reflecting depreciation associated with branch and office equipment purchases.

Legal, audit and professional fees for 2023 increased by $764 thousand, or 24%, from 2022, reflecting higher legal expenses.

FDIC deposit insurance costs for the 2023 increased by $3.0 million, or 177%, from 2022, reflecting an increase in the FDIC's deposit assessment rate and the impact of growth in assets.

Other expenses for 2023 increased by $664 thousand, or 7% from 2022. This increase was largely due to higher charitable contribution expense as a $1.0 million contribution was made to Washington Trust's charitable foundation in 2023, compared to $600 thousand contribution made in the prior year.

Income Taxes

The following table presents the Corporation's income tax expense and effective tax rate for the periods indicated:

(Dollars in thousands)

Years ended December 31,	2023	2022
Income tax expense	$8,305	$19,489
Effective income tax rate	14.7%	21.4%

In October 2023, the Commonwealth of Massachusetts enacted into law a tax bill changing how corporations calculate their Massachusetts taxable income effective on January 1, 2025. As required, the Corporation revalued its deferred tax assets and liabilities and in the fourth quarter of 2023. The revaluation of our net deferred tax assets is subject to further guidance and interpretation of the law that may be issued.

Income tax expense in 2023 was reduced by a net $3.3 million adjustment associated with the revaluation of the Corporation's net deferred tax assets due to the enactment of tax legislation mentioned above, and a valuation allowance that reflected management's estimate regarding the realizability of a portion of the Corporation's state deferred tax assets, largely associated with state net operating loss carryforwards.

The effective tax rates differed from the federal rate of 21%, primarily due to benefits of state tax changes, tax-exempt income, income from BOLI, and federal tax credits partially offset by the establishment of the valuation allowance pertaining to state deferred tax assets. Excluding the net $3.3 million adjustment, the effective tax rate for 2023 would have been 20.4%, down from 21.4% in 2022, reflecting a lower proportion of taxable income to pre-tax book income.

The Corporation's net deferred tax assets amounted to $53.8 million at December 31, 2023, compared to $56.4 million at December 31, 2022. Net deferred tax assets decreased by $2.6 million during 2023, including the establishment of the valuation allowance, as mentioned above. Management's assessment considered the Corporation's forecasted future taxable income, existing taxable temporary differences along with tax planning strategies. Management believes deferred tax assets, net of the valuation allowance, are more-likely-than-not to be realized.

See Note 11 to the Consolidated Financial Statements for additional information regarding income taxes.

Segment Reporting

The Corporation manages its operations through two reportable business segments, consisting of Commercial Banking and Wealth Management Services. See Note 18 to the Consolidated Financial Statements.

Commercial Banking

The following table presents a summarized statement of operations for the Commercial Banking business segment:

(Dollars in thousands)

			Change	
Years Ended December 31,	2023	2022	$	%
Net interest income	$137,061	$156,040	($18,979)	(12%)
Provision for credit losses	3,200	(1,300)	4,500	(346)
Net interest income after provision for credit losses	133,861	157,340	(23,479)	(15)
Noninterest income	20,006	23,088	(3,082)	(13)
Noninterest expense	102,966	96,973	5,993	6
Income before income taxes	50,901	83,455	(32,554)	(39)
Income tax expense	7,028	17,557	(10,529)	(60)
Net income	$43,873	$65,898	($22,025)	(33%)

Net interest income for the Commercial Banking segment decreased by $19.0 million, or 12%, from 2022. Net interest income was adversely impacted by increases in funding costs, but this was partially offset by growth in and higher yields on average interest-earning assets.

A provision for credit losses of $3.2 million was recognized in earnings in 2023, compared to a negative provision for credit losses (or a benefit) of $1.3 million in 2022. See additional discussion under the caption "Provision for Credit Losses."

Noninterest income derived from the Commercial Banking segment decreased by $3.1 million, or 13%, from 2022, largely reflecting lower mortgage banking revenues and lower loan related derivative income, partially offset by higher BOLI income. See additional discussion under the caption "Noninterest Income" above.

Commercial Banking noninterest expenses were up by $6.0 million, or 6%, from 2022, with the largest increases in FDIC deposit insurance costs, outsourced services, net occupancy expense, equipment expense and legal expense. See additional disclosure under the caption "Noninterest Expense" above.

Wealth Management Services

The following table presents a summarized statement of operations for the Wealth Management Services business segment:

(Dollars in thousands)

			Change	
Years Ended December 31,	2023	2022	$	%
Net interest income (expense)	$37	($50)	$87	(174%)
Noninterest income	36,134	39,514	(3,380)	(9)
Noninterest expense	30,591	31,749	(1,158)	(4)
Income before income taxes	5,580	7,715	(2,135)	(28)
Income tax expense	1,277	1,932	(655)	(34)
Net income	$4,303	$5,783	($1,480)	(26%)

Noninterest income for the Wealth Management Services segment decreased by $3.4 million, or 9%, compared to 2022, due to a decrease in asset-based revenues. See further discussion of wealth management revenues under the caption "Noninterest Income" above.

Noninterest expenses for the Wealth Management Services segment decreased by $1.2 million, or 4%, compared to 2022, largely reflecting a decrease in salaries and employee benefits expense, partially offset by higher legal expenses. See additional discussion under the caption "Noninterest Expense" above.

Financial Condition

Summary

The following table presents selected financial condition data:

(Dollars in thousands)

			Change	
December 31,	2023	2022	$	%
Cash and due from banks	$86,824	$115,492	($28,668)	(25%)
Total securities	1,000,380	993,928	6,452	1
Total loans	5,647,706	5,110,139	537,567	11
Allowance for credit losses on loans	41,057	38,027	3,030	8
Total assets	7,202,847	6,660,051	542,796	8
Total deposits	5,348,160	5,018,962	329,198	7
FHLB advances	1,190,000	980,000	210,000	21
Total shareholders' equity	472,686	453,669	19,017	4

Total assets amounted to $7.2 billion at December 31, 2023, up by $542.8 million, or 8%, from the end of 2022 due to loan growth.

Cash and due from banks declined by $28.7 million, or 25%, from the end of 2022, reflecting lower cash balances on deposit at correspondent banks and a reduction in cash collateral pledged to derivative counterparties.

Total loans increased by $537.6 million, or 11%, from the balance at December 31, 2022, with growth in the residential real estate and CRE portfolios.

Total deposits increased by $329.2 million, or 7%, from the end of 2022, largely reflecting an increase in wholesale brokered time deposits. FHLB advances increased by $210.0 million, or 21%, from December 31, 2022. The increase in wholesale brokered time deposits and FHLB advances reflected higher levels of wholesale funding being utilized to fund balance sheet growth.

Shareholders' equity increased by $19.0 million, or 4%, from the end of 2022, as net income and a net increase in the AOCL component of shareholders' equity was partially offset by dividend declarations and changes in treasury stock balances.

Securities

Investment security activity is monitored by the Investment Committee, the members of which also sit on the ALCO. Asset and liability management objectives are the primary influence on the Corporation's investment activities. However, the Corporation also recognizes that there are certain specific risks inherent in investment activities. The securities portfolio is managed in accordance with regulatory guidelines and established internal corporate investment policies that provide limitations on specific risk factors such as market risk, credit risk and concentration, liquidity risk and operational risk to help monitor risks associated with investing in securities. Reports on the activities conducted by the Investment Committee and the ALCO are presented to the Board of Directors on a regular basis.

The Corporation's securities portfolio is managed to generate interest income, to implement interest rate risk management strategies, and to provide a readily available source of liquidity for balance sheet management. Securities are designated as either available for sale, held to maturity or trading at the time of purchase. The Corporation does not maintain a portfolio of trading securities and does not have securities designated as held to maturity. Securities available for sale may be sold in response to changes in market conditions, prepayment risk, rate fluctuations, liquidity, or capital requirements. Debt securities available for sale are reported at fair value, with any unrealized gains and losses excluded from earnings and reported as a separate component of shareholders' equity, net of tax, until realized.

Determination of Fair Value

The Corporation uses an independent pricing service to obtain quoted prices. The prices provided by the independent pricing service are generally based on observable market data in active markets. The determination of whether markets are active or inactive is based upon the level of trading activity for a particular security class. Management reviews the independent pricing service's documentation to gain an understanding of the appropriateness of the pricing methodologies. Management also reviews the prices provided by the independent pricing service for reasonableness based upon current trading levels for similar securities. If the prices appear unusual, they are re-examined and the value is either confirmed or revised. In addition, management periodically performs independent price tests of securities to ensure proper valuation and to verify our understanding of how securities are priced. As of December 31, 2023 and 2022, management did not make any adjustments to the prices provided by the pricing service.

Our fair value measurements generally utilize Level 2 inputs, representing 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 input assumptions are observable in active markets.

See Notes 3 and 10 to the Consolidated Financial Statements for additional information regarding the determination of fair value of investment securities.

Securities Portfolio

The carrying amounts of securities held are as follows:

(Dollars in thousands)

December 31,	2023		2022	
	Amount	% of Total	Amount	% of Total
Available for Sale Debt Securities:				
Obligations of U.S. government-sponsored enterprises	$225,742	23%	$199,582	20%
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	753,956	75	774,102	78
Individual name issuer trust preferred debt securities	8,793	1	8,760	1
Corporate bonds	11,889	1	11,484	1
Total available for sale debt securities	$1,000,380	100%	$993,928	100%

The securities portfolio represented 14% of total assets at December 31, 2023, compared to 15% of total assets at December 31, 2022. The largest component of the securities portfolio is mortgage-backed securities, all of which are issued by U.S. government agencies or U.S. government-sponsored enterprises.

The securities portfolio increased by $6.5 million, or 1%, from the end of 2022. This included purchases of U.S. government agency and U.S. government-sponsored debt securities, including mortgage-backed securities, totaling $60.2 million, with a weighted average yield of 4.98% and an increase of $20.2 million (pretax) in the fair value of available for sale securities. These were partially offset by $72.5 million of routine pay-downs on mortgage-backed securities.

As of December 31, 2023, the carrying amount of available for sale debt securities included net unrealized losses of $152.2 million, compared to net unrealized losses of $172.4 million as of December 31, 2022. The net unrealized losses were concentrated in obligations of U.S. government agencies and U.S. government-sponsored enterprises, including mortgage-backed securities, and primarily attributable to relative changes in market interest rates since the time of purchase. See Note 3 to the Consolidated Financial Statements for additional information.

Federal Home Loan Bank Stock

The Bank is a member of the FHLB, which is a cooperative that provides services to its member banking institutions. The primary reason for the Bank's membership is to gain access to a reliable source of wholesale funding in order to manage interest rate risk. The purchase of FHLB stock is a requirement for a member to gain access to funding. The Bank purchases FHLB stock in proportion to the volume of funding received and views the purchases as a necessary long-term investment for the purposes of balance sheet liquidity and not for investment return. The Bank's investment in FHLB stock totaled $51.9 million at December 31, 2023, compared to $43.5 million at December 31, 2022. See Note 1 to the Consolidated Financial Statements for additional information.

Loans

Total loans amounted to $5.6 billion at December 31, 2023, up by $537.6 million, or 11%, from the end of 2022, largely reflecting growth in both the residential real estate and CRE portfolios.

The following table sets forth the composition of the Corporation's loan portfolio:

(Dollars in thousands) December 31,	2023		2022	
	Amount	%	Amount	%
Commercial:				
Commercial real estate (1)	$2,106,359	37%	$1,829,304	36%
Commercial & industrial (2)	605,072	11	656,397	13
Total commercial	2,711,431	48	2,485,701	49
Residential real estate:				
Residential real estate (3)	2,604,478	46	2,323,002	45
Consumer:				
Home equity	312,594	6	285,715	6
Other (4)	19,203	—	15,721	—
Total consumer	331,797	6	301,436	6
Total loans	$5,647,706	100%	$5,110,139	100%

(1) CRE consists of commercial mortgages primarily secured by income-producing property, as well as construction and development loans. Construction and development loans are made to businesses for land development or the on-site construction of industrial, commercial, or residential buildings.
(2) C&I consists of loans to businesses and individuals, a portion of which are fully or partially collateralized by real estate.
(3) Residential real estate consists of mortgage and homeowner construction loans secured by one- to four-family residential properties.
(4) Other consists of loans to individuals secured by general aviation aircraft and other personal installment loans.

An analysis of the maturity and interest rate sensitivity of the Corporation's loan portfolio as of December 31, 2023 follows:

(Dollars in thousands)	Commercial				Consumer			
	CRE (1)	C&I	Total Commercial	Residential Real Estate (2)	Home Equity	Other	Total Consumer	Total
Amounts due in:								
One year or less	$250,833	$146,123	$396,956	$58,904	$7,135	$3,477	$10,612	$466,472
After one year to five years	1,168,605	330,822	1,499,427	250,009	16,256	5,900	22,156	1,771,592
After five years to fifteen years	686,921	127,733	814,654	732,540	44,736	7,532	52,268	1,599,462
After fifteen years	—	394	394	1,563,025	244,467	2,294	246,761	1,810,180
Total	$2,106,359	$605,072	$2,711,431	$2,604,478	$312,594	$19,203	$331,797	$5,647,706
Interest rate terms on amounts due after one year:								
Fixed rates	$574,893	$116,841	$691,734	$1,166,514	$53,873	$13,965	$67,838	$1,926,086
Variable rates	1,280,633	342,108	1,622,741	1,379,060	251,586	1,761	253,347	3,255,148

(1) Includes construction and development loans that will convert to repayment terms following the construction period and will be reclassified to either the CRE or C&I category.
(2) Includes homeowner construction loans. Maturities of homeowner construction loans are included based on their contractual conventional mortgage repayment terms following the completion of construction.

Generally, the actual maturity of loans is substantially shorter than their contractual maturity due to prepayments and, in the case of loans secured by real estate, due to payoff of loans upon the sale of the property by the borrower. The average life of loans secured by real estate tends to increase when market loan rates are higher than rates on existing portfolio loans and, conversely, tends to decrease when rates on existing portfolio loans are higher than market loan rates. Under the latter scenario, the average yield on portfolio loans tends to decrease as higher yielding loans are repaid or refinanced at lower rates. Due to the fact that the Bank may, consistent with industry practice, renew a significant portion of commercial loans at or immediately prior to their maturity by renewing the loans on substantially similar or revised terms, the principal repayments actually received by the Bank are anticipated to be significantly less than the amounts contractually due in any

particular period. In other circumstances, a loan, or a portion of a loan, may not be repaid due to the borrower's inability to satisfy the contractual terms of the loan.

Commercial Loans

The commercial loan portfolio represented 48% of total loans at December 31, 2023, compared to 49% of total loans at December 31, 2022.

In making commercial loans, we may occasionally solicit the participation of other banks. The Bank also participates in commercial loans originated by other banks. In such cases, these loans are individually underwritten by us using standards similar to those employed for our self-originated loans. Our participation in commercial loans originated by other banks amounted to $652.7 million and $510.6 million, respectively, at December 31, 2023 and 2022. Our participation in commercial loans originated by other banks also includes shared national credits.

Commercial loans fall into two main categories, CRE and C&I loans. CRE loans consist of commercial mortgages secured by real property where the primary source of repayment is derived from rental income associated with the property or the proceeds of the sale, refinancing or permanent financing of the property. CRE loans also include construction loans made to businesses for land development or the on-site construction of industrial, commercial, or residential buildings. C&I loans primarily provide working capital, equipment financing and financing for other business-related purposes. C&I loans are frequently collateralized by equipment, inventory, accounts receivable, and/or general business assets. A portion of the Bank's C&I loans is also collateralized by real estate. C&I loans also include tax-exempt loans made to states and political subdivisions, as well as industrial development or revenue bonds issued through quasi-public corporations for the benefit of a private or non-profit entity where that entity rather than the governmental entity is obligated to pay the debt service.

Commercial Real Estate Loans

CRE loans totaled $2.1 billion at December 31, 2023, up by $277.1 million, or 15%, from the balance at December 31, 2022.

In 2023, CRE loan originations and advances amounted to $420.8 million and were partially offset by principal payments of $158.4 million. The net increase in CRE also reflected reclassifications of $14.7 million from C&I, which included changes in the primary source of repayment.

Construction and development loans included in the CRE loan portfolio amounted to $214.6 million and $164.1 million, respectively, as of December 31, 2023 and 2022.

Shared national credit balances outstanding included in the CRE loan portfolio totaled $47.4 million and $10.5 million, respectively, at December 31, 2023 and 2022. At December 31, 2023, $29.0 million of the balance was included in the pass-rated category of commercial loan credit quality and $18.4 million of the balance was classified. At December 31, 2022 all of the balances were included in the pass-rated category. All of the shared national credit balances included in CRE loans were current with respect to payment terms at both December 31, 2023 and 2022.

The following table presents a geographic summary of CRE loans by property location:

(Dollars in thousands)	December 31, 2023		December 31, 2022	
	Outstanding Balance	% of Total	Outstanding Balance	% of Total
Connecticut	$815,975	39%	$691,780	38%
Massachusetts	645,736	31	566,717	31
Rhode Island	430,899	20	387,759	21
Subtotal	1,892,610	90	1,646,256	90
All other states	213,749	10	183,048	10
Total	$2,106,359	100%	$1,829,304	100%

The following table presents a summary of CRE loans by property type segmentation:

(Dollars in thousands)	December 31, 2023		December 31, 2022	
	Outstanding Balance (1)	% of Total	Outstanding Balance (1)	% of Total
CRE Portfolio Segmentation:				
Multi-family dwelling	$546,694	26%	$469,233	26%
Retail	434,913	21	421,617	23
Industrial and warehouse	307,987	15	192,717	11
Office	284,199	13	257,551	14
Hospitality	235,015	11	214,829	12
Healthcare	175,490	8	136,225	7
Commercial mixed use	49,079	2	54,976	3
Other	72,982	4	82,156	4
Total CRE loans	$2,106,359	100%	$1,829,304	100%
Average CRE loan size (2)	$5,366		$4,814	
Largest individual CRE loan outstanding	$65,458		$65,431	

(1) Does not include unfunded commitments of $351.5 million and $322.4 million, respectively, as of December 31, 2023 and 2022.
(2) Total commitment (outstanding loan balance plus unfunded commitments) divided by number of loans.

In 2023, there has been heightened focus in the banking industry on the CRE office sector, given the continuation of remote work and an increase in vacancies across the office market. As of December 31, 2023, Washington Trust's CRE office loan segment totaled $284.2 million, or 5% of total loans and 13% of the total CRE loans. These office loans are secured by properties located in our primary lending market area of southern New England - Connecticut, Massachusetts and Rhode Island. Furthermore, approximately 66% of the CRE office segment balance of $284.2 million is secured by properties located in suburban areas. As of December 31, 2023, all of the CRE office loans were current with respect to payment terms and 93% of the CRE office segment balance was on accruing status. Additionally, the credit quality of the CRE office loan segment was 84% pass-rated, 2% special mention-rated and 14% classified as of December 31, 2023.

Commercial and Industrial Loans
C&I loans amounted to $605.1 million at December 31, 2023, down by $51.3 million, or 8%, from the balance at December 31, 2022.

The decline in C&I balances reflected payments of $87.3 million and reclassifications to CRE of $14.7 million, partially offset by loan originations and advances of approximately $50.7 million.

Shared national credit balances outstanding included in the C&I loan portfolio totaled $66.3 million and $40.9 million, respectively, at December 31, 2023 and 2022. All of these loans were included in the pass-rated category of commercial loan credit quality and were current with respect to payment terms at both December 31, 2023 and 2022.

The following table presents a summary of C&I loan by industry segmentation:

(Dollars in thousands)	December 31, 2023		December 31, 2022	
	Outstanding Balance (1)	% of Total	Outstanding Balance (1)	% of Total
C&I Portfolio Segmentation:				
Healthcare and social assistance	$166,490	28%	$193,052	29%
Real estate rental and leasing	70,540	12	72,429	11
Transportation and warehousing	63,789	11	51,347	8
Manufacturing	54,905	9	60,601	9
Retail trade	43,746	7	56,012	9
Educational services	41,968	7	46,708	7
Finance and insurance	33,617	6	28,313	4
Information	22,674	4	23,948	4
Arts, entertainment and recreation	22,249	4	25,646	4
Accommodation and food services	13,502	2	17,167	3
Professional, scientific and technical services	7,998	1	6,451	1
Public administration	3,019	—	3,789	1
Other	60,575	9	70,934	10
Total C&I loans	$605,072	100%	$656,397	100%
Average C&I loan size (2)	$844		$837	
Largest individual C&I loan outstanding	$25,324		$27,676	

(1) Does not include unfunded commitments of $341.9 million and $344.2 million, respectively, as of December 31, 2023 and 2022.
(2) Total commitment (outstanding loan balance plus unfunded commitments) divided by number of loans.

Residential Real Estate Loans

The residential real estate loan portfolio represented 46% of total loans at December 31, 2023, compared to 45% of total loans at December 31, 2022.

Residential real estate loans held in portfolio amounted to $2.6 billion at December 31, 2023, up by $281.5 million, or 12%, from the balance at December 31, 2022. A large proportion of loan origination activity was originated for portfolio.

The following is a geographic summary of residential real estate loans by property location:

(Dollars in thousands)	December 31, 2023		December 31, 2022	
	Amount	% of Total	Amount	% of Total
Massachusetts	$1,928,206	74%	$1,698,240	73%
Rhode Island	481,289	19	446,010	19
Connecticut	165,933	6	153,323	7
Subtotal	2,575,428	99	2,297,573	99
All other states	29,050	1	25,429	1
Total (1)	$2,604,478	100%	$2,323,002	100%

(1) Includes residential mortgage loans purchased from and serviced by other financial institutions totaling $53.4 million and $59.9 million, respectively, as of December 31, 2023 and 2022.

Residential real estate loans are originated both for sale to the secondary market, as well as for retention in the Bank's loan portfolio. We also originate residential real estate loans for various investors in a broker capacity, including conventional mortgages and reverse mortgages.

The table below presents residential real estate loan origination activity:

(Dollars in thousands)

Years ended December 31,	2023		2022	
	Amount	% of Total	Amount	% of Total
Originations for retention in portfolio (1)	$459,892	64%	$881,874	74%
Originations for sale to the secondary market (2)	260,592	36	309,407	26
Total	$720,484	100%	$1,191,281	100%

(1) Includes the full commitment amount of homeowner construction loans.
(2) Includes brokered loans (loans originated for others).

The table below presents residential real estate loan sales activity:

(Dollars in thousands)

Years ended December 31,	2023		2022	
	Amount	% of Total	Amount	% of Total
Loans sold with servicing rights retained	$108,177	43%	$99,849	29%
Loans sold with servicing rights released (1)	141,795	57	239,899	71
Total	$249,972	100%	$339,748	100%

(1) Includes brokered loans (loans originated for others).

Residential real estate loan origination, refinancing and sales activity decreased in 2023 in response to increases in market interest rates and changes in the housing markets.

We have active relationships with various secondary market investors that purchase residential real estate loans we originate. In addition to managing our interest rate risk position and earnings through the sale of these loans, we are also able to manage our liquidity position through timely sales of residential real estate loans to the secondary market.

Loans are sold with servicing retained or released. Loans sold with servicing rights retained result in the capitalization of servicing rights. Loan servicing rights are included in other assets and are subsequently amortized as an offset to mortgage banking revenues over the estimated period of servicing. The net balance of capitalized servicing rights amounted to $8.5 million and $9.0 million, respectively, as of December 31, 2023 and 2022. The balance of residential mortgage loans serviced for others, which are not included in the Consolidated Balance Sheets, amounted to $1.5 billion at both December 31, 2023 and 2022.

Consumer Loans

The consumer loan portfolio represented 6% of total loans at both December 31, 2023 and 2022.

Consumer loans include home equity loans and lines of credit and personal installment loans. Home equity lines of credit and home equity loans represented 94% of the total consumer portfolio at December 31, 2023. Our home equity line and home equity loan origination activities are conducted primarily in southern New England. The Bank estimates that approximately 55% of the combined home equity lines of credit and home equity loan balances are first lien positions or subordinate to other Washington Trust mortgages.

The consumer loan portfolio totaled $331.8 million at December 31, 2023, up by $30.4 million, or 10%, from December 31, 2022, largely reflecting increases in home equity lines and loans. Purchased consumer loans, consisting of loans to individuals secured by general aviation aircraft, amounted to $13.2 million and $9.6 million, respectively, at December 31, 2023 and 2022.

Investment in Bank-Owned Life Insurance

BOLI amounted to $103.7 million and $102.2 million, respectively, at December 31, 2023 and 2022. BOLI provides a means to mitigate increasing employee benefit costs. The Corporation expects to benefit from the BOLI contracts as a result of the tax-free growth in cash surrender value and death benefits that are expected to be generated over time. The purchase of the

life insurance policy results in an income-earning asset on the Consolidated Balance Sheet that provides monthly tax-free income to the Corporation. The largest risk to the BOLI program is credit risk of the insurance carriers. To mitigate this risk, annual financial condition reviews are completed on all carriers. BOLI is invested in the "general account" of quality insurance companies. All such general account carriers were rated as investment grade at December 31, 2023 by credit rating agencies such as A.M. Best, Moody's and S&P. BOLI is included in the Consolidated Balance Sheet at its cash surrender value. Increases in BOLI's cash surrender value are reported as a component of noninterest income in the Consolidated Statements of Income.

Asset Quality

Management continually monitors the asset quality of the loan portfolio using all available information. The Board of Directors monitors credit risk management through two committees, the Finance Committee and the Audit Committee. The Finance Committee has oversight responsibility for the credit granting function, including approval authority for credit granting policies, review of management's credit granting activities and approval of large exposure credit requests. The Audit Committee has oversight responsibility for the ERM program, which includes credit risk management activities performed by management such as the monitoring of the credit quality of the loan portfolio, conducting a credit review program and determining the adequacy of the ACL. The Audit Committee also approves the policy and methodology for establishing the ACL. These committees report the results of their respective oversight functions to the Board of Directors. In addition, the Board of Directors receives information concerning asset quality measurements and trends on a regular basis.

In the course of resolving problem loans, the Corporation may choose to modify the contractual terms of certain loans. Effective January 1, 2023, a loan that has been modified is considered a TLM when the modification is made to a borrower experiencing financial difficulty and the modification has a direct impact to the contractual cash flows. The decision to modify a loan, versus aggressively enforcing the collection of the loan, may benefit the Corporation by increasing the ultimate probability of collection. See Notes 2 and 4 to the Consolidated Financial Statements for additional information regarding TLMs.

Nonperforming Assets

Nonperforming assets include nonaccrual loans and OREO.

The following table presents nonperforming assets and additional asset quality data:

(Dollars in thousands)

December 31,	2023	2022
Commercial:		
Commercial real estate	$32,827	$—
Commercial & industrial	682	—
Total commercial	33,509	—
Residential Real Estate:		
Residential real estate	9,626	11,894
Consumer:		
Home equity	1,483	952
Other	—	—
Total consumer	1,483	952
Total nonaccrual loans	44,618	12,846
OREO, net	683	—
Total nonperforming assets	$45,301	$12,846
Nonperforming assets to total assets	0.63%	0.19%
Nonperforming loans to total loans	0.79%	0.25%
Total past due loans to total loans	0.20%	0.23%
Allowance for credit losses on loans to total loans	0.73%	0.74%
Allowance for credit losses on loans to nonaccrual loans	92.02%	296.02%
Accruing loans 90 days or more past due	$—	$—

Nonaccrual Loans

Loans, with the exception of certain well-secured loans that are in the process of collection, are placed on nonaccrual status and interest recognition is suspended when such loans are 90 days or more overdue with respect to principal and/or interest, or sooner if considered appropriate by management. Loans are removed from nonaccrual status when they have been current as to principal and interest (generally for six months), the borrower has demonstrated an ability to comply with repayment terms, and when, in management’s opinion, the loans are considered to be fully collectible. During 2023, the Corporation made no changes in its practices or policies concerning the placement of loans into nonaccrual status.

Interest income that would have been recognized if loans on nonaccrual status had been current in accordance with their original terms was approximately $3.4 million in 2023, compared to $640 thousand in 2022. Interest income attributable to these loans included in the Consolidated Statements of Income amounted to approximately $2.9 million and $463 thousand, respectively, in 2023 and 2022.

The following table presents the activity in nonaccrual loans:

(Dollars in thousands)

Years ended December 31,	2023	2022
Balance at beginning of period	$12,846	$14,203
Additions to nonaccrual status	40,276	3,591
Loans returned to accruing status	(1,636)	(699)
Loans charged-off	(577)	(184)
Loans transferred to other real estate owned	(683)	—
Payments, payoffs and other changes	(5,608)	(4,065)
Balance at end of period	$44,618	$12,846

The following table presents additional detail on nonaccrual loans:

(Dollars in thousands)	December 31, 2023					December 31, 2022				
		Days Past Due					Days Past Due			
	Current	30-89	90 or More	Total Nonaccrual	% (1)	Current	30-89	90 or More	Total Nonaccrual	% (1)
Commercial:										
Commercial real estate	$32,827	$—	$—	$32,827	1.56%	$—	$—	$—	$—	—%
Commercial & industrial	682	—	—	682	0.11	—	—	—	—	—
Total commercial	33,509	—	—	33,509	1.24	—	—	—	—	—
Residential Real Estate:										
Residential real estate	4,105	3,512	2,009	9,626	0.37	4,933	3,182	3,779	11,894	0.51
Consumer:										
Home equity	127	621	735	1,483	0.47	717	235	—	952	0.33
Other		—	—	—	—		—	—	—	—
Total consumer	127	621	735	1,483	0.45	717	235	—	952	0.32
Total nonaccrual loans	$37,741	$4,133	$2,744	$44,618	0.79%	$5,650	$3,417	$3,779	$12,846	0.25%

(1) Percentage of nonaccrual loans to the total loans outstanding within the respective class.

There were no significant commitments to lend additional funds to borrowers whose loans were on nonaccrual status at December 31, 2023.

As of December 31, 2023, the composition of nonaccrual loans was 75% commercial and 25% residential and consumer. This compared to 100% residential and consumer as of December 31, 2022.

Total nonaccrual loans increased by $31.8 million from the end of 2022.

Nonaccrual commercial loans increased by $33.5 million in 2023, due primarily to three CRE loans with a total carrying value of $32.8 million at December 31, 2023 that were placed on nonaccrual status during the year. These three loans are collateral dependent. They were included in individually analyzed loans and based on the estimated fair value of the collateral less estimated costs to sell (when appropriate), specific reserves of $97 thousand were deemed necessary at December 31, 2023. Of the total carrying value, $11.0 million is secured by an office property in Massachusetts; $8.0 million is secured by an office property in Connecticut and was modified as a TLM in 2023; and $13.8 million is secured by a healthcare facility in Connecticut and was modified as TLM in 2023. All three loans are current with respect to payment terms. See Note 4 to the Consolidated Financial Statements for additional disclosure regarding TLMs.

Nonaccrual residential real estate mortgage loans amounted to $9.6 million at December 31, 2023, down by $2.3 million from the end of 2022. As of December 31, 2023, the balance of nonaccrual residential mortgage loans was predominately secured by properties in Massachusetts, Connecticut and Rhode Island. Included in total nonaccrual residential real estate loans at

December 31, 2023 were four loans purchased for portfolio and serviced by others amounting to $1.2 million. Management monitors the collection efforts of its third-party servicers as part of its assessment of the collectability of nonperforming loans.

Past Due Loans
The following table presents past due loans by class:

(Dollars in thousands)

December 31,	2023		2022	
	Amount	% (1)	Amount	% (1)
Commercial:				
Commercial real estate	$—	—%	$1,187	0.06%
Commercial & industrial	10	—	265	0.04
Total commercial	10	—	1,452	0.06
Residential Real Estate:				
Residential real estate	8,116	0.31	8,875	0.38
Consumer:				
Home equity	3,196	1.02	1,235	0.43
Other	23	0.12	16	0.10
Total consumer	3,219	0.97	1,251	0.42
Total past due loans	$11,345	0.20%	$11,578	0.23%

(1) Percentage of past due loans to the total loans outstanding within the respective class.

As of December 31, 2023, the composition of past due loans (loans past due 30 days or more) was 100% residential and consumer and 0% commercial, compared to 87% for residential and consumer and 13% commercial at December 31, 2022.

Total past due loans decreased by $233 thousand from the end of 2022.

Total past due loans included $6.9 million of nonaccrual loans as of December 31, 2023, compared to $7.2 million of as of December 31, 2022.

All loans 90 days or more past due at December 31, 2023 and 2022 were classified as nonaccrual.

Potential Problem Loans
The Corporation classifies certain loans as "substandard," "doubtful," or "loss" based on criteria consistent with guidelines provided by banking regulators. Potential problem loans include classified accruing commercial loans that were less than 90 days past due at December 31, 2023 and other loans for which known information about possible credit problems of the related borrowers causes management to have doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans as nonperforming at some time in the future.

Potential problem loans are not included in the amounts of nonaccrual presented above. They are assessed for loss exposure using the methods described in Note 4 to the Consolidated Financial Statements under the caption "Credit Quality Indicators." Management cannot predict the extent to which economic conditions or other factors may impact borrowers and the potential problem loans. Accordingly, there can be no assurance that other loans will not become 90 days or more past due, be placed on nonaccrual, become modified, or require increased allowance coverage and provision for credit losses on loans.

Management has identified $22.9 million in potential problem loans at December 31, 2023, compared to $927 thousand at December 31, 2022. As of December 31, 2023, the balance of potential problem loans largely consisted of two CRE loans secured by office properties in Massachusetts and Connecticut. At December 31, 2023, these loans were current with respect to payment terms.

Allowance for Credit Losses on Loans

The ACL on loans is management's estimate of expected lifetime credit losses on loans carried at amortized cost. The ACL on loans is established through a provision for credit losses recognized in earnings. The ACL on loans is reduced by charge-offs on loans and is increased by recoveries of amounts previously charged off.

The Corporation's general practice is to identify problem credits early and recognize full or partial charge-offs as promptly as practicable when it is determined that the collection of loan principal is unlikely. Full or partial charge-offs on collateral dependent individually analyzed loans are recognized when the collateral is deemed to be insufficient to support the carrying value of the loan. The Corporation does not recognize a recovery when new appraisals indicate a subsequent increase in value.

Appraisals are generally obtained with values determined on an "as is" basis from independent appraisal firms for real estate collateral dependent commercial loans in the process of collection or when warranted by other deterioration in the borrower's credit status. New appraisals are generally obtained for nonaccrual loans or when management believes it is warranted. The Corporation has continued to maintain appropriate professional standards regarding the professional qualifications of appraisers and has an internal review process to monitor the quality of appraisals.

For residential real estate loans and real estate collateral dependent consumer loans that are in the process of collection, valuations are obtained from independent appraisal firms with values determined on an "as is" basis.

The following table presents additional detail on the Corporation's loan portfolio and associated allowance:

(Dollars in thousands)	December 31, 2023			December 31, 2022		
	Loans	Related Allowance	Allowance / Loans	Loans	Related Allowance	Allowance / Loans
Individually analyzed loans	$34,640	$97	0.28%	$9,996	$115	1.15%
Pooled (collectively evaluated) loans	5,613,066	40,960	0.73	5,100,143	37,912	0.74
Total	$5,647,706	$41,057	0.73%	$5,110,139	$38,027	0.74%

Management employs a process and methodology to estimate the ACL on loans that evaluates both quantitative and qualitative factors. The methodology for evaluating quantitative factors consists of two basic components. The first component involves pooling loans into portfolio segments for loans that share similar risk characteristics. The second component involves individually analyzed loans that do not share similar risk characteristics with loans that are pooled into portfolio segments.

The ACL for individually analyzed loans is measured using a DCF method based upon the loan's contractual effective interest rate, or at the loan's observable market price, or, if the loan was collateral dependent, at the fair value of the collateral.

The ACL for pooled loans is measured utilizing a DCF methodology to estimate credit losses for each pooled portfolio segment. The methodology incorporates a probability of default and loss given default framework. Loss given default is estimated based on historical credit loss experience. Probability of default is estimated using a regression model that incorporates econometric factors. Management utilizes forecasted econometric factors with a one-year reasonable and supportable forecast period and one-year straight-line reversion period in order to estimate the probability of default for each loan portfolio segment. The DCF methodology combines the probability of default, the loss given default, prepayment speeds and remaining life of the loan to estimate a reserve for each loan. The sum of all the loan level reserves are aggregated for each portfolio segment and a loss rate factor is derived. Quantitative loss factors for pooled loans are also supplemented by certain qualitative risk factors reflecting management's view of how losses may vary from those represented by quantitative loss rates.

The ACL on loans amounted to $41.1 million at December 31, 2023, up by $3.0 million, or 8%, from the balance at December 31, 2022. The ACL on loans as a percentage of total loans, also known as the reserve coverage ratio, was 0.73% at December 31, 2023, compared to 0.74% at December 31, 2022.

A positive provision for credit losses (or a charge) of $3.2 million was recognized in earnings in 2023. This reflected loan growth and slowdown of loan prepayment speeds, changes in asset and credit quality, and our current estimate of forecasted economic conditions. Econometric factors have been stable to improving in 2023 with our forecast reflecting a lower probability of a recession.

Net charge-offs totaled $520 thousand, or 0.01% of average loans, in 2023, compared to net recoveries of $368 thousand, or 0.01% of average loans, in 2022.

The ACL on loans is an estimate and ultimate losses may vary from management's estimate. Deteriorating conditions or assumptions could lead to further increases in the ACL on loans; conversely, improving conditions or assumptions could lead to further reductions in the ACL on loans.

The following table presents the allocation of the ACL on loans by portfolio segment. The total ACL on loans is available to absorb losses from any segment of the loan portfolio.

(Dollars in thousands)	December 31, 2023			December 31, 2022		
	Allocated ACL	ACL to Loans	Loans to Total Portfolio (1)	Allocated ACL	ACL to Loans	Loans to Total Portfolio (1)
Commercial:						
Commercial real estate	$24,144	1.15%	37%	$18,435	1.01%	36%
Commercial & industrial	8,088	1.34	11	10,356	1.58	13
Total commercial	32,232	1.19	48	28,791	1.16	49
Residential Real Estate:						
Residential real estate	7,403	0.28	46	7,740	0.33	45
Consumer:						
Home equity	1,048	0.34	6	1,115	0.39	6
Other	374	1.95	—	381	2.42	—
Total consumer	1,422	0.43	6	1,496	0.50	6
Total ACL on loans at end of period	$41,057	0.73%	100%	$38,027	0.74%	100%

(1) Percentage of loans outstanding in respective class to total loans outstanding.

The following table reflects the activity in the ACL on loans during the years presented:
(Dollars in thousands)

December 31,	2023	2022	2021
Balance at beginning of period	$38,027	$39,088	$44,106
Charge-offs:			
Commercial:			
Commercial real estate	373	—	—
Commercial & industrial	37	36	307
Total commercial	410	36	307
Residential real estate:			
Residential real estate	—	—	107
Consumer:			
Home equity	—	—	183
Other	167	148	66
Total consumer	167	148	249
Total charge-offs	577	184	663
Recoveries:			
Commercial:			
Commercial real estate	—	445	—
Commercial & industrial	12	29	41
Total commercial	12	474	41
Residential real estate:			
Residential real estate	3	21	89
Consumer:			
Home equity	10	12	91
Other	32	45	25
Total consumer	42	57	116
Total recoveries	57	552	246
Net charge-offs (recoveries)	520	(368)	417
Provision charged to earnings	3,550	(1,429)	(4,601)
Balance at end of period	$41,057	$38,027	$39,088
Net charge-offs (recoveries) to average loans	0.01%	(0.01%)	0.01%

Sources of Funds

Our sources of funds include in-market deposits, wholesale brokered deposits, FHLB advances, other borrowings and proceeds from the sales, maturities and payments of loans and investment securities. The Corporation uses funds to originate and purchase loans, purchase investment securities, conduct operations, expand the branch network and pay dividends to shareholders.

Deposits

The Corporation offers a wide variety of deposit products to consumer and business customers. Deposits provide an important source of funding for the Bank, as well as an ongoing stream of fee revenue.

The Bank is a participant in the DDM program, ICS program and the CDARS program. The Bank uses these deposit sweep services to place customer and client funds into interest-bearing demand accounts, money market accounts, and/or time deposits issued by other participating banks. Customer and client funds are placed at one or more participating banks to ensure that each deposit customer is eligible for the full amount of FDIC insurance. As a program participant, we receive

reciprocal amounts of deposits from other participating banks. We consider these reciprocal deposit balances to be in-market deposits as distinguished from traditional wholesale brokered deposits.

The following table presents a summary of deposits:

(Dollars in thousands)	December 31, 2023		December 31, 2022		Balance Change	
	Amount	% of Total	Amount	% of Total	$	%
Noninterest-bearing demand deposits	$693,746	13%	$858,953	17%	($165,207)	(19%)
Interest-bearing demand deposits (in-market)	504,959	9	302,044	6	202,915	67
NOW accounts	767,036	14	871,875	17	(104,839)	(12)
Money market accounts	1,096,959	21	1,255,805	25	(158,846)	(13)
Savings accounts	497,223	9	576,250	11	(79,027)	(14)
Time deposits (in-market)	1,134,187	22	795,838	16	338,349	43
Total in-market deposits	4,694,110	88	4,660,765	92	33,345	1
Wholesale brokered demand deposits	—	—	31,153	1	(31,153)	(100)
Wholesale brokered time deposits	654,050	12	327,044	7	327,006	100
Total wholesale brokered deposits	654,050	12	358,197	8	295,853	83
Total deposits	$5,348,160	100%	$5,018,962	100%	$329,198	7%

Total deposits amounted to $5.3 billion at December 31, 2023, up by $329.2 million, or 7%, from December 31, 2022, largely reflecting increases in wholesale brokered time deposits.

Wholesale brokered deposits increased by $295.9 million, or 83%, from December 31, 2022, as higher levels were utilized to fund balance sheet growth.

In-market deposits, which exclude wholesale brokered deposits, were up by $33.3 million, or 1%, from the balance at December 31, 2022. As expected, due to higher market interest rates and increased competition, in-market deposits shifted from relatively lower cost products to higher cost products in 2023. As of December 31, 2023, in-market deposits were approximately 60% retail and 40% commercial. Our in-market deposits are well-diversified by industry and customer type. The average size of our in-market deposit accounts was approximately $36 thousand at December 31, 2023.

The following table presents a summary of the Bank's uninsured deposits:

(Dollars in thousands)	December 31, 2023		December 31, 2022	
	Balance	% of Total Deposits	Balance	% of Total Deposits
Uninsured Deposits:				
Uninsured deposits (1)	$1,260,672	24%	$1,514,900	30%
Less: affiliate deposits (2)	92,645	2	210,444	4
Uninsured deposits, excluding affiliate deposits	1,168,027	22	1,304,456	26
Less: fully-collateralized preferred deposits (3)	204,327	4	329,868	7
Uninsured deposits, after exclusions	$963,700	18%	$974,588	19%

(1) Determined in accordance with regulatory reporting requirements, which includes affiliate deposits and fully-collateralized preferred deposits.
(2) Uninsured deposit balances of Washington Trust Bancorp, Inc. and its subsidiaries that are eliminated in consolidation.
(3) Uninsured deposits of states and political subdivisions, which are secured or collateralized as required by state law.

The following table presents the amount of time certificates of deposit in denominations of $250 thousand or more at December 31, 2023, maturing during the periods indicated:

(Dollars in thousands)

Three months or less	$61,452
Over three months to six months	67,474
Over six months to 12 months	98,355
Over 12 months	43,922
Total time deposits	$271,203

Borrowings

Borrowings primarily consist of FHLB advances, which are used as a source of funding for liquidity and interest rate risk management purposes. FHLB advances totaled $1.2 billion at December 31, 2023, up by $210.0 million from the balance at the end of 2022, as higher levels of wholesale funding were utilized to fund balance sheet growth.

For additional information regarding FHLB advances see Note 13 to the Consolidated Financial Statements.

Liquidity and Capital Resources

Liquidity Management

Liquidity is the ability of a financial institution to meet maturing liability obligations and customer loan demand. The Corporation's primary source of liquidity is in-market deposits, which funded approximately 67% of total average assets in the twelve months ended December 31, 2023. While the generally preferred funding strategy is to attract and retain low-cost deposits, the ability to do so is affected by competitive interest rates and terms in the marketplace. Other sources of funding include discretionary use of purchased liabilities (e.g., FHLB term advances and brokered deposits), cash flows from the investment securities portfolio and loan repayments. Securities designated as available for sale may also be sold in response to short-term or long-term liquidity needs, although management has no intention to do so at this time.

The Corporation has a detailed liquidity funding policy and a contingency funding plan that provide for the prompt and comprehensive response to unexpected demands for liquidity. Management employs stress testing methodology to estimate needs for contingent funding that could result from unexpected outflows of funds in excess of "business as usual" cash flows. In management's estimation, risks are concentrated in two major categories: (1) runoff of in-market deposit balances; and (2) unexpected drawdown of loan commitments. Of the two categories, potential runoff of deposit balances would have the most significant impact on contingent liquidity. Our stress test scenarios, therefore, emphasize attempts to quantify deposits at risk over selected time horizons. In addition to these unexpected outflow risks, several other "business as usual" factors enter into the calculation of the adequacy of contingent liquidity including: (1) payment proceeds from loans and investment securities; (2) maturing debt obligations; and (3) maturing time deposits. The Corporation has established collateralized borrowing capacity with the FRBB and also maintains additional collateralized borrowing capacity with the FHLB in excess of levels used in the ordinary course of business. Borrowing capacity is impacted by the amount and type of assets available to be pledged.

The table below presents a summary of contingent liquidity balances by source:

(Dollars in thousands)

December 31,	2023	2022	2021
Contingent Liquidity:			
Federal Home Loan Bank of Boston (1)	$1,086,607	$668,295	$1,642,377
Federal Reserve Bank of Boston (2)	65,759	27,059	16,919
Noninterest-bearing cash	54,970	49,727	46,985
Unencumbered investment securities	680,857	691,893	702,963
Total contingent liquidity	$1,888,193	$1,436,974	$2,409,244
Percentage of total contingent liquidity to uninsured deposits	149.8%	94.9%	179.8%
Percentage of total contingent liquidity to uninsured deposits, after exclusions	195.9%	147.4%	239.8%

(1) As of December 31, 2023, 2022 and 2021, loans with a carrying value of $3.4 billion, $2.4 billion and $2.2 billion, respectively, and securities available for sale with a carrying value of $94.3 million, $102.1 million and $163.2 million, respectively, were pledged to the FHLB resulting in this additional borrowing capacity.

(2) As of December 31, 2023, 2022 and 2021, loans with a carrying value of $71.0 million, $20.9 million and $8.2 million, respectively. and securities available for sale with a carrying value of $13.1 million, $12.7 million and $13.5 million, respectively, were pledged to the FRBB resulting in this additional unused borrowing capacity.

In addition to the amounts presented above, the Bank also had access to a $40.0 million unused line of credit with the FHLB at December 31, 2023, 2022 and 2021. Furthermore, availability of $65.0 million and $215.0 million, respectively, at December 31, 2023 and 2022, was utilized to collateralize an institutional deposit through a standby letter of credit with the FHLB. The Bank had no such standby letter of credit with the FHLB at December 31, 2021.

The ALCO establishes and monitors internal liquidity measures to manage liquidity exposure. Liquidity remained within target ranges established by the ALCO during 2023. Based on its assessment of the liquidity considerations described above, management believes the Corporation's sources of funding meet anticipated funding needs.

Contractual Obligations, Commitments and Off-Balance Sheet Arrangements

In the ordinary course of business, the Corporation enters into contractual obligations that require future cash payments. These include payments related to lease obligations, time deposits with stated maturity dates, borrowings and defined benefit pension plans. For additional information on these arrangements and the expected timing of applicable payments as of December 31, 2023, see the following notes to the Consolidated Financial Statements: Note 7 for leases, Note 12 for time deposits, Note 13 for borrowings and Note 16 for defined benefit pension plans.

Also, in the ordinary course of business, the Corporation engages in a variety of financial transactions that, in accordance with GAAP, are not recorded in the financial statements, or are recorded in amounts that differ from the notional amounts. These financial transactions include commitments to extend credit, standby letters of credit, forward loan commitments, loan related derivative contracts and interest rate risk management contracts. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. The Corporation's credit policies with respect to interest rate contracts with commercial borrowers, commitments to extend credit, and standby letters of credit are similar to those used for loans. Some commitments to extend credit and standby letters of credit are expected to expire without being drawn upon, and thus, total amounts do not necessarily represent future cash requirements. Interest rate risk management contracts with other counterparties are generally subject to bilateral collateralization terms. These contracts with various counterparties may subject the Corporation to various cash flow requirements, which may include posting of cash as collateral for arrangements that are in a liability position. For additional information on derivative financial instruments and financial instruments with off-balance sheet risk see Notes 9 and 21 to the Consolidated Financial Statements.

Capital Resources

Total shareholders' equity amounted to $472.7 million at December 31, 2023, up by $19.0 million from December 31, 2022. This increase was driven by net income of $48.2 million and an increase of $16.6 million in the AOCL component of shareholders' equity. The change in AOCL reflected increases in the fair value of available for sale debt securities and cash flow hedges primarily attributable to relative changes in market interest rates, partially offset by a decrease that was largely

associated with the annual remeasurement of pension plan liabilities. The overall change in total shareholders' equity also included reductions of $38.3 million for dividend declarations and a $6.6 million increase in treasury stock balances.

The change in treasury stock balances included the repurchase of 200,000 shares in January and February at an average price of $43.70 and a total cost of $8.8 million, under the 2023 Repurchase Program. The IRA was signed into law in 2022 and imposed an excise tax of 1% on share repurchases made by the Corporation, net of shares issued, effective in 2023. At December 31, 2023, the Corporation recognized a $73 thousand excise tax liability, which was included in other liabilities, attributable to shares repurchased in 2023, with a corresponding offset to treasury stock on the Consolidated Balance Sheet.

The Corporation declared dividends of $2.24 per share in 2023, representing an increase of 6 cents per share, or 3%, over last year. The dividend payout ratio (dividends declared per share to diluted earnings per share) was 79.4% in 2023, compared to 53.0% in 2022.

The ratio of total equity to total assets amounted to 6.56% at December 31, 2023, compared to a ratio of 6.81% at December 31, 2022. Book value per share was $27.75 at December 31, 2023, compared to $26.40 at December 31, 2022.

The Bancorp and the Bank are subject to various regulatory capital requirements and are considered "well capitalized," with a total risk-based capital ratio of 11.58% at December 31, 2023, compared to 12.37% at December 31, 2022.

See Note 14 to the Consolidated Financial Statements for additional discussion regarding shareholders' equity.

Asset/Liability Management and Interest Rate Risk

Interest rate risk is the risk to earnings due to changes in interest rates. The ALCO is responsible for establishing policy guidelines on liquidity and acceptable exposure to interest rate risk. Quarterly, the ALCO reports on the status of liquidity and interest rate risk matters to the Audit Committee. The objective of the ALCO is to manage assets and funding sources to produce results that are consistent with the Corporation's liquidity, capital adequacy, growth, risk and profitability goals.

The Corporation utilizes the size and duration of the investment securities portfolio, the size and duration of the wholesale funding portfolio, interest rate contracts and the pricing and structure of loans and deposits, to manage interest rate risk. The interest rate contracts may include interest rate swaps, caps and floors. These interest rate contracts involve, to varying degrees, credit risk and interest rate risk. Credit risk is the possibility that a loss may occur if a counterparty to a transaction fails to perform according to terms of the contract. The notional amount of the interest rate contracts is the amount upon which interest and other payments are based. The notional amount is not exchanged, and therefore, should not be taken as a measure of credit risk. See Notes 9 and 21 to the Consolidated Financial Statements for additional information.

The ALCO uses income simulation to measure interest rate risk inherent in the Corporation's financial instruments at a given point in time by showing the effect of interest rate shifts on net interest income over a 12-month horizon, a 13- to 24-month horizon and a 60-month horizon. The simulations assume that the size and general composition of the Corporation's balance sheet remain static over the simulation horizons, with the exception of certain deposit mix shifts from low cost savings to higher cost time deposits in selected interest rate scenarios. Additionally, the simulations take into account the specific repricing, maturity, call options, and prepayment characteristics of differing financial instruments that may vary under different interest rate scenarios. The characteristics of financial instrument classes are reviewed periodically by the ALCO to ensure their accuracy and consistency.

The ALCO reviews simulation results to determine whether the Corporation's exposure to a decline in net interest income remains within established tolerance levels over the simulation horizons and to develop appropriate strategies to manage this exposure. As of December 31, 2023 and 2022, net interest income simulations indicated that exposure to changing interest rates over the simulation horizons remained within tolerance levels established by the Corporation. All changes are measured in comparison to the projected net interest income that would result from an "unchanged" rate scenario where both interest rates and the composition of the Corporation's balance sheet remain stable for a 60-month period. In addition to measuring the change in net interest income as compared to an unchanged rate scenario, the ALCO also measures the trend of both net interest income and NIM over a 60-month horizon to ensure the stability and adequacy of this source of earnings in different interest rate scenarios.

The ALCO regularly reviews a wide variety of interest rate shift scenario results to evaluate interest rate risk exposure, including scenarios showing the effect of steepening or flattening changes in the yield curve of up to 500 basis points, as well

as parallel changes in interest rates of up to 400 basis points. Because income simulations assume that the Corporation's balance sheet will remain static over the simulation horizon, the results do not reflect adjustments in strategy that the ALCO could implement in response to rate shifts.

The following table sets forth the estimated change in net interest income from an unchanged rate scenario over the periods indicated for parallel changes in market interest rates using the Corporation's on- and off-balance sheet financial instruments as of December 31, 2023 and 2022. Interest rates are assumed to shift by a parallel 100 or 200 basis points upward, as well as 100 or 200 basis points downward over a 12-month period, except for savings deposits, which are assumed to shift by lesser amounts due to their relative historical insensitivity to market interest rate movements. Since market interest rates have risen sharply, management incorporated the down 200 basis point scenario into the tabular presentation below. Further, deposits are assumed to have certain minimum rate levels below which they will not fall. It should be noted that the rate scenarios shown do not necessarily reflect the ALCO's view of the "most likely" change in interest rates over the periods indicated.

	December 31, 2023		December 31, 2022	
	Months 1-12	Months 13-24	Months 1-12	Months 13-24
100 basis point rate decrease	(3.38%)	0.94%	(1.09%)	1.55%
200 basis point rate decrease	(6.82%)	1.53%	(4.17%)	(5.21%)
100 basis point rate increase	0.72%	(6.08%)	(0.78%)	(5.45%)
200 basis point rate increase	4.16%	(7.57%)	0.35%	(7.65%)

The relative change in interest rate sensitivity from December 31, 2022, as shown in the above table, was attributable to changes in balance sheet composition and market interest rates, as well as the March 31, 2023 termination of an interest rate swap contract that was designated as a cash flow hedge to hedge the risk associated with a pool of variable rate commercial loans. This receive-fixed, pay-floating interest rate swap previously mitigated exposure to declining rates and reduced positive exposure to rising rates. See Note 9 to the Consolidated Financial Statements for additional information on the termination.

As of December 31, 2023, the ALCO estimates that negative exposure of net interest income in Year 1 to falling rates as compared to an unchanged rate scenario results from a more rapid decline in earning asset yields compared to rates paid on deposits. If market interest rates were to fall and remain lower for a sustained period, certain savings and time deposit rates could decline more slowly and by a lesser amount than other market interest rates. For simulation purposes, deposit rate changes are anticipated to lag behind other market interest rates in both timing and magnitude. Asset yields would likely decline more rapidly than deposit costs as holdings mature or reprice, since cash flow from mortgage-related prepayments and redemption of callable securities would increase as market interest rates fall. The negative exposure in down rate scenarios reflects the insensitivity of certain deposit rates to market interest rate declines as they approach their floors. The positive exposure to falling rates in Year 2 is attributable to continued downward repricing of liabilities as time deposits and wholesale funding are replaced with lower rates as they mature.

As of December 31, 2023, the positive exposure of net interest income in Year 1 to rising rates as compared to an unchanged rate scenario results from a more rapid projected relative rate of increase in asset yields than funding costs over the near term. For simulation purposes, deposit rate changes are anticipated to lag behind other market interest rates in both timing and magnitude. The negative exposure to rising rates in Year 2 is due to a higher level of longer-term fixed rate assets, as well as larger proportion of wholesale funds to total sources of funds. Fixed rate assets would not reprice upward in a rising rate environment. Wholesale funds generally would reprice more quickly and by a greater amount than the repricing of in-market deposits in response to changes in market interest rates. As market rates increase, ALCO modeling assumes that deposits shift from lower cost to higher cost deposits. This assumption reflects historical operating conditions in rising rate cycles. Although asset yields would increase in a rising interest rate environment, the cumulative impact of relative growth in rate-sensitive higher cost deposit categories and wholesale funds suggests that the increase in the Corporation's cost of funds could result in a relative decline in net interest income in Year 2 compared to an unchanged rate scenario.

While the ALCO reviews and updates simulation assumptions and also periodically back-tests the simulation results to ensure that the assumptions are reasonable and current, income simulation may not always prove to be an accurate indicator of interest rate risk or future NIM. Over time, the repricing, maturity and prepayment characteristics of financial instruments and the composition of the Corporation's balance sheet may change to a different degree than estimated. Simulation

modeling assumes a static balance sheet, with the exception of certain modeled deposit mix shifts from low cost savings deposits to higher cost time deposits in rising rate scenarios as noted above.

The Federal Reserve has recently paused rate hikes and the target range for the Federal Funds rate was 5.25% - 5.50% at December 31, 2023. The increase of the Federal Funds target rate in recent years has resulted in higher rates on existing deposit products and a shift of low cost balances into higher cost alternatives, which could continue into the future, particularly if interest rates continue to rise. As such, the ALCO has modeled deposit shifts out of these low cost categories into higher cost alternatives in the rising rate simulation scenarios presented above. Deposit balances may also be subject to possible outflow to non-bank alternatives in a rising rate environment, as well as due to heightened uncertainty in the banking industry. This may cause interest rate sensitivity to differ from the results as presented. Another significant simulation assumption is the sensitivity of savings deposits to fluctuations in interest rates. Income simulation results assume that changes in both savings deposit rates and balances are related to changes in short-term interest rates. The relationship between short-term interest rate changes and deposit rate and balance changes may differ from the ALCO's estimates used in income simulation.

It should also be noted that the static balance sheet assumption does not necessarily reflect the Corporation's expectation for future balance sheet growth, which is a function of the business environment and customer behavior.

Mortgage-backed securities and residential real estate loans involve a level of risk that unforeseen changes in prepayment speeds may cause related cash flows to vary significantly in differing rate environments. Such changes could affect the level of reinvestment risk associated with cash flow from these instruments, as well as their market value. Changes in prepayment speeds could also increase or decrease the amortization of premium or accretion of discounts related to such instruments, thereby affecting interest income.

The Corporation also monitors the potential change in market value of its available for sale debt securities in changing interest rate environments. The purpose is to determine market value exposure that may not be captured by income simulation, but which might result in changes to the Corporation's capital position. Results are calculated using industry-standard analytical techniques and securities data.

The following table summarizes the potential change in market value of the Corporation's available for sale debt securities of December 31, 2023 and 2022 resulting from immediate parallel rate shifts:

(Dollars in thousands)

Security Type	Down 100 Basis Points	Up 200 Basis Points
Obligations of U.S. government-sponsored enterprise securities (callable)	$8,656	($17,242)
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	51,000	(100,072)
Trust preferred debt and other corporate debt securities	3	(20)
Total change in market value as of December 31, 2023	$59,659	($117,334)
Total change in market value as of December 31, 2022	$63,712	($125,079)

Impact of Inflation on Changing Prices

The Corporation's consolidated financial statements and related notes have been prepared in accordance with GAAP, which requires the measurement of financial position and operating results in terms of historical U.S. dollars without considering changes in the relative purchasing power of money over time due to inflation.

A substantial portion of the Corporation's assets and liabilities are monetary in nature and as a result interest rates have a more significant impact on the overall performance of the Corporation than the general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as inflation. The Federal Reserve's policy response to counter high levels of inflation has been to increase its Federal Funds target rate, which in turn resulted in higher market interest rates across the economy. While variable-rate assets would reprice upward if interest rates were to rise, interest-bearing liabilities would also reprice upward. Additionally, in a high-rate or rising rate environment, lower cost in-market deposits could continue to shift into higher cost deposit categories, which could put additional pressure on both net interest income and the net interest margin as the Corporation experienced in 2023. Recently, the Federal Reserve has paused rate

hikes, as the increases in the level of inflation experienced in recent years has been somewhat mitigated. If the Federal Reserve decides to reduce its Federal Funds target rate, variable-rate assets would likely reprice downward more rapidly than interest-bearing liabilities.

For additional discussion on interest due to changes in interest rates, see the caption “Asset/Liability Management and Interest Rate Risk” above.

Furthermore, a prolonged period of inflation could cause wages and other costs to increase.

LIBOR Transition

LIBOR was used extensively as a benchmark for various commercial and financial contracts, including loans, securities, funding sources, interest rate swaps and other derivatives. The ICE Benchmark Administration, the authorized and regulated administrator of LIBOR, ended publication of remaining LIBOR tenors on June 30, 2023. Financial services regulators and industry groups collaborated to develop alternate reference rate indices or reference rates, such as SOFR. SOFR is a backward-looking secured rate as opposed to a forward-looking unsecured rate.

We identified all LIBOR-related contracts and determined which ones would require language to incorporate an alternative reference rate. We ceased offering new loan contracts that referenced LIBOR, and processed modifications on loans that referenced LIBOR to transition them to a new reference rate. For derivative contracts, the International Swap Dealers Association (commonly known as "ISDA") developed fallback language for swap agreements and established a protocol to allow counterparties to modify legacy trades to include the new fallback language. In 2023, the Corporation completed the transition of all contracts (including commercial loans, loan related derivatives, cash flow hedging instruments, and junior subordinated debentures) that previously referenced LIBOR to a new reference rate, primarily SOFR.

Critical Accounting Policies and Estimates

Estimates and assumptions are necessary in the application of certain accounting policies and procedures and can be susceptible to significant change. Critical accounting policies are defined as those that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the Corporation’s financial condition or results of operations.

Management considers its accounting policy relating to the ACL on loans to be a critical accounting policy.

Allowance for Credit Losses on Loans

The ACL on loans is management’s estimate of expected lifetime credit losses on loans carried at amortized cost. The ACL on loans is established through a provision for credit losses recognized in the Consolidated Statements of Income. Additionally, the ACL on loans is reduced by charge-offs on loans and increased by recoveries of amounts previously charged-off. At December 31, 2023 the ACL on loans totaled $41.1 million, compared to $38.0 million at December 31, 2022. A significant portion of our ACL is allocated to the commercial portfolio (both CRE and C&I). As of December 31, 2023 and 2022, the ACL allocated to the total commercial portfolio was $32.2 million and $28.8 million, respectively.

Management employs a process and methodology to estimate the ACL on loans that evaluates both quantitative and qualitative factors. The methodology for evaluating quantitative factors consists of two basic components. The first component involves pooling loans into portfolio segments for loans that share similar risk characteristics. The second component involves individually analyzed loans that do not share similar risk characteristics with loans that are pooled into portfolio segments.

The ACL for pooled loans is measured utilizing a DCF methodology to estimate credit losses for each pooled portfolio segment. The methodology incorporates a probability of default and loss given default framework. Loss given default is estimated based on historical credit loss experience. Probability of default is estimated using a regression model that incorporates econometric factors. Management utilizes forecasted econometric factors with a one-year reasonable and supportable forecast period and one-year straight-line reversion period in order to estimate the probability of default for each loan portfolio segment. The DCF methodology combines the probability of default, the loss given default, prepayment speeds and remaining life of the loan to estimate a reserve for each loan. The sum of all the loan level reserves are aggregated for each portfolio segment and a loss rate factor is derived. Quantitative loss factors for pooled loans are also supplemented by certain qualitative risk factors reflecting management’s view of how losses may vary from those represented by quantitative loss rates.

The ACL for individually analyzed loans is measured using a DCF method based upon the loan's contractual effective interest rate, or at the loan's observable market price, or, if the loan was collateral dependent, at the fair value of the collateral.

Because the methodology is based upon historical experience and trends, current economic data, reasonable and supportable forecasts, as well as management's judgment, factors may arise that result in different estimations. Deteriorating conditions or assumptions could lead to further increases in the ACL on loans; conversely, improving conditions or assumptions could lead to further reductions in the ACL on loans.

In estimating the ACL on loans, management considers the sensitivity of the model and significant judgments and assumptions that could result in an amount that is materially different from management's estimate. Given the concentration of ACL allocation to the total commercial portfolio and the significant judgments made by management in deriving the qualitative loss factors, management analyzed the impact that changes in qualitative judgments could have. The range of impact was an ACL allocated to the total commercial loan portfolio between $23.3 million and $53.3 million at December 31, 2023. The sensitivity and related range of impact is a hypothetical analysis and is not intended to represent management's judgments or assumptions of qualitative loss factors that were utilized at December 31, 2023 in estimation of the ACL on loans recognized on the Consolidated Balance Sheet.

If the assumptions underlying the determination of the ACL prove to be incorrect, the ACL may not be sufficient to cover actual loan losses and an increase to the ACL may be necessary to allow for different assumptions or adverse developments. In addition, a problem with one or more loans could require a significant increase to the ACL.

Recently Issued Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements for details of recently issued accounting pronouncements and their expected impact on the Corporation's financial statements.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information regarding quantitative and qualitative disclosures about market risk appears under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the caption "Asset/Liability Management and Interest Rate Risk."

ITEM 8. Financial Statements and Supplementary Data.

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Management's Annual Report on Internal Control Over Financial Reporting

The management of the Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. The Corporation's internal control over financial reporting is a process designed under the supervision of the Corporation's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Corporation's Consolidated Financial Statements for external reporting purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2023, management assessed the effectiveness of the Corporation's internal control over financial reporting based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO. Based on this assessment, management concluded that the Corporation's internal control over financial reporting as of December 31, 2023 was effective.

The Corporation's internal control over financial reporting as of December 31, 2023 has been audited by Crowe LLP, an independent registered public accounting firm, as stated in their report, which follows. This report expresses an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2023.

/s/ Edward O. Handy III

Edward O. Handy III
Chairman and Chief Executive Officer

/s/ Ronald S. Ohsberg

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

February 26, 2024

Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors
Washington Trust Bancorp, Inc.
Westerly, Rhode Island

Opinion on Internal Control over Financial Reporting

We have audited Washington Trust Bancorp, Inc. and Subsidiaries' (the "Corporation") internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Corporation as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements") and our report dated February 26, 2024 expressed an unqualified opinion.

Basis for Opinion

The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A corporation's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the corporation; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the corporation are being made only in accordance with authorizations of management and directors of the corporation; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the corporation's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Crowe LLP

Grand Rapids, Michigan
February 26, 2024

Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors
Washington Trust Bancorp, Inc.
Westerly, Rhode Island

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Washington Trust Bancorp, Inc. and Subsidiaries (the "Corporation") as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Corporation's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated February 26, 2024 expressed an unqualified opinion.

Basis for Opinion

These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the Audit Committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses – Qualitative Factors on Total Commercial Loans

As described in Note 1 to the consolidated financial statements, the Corporation accounts for credit losses under ASC 326, Financial Instruments – Credit Losses. ASC 326 requires the measurement of expected lifetime credit losses for financial assets measured at amortized cost at the reporting date. As of December 31, 2023, the balance of the allowance for credit losses ("ACL") on loans was $41.1 million.

Management employs a process and methodology to estimate the ACL on loans that evaluates both quantitative and qualitative factors. The methodology for evaluating quantitative factors involves pooling loans into portfolio segments for loans that share similar risk characteristics. Pooled loan portfolio segments include commercial real estate, commercial and industrial, residential real estate, home equity and other consumer loans.

For pooled loans, the Corporation utilizes a discounted cash flow ("DCF") methodology to estimate credit losses over the expected life of the loan. The DCF methodology combines the probability of default, the loss given default, remaining life of the loan and prepayment speed assumptions to estimate a reserve for each loan. The loss rates are adjusted by current and forecasted econometric assumptions and return to the mean after the forecasted periods. These quantitative loss factors are

also supplemented by certain qualitative risk factors reflecting management's view of how losses may vary from those represented by quantitative loss rates. Qualitative loss factors are applied to each portfolio segment with the amounts determined by historical loan charge-offs of a peer group of similar-sized regional banks. Changes in these assumptions could have a material effect on the Corporation's financial conditions or results of operations.

We identified auditing the qualitative component of the ACL on pooled loans in the commercial real estate and commercial and industrial portfolios (total commercial loans) as a critical audit matter because the methodology to determine the estimate of credit losses uses subjective judgments by management and is subject to material variability. Performing audit procedures to evaluate the qualitative factors on the commercial loans involved a high degree of auditor judgment and required significant effort, including the need to involve more experienced audit personnel.

The primary procedures we performed to address this critical audit matter included:

- Testing the effectiveness of controls over the evaluation of the ACL on pooled loans, including controls addressing:
  - Methodology and accounting policies.
  - Data inputs, judgments and calculations used to determine the qualitative loss factors.
  - Information technology general controls and application controls.
  - Management's review of the qualitative factors.
- Substantively testing management's process, including evaluating their judgments and assumptions, for developing the ACL on commercial loans collectively evaluated for impairment, which included:
  - Evaluation of the appropriateness of the Corporation's accounting policies and assumptions involved in the application of ASC 326.
  - Testing the mathematical accuracy of the calculation.
  - Testing the completeness and accuracy of data used in the calculation.
  - Evaluation of the reasonableness of management's judgments related to qualitative factors to determine if they are calculated to conform with management's policies and were consistently applied period over period. Our evaluation considered the weight of evidence from internal and external sources and loan portfolio composition and performance.

/s/ Crowe LLP

We have served as the Corporation's auditor since 2019.

Grand Rapids, Michigan
February 26, 2024

Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Balance Sheets **(Dollars in thousands, except par value)**

December 31,	2023	2022
Assets:		
Cash and due from banks	$86,824	$115,492
Short-term investments	3,360	2,930
Mortgage loans held for sale, at fair value	20,077	8,987
Available for sale debt securities, at fair value (amortized cost $1,152,629; net of allowance for credit losses on securities of $0 at December 31, 2023; and amortized cost of $1,166,340; net of allowance for credit losses on securities of $0 at December 31, 2022)	1,000,380	993,928
Federal Home Loan Bank stock, at cost	51,893	43,463
Loans:		
Total loans	5,647,706	5,110,139
Less: allowance for credit losses on loans	41,057	38,027
Net loans	5,606,649	5,072,112
Premises and equipment, net	32,291	31,550
Operating lease right-of-use assets	29,364	27,156
Investment in bank-owned life insurance	103,736	102,182
Goodwill	63,909	63,909
Identifiable intangible assets, net	3,711	4,554
Other assets	200,653	193,788
Total assets	$7,202,847	$6,660,051
Liabilities:		
Deposits:		
Noninterest-bearing deposits	$693,746	$858,953
Interest-bearing deposits	4,654,414	4,160,009
Total deposits	5,348,160	5,018,962
Federal Home Loan Bank advances	1,190,000	980,000
Junior subordinated debentures	22,681	22,681
Operating lease liabilities	32,027	29,558
Other liabilities	137,293	155,181
Total liabilities	6,730,161	6,206,382
Commitments and contingencies (Note 21)		
Shareholders' Equity:		
Common stock of $.0625 par value; authorized 60,000,000 shares; 17,363,457 shares issued and 17,030,987 shares outstanding at December 31, 2023 and 17,363,457 shares issued and 17,182,753 shares outstanding at December 31, 2022	1,085	1,085
Paid-in capital	126,150	127,056
Retained earnings	501,917	492,043
Accumulated other comprehensive loss	(141,153)	(157,800)
Treasury stock, at cost; 332,470 shares at December 31, 2023 and 180,704 shares at December 31, 2022	(15,313)	(8,715)
Total shareholders' equity	472,686	453,669
Total liabilities and shareholders' equity	$7,202,847	$6,660,051

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

Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statements of Income **(Dollars and shares in thousands, except per share amounts)**

Years ended December 31,		2023	2022	2021
Interest income:				
Interest and fees on loans		$270,330	$169,301	$141,552
Interest on mortgage loans held for sale		980	1,165	1,531
Taxable interest on debt securities		29,059	21,827	14,295
Dividends on Federal Home Loan Bank stock		3,315	548	436
Other interest income		4,975	1,624	181
Total interest and dividend income		308,659	194,465	157,995
Interest expense:				
Deposits		120,429	26,023	12,390
Federal Home Loan Bank advances		49,589	11,713	3,800
Junior subordinated debentures		1,543	739	370
Total interest expense		171,561	38,475	16,560
Net interest income		137,098	155,990	141,435
Provision for credit losses		3,200	(1,300)	(4,822)
Net interest income after provision for credit losses		133,898	157,290	146,257
Noninterest income:				
Wealth management revenues		35,540	38,746	41,282
Mortgage banking revenues		6,660	8,733	28,626
Card interchange fees		4,921	4,996	4,996
Service charges on deposit accounts		2,806	3,192	2,683
Loan related derivative income		1,390	2,756	4,342
Income from bank-owned life insurance		3,488	2,591	2,925
Other income		1,335	1,588	2,540
Total noninterest income		56,140	62,602	87,394
Noninterest expense:				
Salaries and employee benefits		82,458	83,804	87,295
Outsourced services		14,521	13,737	13,296
Net occupancy		9,636	9,126	8,449
Equipment		4,318	3,797	3,905
Legal, audit and professional fees		3,891	3,127	2,859
FDIC deposit insurance costs		4,667	1,687	1,592
Advertising and promotion		2,562	2,587	1,843
Amortization of intangibles		843	860	890
Debt prepayment penalties		—	—	6,930
Other expenses		10,661	9,997	8,405
Total noninterest expense		133,557	128,722	135,464
Income before income taxes		56,481	91,170	98,187
Income tax expense		8,305	19,489	21,317
Net income		$48,176	$71,681	$76,870
Net income available to common shareholders		$48,091	$71,479	$76,648
Weighted average common shares outstanding - basic		17,033	17,246	17,310
Weighted average common shares outstanding - diluted		17,062	17,381	17,455
Per share information:	Basic earnings per common share	$2.82	$4.14	$4.43
	Diluted earnings per common share	$2.82	$4.11	$4.39

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

Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

(Dollars in thousands)

Years ended December 31,	2023	2022	2021
Net income	$48,176	$71,681	$76,870
Other comprehensive income (loss), net of tax:			
Net change in fair value of available for sale debt securities	14,442	(124,238)	(16,676)
Net change in fair value of cash flow hedges	7,026	(18,632)	(2,566)
Net change in defined benefit plan obligations	(4,821)	5,051	6,652
Total other comprehensive income (loss), net of tax	16,647	(137,819)	(12,590)
Total comprehensive income (loss)	$64,823	($66,138)	$64,280

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

Washington Trust Bancorp, Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity

(Dollars and shares in thousands)

	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at December 31, 2020	17,265	$1,085	$125,610	$418,246	($7,391)	($3,355)	$534,195
Net income	—	—	—	76,870	—	—	76,870
Total other comprehensive loss, net of tax	—	—	—	—	(12,590)	—	(12,590)
Cash dividends declared ($2.10 per share)	—	—	—	(36,806)	—	—	(36,806)
Share-based compensation	—	—	3,316	—	—	—	3,316
Exercise of stock options, issuance of other compensation-related equity awards, net of awards surrendered	66	—	(2,415)	—	—	2,238	(177)
Balance at December 31, 2021	17,331	$1,085	$126,511	$458,310	($19,981)	($1,117)	$564,808
Net income	—	—	—	71,681	—	—	71,681
Total other comprehensive loss, net of tax	—	—	—	—	(137,819)	—	(137,819)
Cash dividends declared ($2.18 per share)	—	—	—	(37,948)	—	—	(37,948)
Share-based compensation	—	—	3,247	—	—	—	3,247
Exercise of stock options, issuance of other compensation-related equity awards, net of awards surrendered	46	—	(2,702)	—	—	1,881	(821)
Treasury stock purchased under the 2021 Repurchase Program	(194)	—	—	—	—	(9,479)	(9,479)
Balance at December 31, 2022	17,183	$1,085	$127,056	$492,043	($157,800)	($8,715)	$453,669
Net income	—	—	—	48,176	—	—	48,176
Total other comprehensive income, net of tax	—	—	—	—	16,647	—	16,647
Cash dividends declared ($2.24 per share)	—	—	—	(38,302)	—	—	(38,302)
Share-based compensation	—	—	2,064	—	—	—	2,064
Exercise of stock options, issuance of other compensation-related equity awards, net of awards surrendered	48	—	(2,970)	—	—	2,216	(754)
Treasury stock purchased under the 2023 Repurchase Program (1)	(200)	—	—	—	—	(8,814)	(8,814)
Balance at December 31, 2023	17,031	$1,085	$126,150	$501,917	($141,153)	($15,313)	$472,686

(1) Treasury stock includes $73 thousand of excise tax attributable to shares repurchased in 2023.

Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in thousands)

Years ended December 31,		2023	2022	2021
Cash flows from operating activities:				
Net income		$48,176	$71,681	$76,870
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses		3,200	(1,300)	(4,822)
Depreciation of premises and equipment		4,005	3,465	3,411
Net amortization of premiums and discounts on debt securities and loans		1,352	2,893	3,446
Amortization of intangibles		843	860	890
Share–based compensation		2,064	3,247	3,316
Tax (expense) benefit from stock option exercises and other equity awards		(34)	78	182
Deferred income tax (benefit) expense		(3,690)	1,160	2,155
Income from bank-owned life insurance		(3,488)	(2,591)	(2,925)
Net gains on loan sales, including changes in fair value		(4,514)	(6,730)	(28,195)
Proceeds from sales of loans, net		219,568	309,749	934,516
Loans originated for sale		(221,637)	(272,855)	(887,341)
(Increase) decrease in operating lease right-of-use assets		(2,208)	(464)	2,829
Increase (decrease) in operating lease liabilities		2,469	547	(2,708)
(Increase) decrease in other assets		(3,000)	(30,804)	38,935
(Decrease) increase in other liabilities		(11,503)	34,070	(39,747)
Net cash provided by operating activities		31,603	113,006	100,812
Cash flows from investing activities:				
Purchases of:	Available for sale debt securities: Mortgage-backed	(39,967)	(223,380)	(347,913)
	Available for sale debt securities: Other	(20,221)	(10,747)	(251,443)
Maturities, calls and principal payments of:	Available for sale debt securities: Mortgage-backed	71,732	116,116	337,751
	Available for sale debt securities: Other	750	—	82,800
Net (purchases) redemptions of Federal Home Loan Bank stock		(8,430)	(30,432)	17,254
Net increase in loans		(537,467)	(832,450)	(27,921)
Purchases of loans		(5,743)	(2,773)	(41,863)
Purchases of premises and equipment		(5,048)	(6,139)	(3,490)
Purchases of bank-owned life insurance		—	(7,000)	(7,000)
Proceeds from surrender of bank-owned life insurance		1,932	—	1,526
Proceeds from sale of equity investments in real estate limited partnerships		—	—	50
Equity investments in real estate limited partnerships		(8,115)	(1,861)	—
Purchases of other equity investments, net		(263)	(375)	(650)
Net cash used in investing activities		(550,840)	(999,041)	(240,899)

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

Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statements of Cash Flows – (continued) **(Dollars in thousands)**

Years ended December 31,	2023	2022	2021
Cash flows from financing activities:			
Net increase in deposits	329,198	38,911	601,698
Proceeds from Federal Home Loan Bank advances	3,515,000	3,156,112	1,294,176
Repayment of Federal Home Loan Bank advances	(3,305,000)	(2,321,112)	(1,743,036)
Treasury stock purchased	(8,814)	(9,479)	—
Net proceeds from stock option exercises and issuance of other equity awards, net of awards surrendered	(754)	(821)	(177)
Cash dividends paid	(38,631)	(37,647)	(36,349)
Net cash provided by financing activities	490,999	825,964	116,312
Net decrease in cash and cash equivalents	(28,238)	(60,071)	(23,775)
Cash and cash equivalents at beginning of year	118,422	178,493	202,268
Cash and cash equivalents at end of year	$90,184	$118,422	$178,493

Noncash Activities:			
Loans charged-off	$577	$184	$663
Loans transferred to property acquired through foreclosure or repossession	683	—	—
Commitment for equity investments in real estate limited partnerships	3,020	8,360	—
Supplemental Disclosures:			
Interest payments	$156,648	$32,096	$18,313
Income tax payments	9,926	17,706	19,641

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

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

The Bancorp is a publicly-owned registered bank holding company that has elected to be a financial holding company. The Bancorp's principal subsidiary is the Bank, a Rhode Island chartered financial institution founded in 1800. The Bank is the oldest community bank in the nation and the largest state-chartered bank headquartered in Rhode Island.

Washington Trust offers a full range of financial services, including commercial, residential and consumer lending, retail and commercial deposit products, and wealth management and trust services through its offices in Rhode Island, Massachusetts and Connecticut.

Basis of Presentation

The accounting and reporting policies of Washington Trust conform to GAAP and to general practices of the banking industry.

The consolidated financial statements include the accounts of the Bancorp and its wholly-owned subsidiaries, except subsidiaries that are not deemed necessary to be consolidated. Through consolidation, intercompany balances and transactions have been eliminated.

The Bancorp owns the common stock of two capital trusts, which have issued trust preferred securities. These capital trusts are variable interest entities in which the Bancorp is not the primary beneficiary and, therefore, are not consolidated. The capital trust's only assets are junior subordinated debentures issued by the Bancorp, which were acquired by the capital trusts using the proceeds from the issuance of the trust preferred securities and common stock. The Bancorp's equity interest in the capital trusts, which is classified in other assets, and the junior subordinated debentures are included in the Consolidated Balance Sheets. Interest expense on the junior subordinated debentures is included in the Consolidated Statements of Income.

Reclassification

Certain previously reported amounts have been reclassified to conform to the current year's presentation.

Use of Estimates

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. Management considers the ACL on loans to be a material estimate that is particularly susceptible to change.

Cash and Cash Equivalents

Cash and cash equivalents, as referenced in the accompanying Consolidated Statements of Cash Flows, consists of cash and due from banks and short-term investments.

Cash and due from Banks

Cash and due from banks includes cash on hand, cash items in process of collection, cash on deposit at the FRBB and other correspondent banks, as well as cash pledged to derivative counterparties. Cash on deposit includes interest-bearing deposits held at correspondent banks of $74.5 million and $65.8 million, respectively, at December 31, 2023 and 2022. Cash collateral pledged to derivative counterparties represents restricted cash balances. See Note 9 for additional disclosure regarding cash collateral pledged to derivative counterparties.

Short-term Investments

Short-term investments consist of highly liquid investments with a maturity date of three months or less when purchased and are considered to be cash equivalents. The Corporation's short-term investments may be composed of overnight federal funds sold, securities purchased under resale agreements, money market mutual funds and U.S. Treasury bills.

Securities

Management determines the appropriate classification of securities at the time of purchase. Investments in debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and carried at amortized cost. Securities not classified as held to maturity are classified as available for sale. Securities available for sale

consist of debt securities that are available for sale to respond to changes in market interest rates, liquidity needs, changes in funding sources and other similar factors. These assets are specifically identified and are carried at fair value. Changes in fair value of available for sale securities, net of applicable income taxes, are reported as a separate component of shareholders' equity. Washington Trust does not currently have securities designated as held to maturity and also does not maintain a trading portfolio.

Premiums and discounts are amortized and accreted over the term of the securities on a method that approximates the level yield method. The amortization and accretion is included in interest income on securities. Interest income is recognized when earned. Realized gains or losses from sales of securities are recorded on the trade date and are determined using the specific identification method.

The fair values of securities may be based on either quoted market prices or third-party pricing services.

The Corporation excludes accrued interest from the amortized cost basis of debt securities and reports accrued interest in other assets in the Consolidated Balance Sheets. The Corporation also excludes accrued interest from the estimate of credit losses on debt securities.

A debt security is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent or if full collection of interest or principal becomes uncertain. Accrued interest for a debt security placed on nonaccrual is reversed against interest income.

Allowance for Credit Losses on Securities

For available for sale debt securities in an unrealized loss position, management first assesses whether the Corporation intends to sell, or if it is likely that the Corporation will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through a provision for credit losses recognized in the Consolidated Statements of Income. For debt securities available for sale that do not meet either of these criteria, management evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers both quantitative and qualitative factors.

A substantial portion of available for sale debt securities held by the Corporation are obligations issued by U.S. government agency and U.S. government-sponsored enterprises, including mortgage-backed securities. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major credit rating agencies and have a long history of no credit losses. For these securities, management takes into consideration the long history of no credit losses and other factors to assess the risk of nonpayment even if the U.S. government were to default. As such, the Corporation utilized a zero credit loss estimate for these securities.

For available for sale debt securities that are not guaranteed by U.S. government agencies and U.S. government-sponsored enterprises, such as individual name issuer trust preferred debt securities and corporate bonds, management utilizes a third-party credit modeling tool based on observable market data, which assists management in identifying any potential credit risk associated with these available for sale debt securities. This model estimates probability of default, loss given default and exposure at default for each security. In addition, qualitative factors are also considered, including the extent to which fair value is less than amortized cost, changes to the credit rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If a credit loss exists based on the results of this assessment, an ACL (contra asset) is recorded, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is considered market-related and is recognized in other comprehensive income, net of taxes.

Changes in the ACL on available for sale debt securities are recorded as provision for credit losses. Losses are charged against the ACL when management believes the uncollectability of an available for sale debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Federal Home Loan Bank Stock

The Bank is a member of the FHLB, which is a cooperative that provides services, including funding in the form of advances, to its member banking institutions. The primary reason for the Bank's membership is to gain access to a reliable source of wholesale funding in order to manage interest rate risk. The purchase of FHLB stock is a requirement for a member to gain

access to funding and the Bank must own a minimum amount of FHLB stock, calculated periodically based primarily on its level of borrowings from the FHLB. The Bank purchases FHLB stock in proportion to the volume of funding received and views the purchases as a necessary long-term investment for the purposes of balance sheet liquidity and not for investment return.

No market exists for shares of FHLB stock and therefore, it is carried at cost. FHLB stock may be redeemed at par value five years following termination of FHLB membership, subject to limitations which may be imposed by the FHLB or its regulator, the Federal Housing Finance Board, to maintain capital adequacy of the FHLB. While the Bank currently has no intentions to terminate its FHLB membership, the ability to redeem its investment in FHLB stock would be subject to the conditions imposed by the FHLB. The Bank monitors its investment to determine if impairment exists. Based on the capital adequacy and the liquidity position of the FHLB, management believes there is no impairment related to the carrying amount of FHLB stock included in the Consolidated Balance Sheet as of December 31, 2023.

Mortgage Banking Activities

Mortgage Loans Held for Sale

Residential real estate mortgage loans originated and intended for sale in the secondary market are classified as held for sale. ASC 825, "Financial Instruments" 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 that may otherwise not be required to be measured at fair value under other accounting standards. The Corporation has elected the fair value option for mortgage loans held for sale in order to better match changes in fair values of the loans with changes in the fair value of the derivative forward sale commitment contracts used to economically hedge them. Changes in the fair value of mortgage loans held for sale accounted for under the fair value option are included in mortgage banking revenues. Gains and losses on residential loan sales are recognized at the time of sale and are included in mortgage banking revenues. Upfront fees and costs related to mortgage loans held for sale for which the fair value option was elected are recognized in mortgage banking revenues as received / incurred and are not deferred.

Commissions received on mortgage loans brokered to various investors are recognized when received and are included in mortgage banking revenues.

Loan Servicing Rights

When residential real estate mortgage loans held for sale are sold with servicing retained, mortgage servicing right assets are recognized as separate assets. Mortgage servicing rights are originally recorded at fair value. Fair value is based on a valuation model that incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, ancillary income, prepayment speeds, and default rates and losses. Mortgage servicing rights are included in other assets and are amortized as an offset to mortgage banking revenues over the period of estimated net servicing income.

Mortgage servicing rights are periodically evaluated for impairment based on their fair value. Impairment is measured on an aggregated basis by stratifying the rights based on homogeneous characteristics such as note rate and loan type. Any impairment is recognized through a valuation allowance and as a reduction to mortgage banking revenues.

Loans

Portfolio Loans

Loans are carried at the principal amount outstanding, adjusted by partial charge-offs and net of unamortized deferred loan origination fees and costs. Interest income is accrued on a level yield basis based upon principal amounts outstanding, except for loans on nonaccrual status. Deferred loan origination fees and costs are amortized as an adjustment to yield over the term of the related loans. For purchased loans, which did not show signs of credit deterioration at the time of purchase, interest income is also accrued on a level yield basis based upon principal amounts outstanding and is then further adjusted by accretion of any discount or amortization of any premium associated with the loans.

Nonaccrual Loans

Loans, with the exception of certain well-secured loans that are in the process of collection, are placed on nonaccrual status and interest recognition is suspended when such loans are 90 days or more overdue with respect to principal and/or interest, or sooner if considered appropriate by management. Well-secured loans are permitted to remain on accrual status provided that full collection of principal and interest is assured and the loan is in the process of collection. Loans are also placed on nonaccrual status when, in the opinion of management, full collection of principal and interest is doubtful. When loans are

placed on nonaccrual status, interest previously accrued but not collected is reversed against current period income. Subsequent interest payments received on nonaccrual loans are applied to the outstanding principal balance of the loan or recognized as interest income depending on management's assessment of the ultimate collectability of the loan. Loans are removed from nonaccrual status when they have been current as to principal and interest (generally for six months), the borrower has demonstrated an ability to comply with repayment terms, and when, in management's opinion, the loans are considered to be fully collectible.

Troubled Loan Modifications

Effective January 1, 2023, a loan that has been modified is considered a TLM when the modification is made to a borrower experiencing financial difficulty and the modification has a direct impact to the contractual cash flows. If both of the aforementioned criteria are met, then the modification is considered a TLM and subject to the enhanced disclosure requirements.

In the course of resolving problem loans, the Corporation may choose to modify the contractual terms of loans to borrowers who are experiencing financial difficulty. Such modifications to borrowers experiencing financial difficulty may include modified contractual terms that have a direct impact to contractual cash flows, including principal forgiveness, interest rate reductions, maturity extensions, other-than-insignificant payment delays, or any combination thereof. Debt could be bifurcated with separate terms for each tranche of the TLM. Executing a TLM in lieu of aggressively enforcing the collection of the loan may benefit the Corporation by increasing the ultimate probability of collection. The following is a description of each type of modifications for a TLM:

- Principal forgiveness results in the reduction in the outstanding principal balance of the loan and can result voluntarily through renegotiated contractual terms with the borrower or involuntarily through a bankruptcy proceeding.
- An interest rate reduction results in the contractual interest rate being reduced from the original agreement.
- A maturity extension represents an extension of the term of the loan beyond its original contractual maturity date.
- An other-than-insignificant payment delay is a deferral arrangement with the borrower, which allows them to delay a scheduled loan payment to a later date. The Corporation considers that a three months or less payment delay generally would be considered insignificant.
- A combination includes loans that have undergone more than one of the above loan modification types.

Nonaccrual loans that become TLMs generally remain on nonaccrual status for six months, subsequent to being modified, before management considers their return to accrual status. If a TLM is on accrual status prior to being modified, it is reviewed to determine if the modified loan should remain on accrual status.

TLMs are reported as such for at least one year from the date of the modification. If the TLM performs in accordance with the modified contractual terms for that period of time, it would be removed from this classification.

Troubled Debt Restructured Loans

Prior to the adoption of ASU 2022-02, a loan that had been modified or renewed was considered to be a TDR when two conditions were met: 1) the borrower was experiencing financial difficulty and 2) concessions were made for the borrower's benefit that would not otherwise have been considered for a borrower or a transaction with similar credit risk characteristics. These concessions may have included 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 could be bifurcated with separate terms for each tranche of the restructured debt. Restructuring of a loan in lieu of aggressively enforcing the collection of the loan may benefit the Corporation by increasing the ultimate probability of collection.

TDRs were classified as accruing or non-accruing based on management's assessment of the collectability of the loan. Loans that were already on nonaccrual status at the time of the restructuring generally remained on nonaccrual status for approximately six months before management considered such loans for return to accruing status. Accruing restructured loans were placed into nonaccrual status if and when the borrower failed to comply with the restructured terms and management deemed it unlikely that the borrower would return to a status of compliance in the near term and full collection of principal and interest was in doubt.

TDRs were reported as such for at least one year from the date of the restructuring. In years after the restructuring, TDRs were removed from this classification if the restructuring did not involve a below-market rate concession and the loan was performing in accordance with their modified contractual terms for a reasonable period of time.

Individually Analyzed Loans

Individually analyzed loans are individually assessed for credit impairment and include nonaccrual commercial loans, TLMs, as well as certain other loans based on the underlying risk characteristics and the discretion of management to individually analyze such loans. Prior to January 1, 2023, individually analyzed loans also included TDRs.

Allowance for Credit Losses on Loans

The ACL on loans is established through a provision for credit losses recognized in the Consolidated Statements of Income. The ACL on loans is also increased by recoveries of amounts previously charged-off and is reduced by charge-offs on loans. Loan charge-offs are recognized when management believes the collectability of the principal balance outstanding is unlikely. Full or partial charge-offs on collateral dependent individually analyzed loans are generally recognized when the collateral is deemed to be insufficient to support the carrying value of the loan.

The ACL on loans is management's estimate of expected lifetime credit losses on loans carried at amortized cost. The Corporation made an accounting policy election to exclude accrued interest from the amortized cost basis of loans and reports accrued interest in other assets in the Consolidated Balance Sheets. The Corporation also excludes accrued interest from the estimate of credit losses on loans.

The level of the ACL on loans is based on management's ongoing review of all relevant information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the calculation of loss given default and the estimation of expected credit losses. As discussed further below, adjustments to historical information are made for differences in specific risk characteristics that may not be reflected in historical loss rates.

Management employs a process and methodology to estimate the ACL on loans that evaluates both quantitative and qualitative factors. In accordance with the Corporation's ACL policy, the methodology is reviewed no less than annually. The methodology for evaluating quantitative factors consists of two basic components. The first component involves pooling loans into portfolio segments for loans that share similar risk characteristics. Pooled loan portfolio segments include CRE (including a commercial construction sub-segment), C&I, residential real estate, home equity and other consumer loans. The second component involves identifying individually analyzed loans that do not share similar risk characteristics with loans that are pooled into portfolio segments. Individually analyzed loans include nonaccrual commercial loans, TLMs, as well as certain other loans based on the underlying risk characteristics and the discretion of management to individually analyze such loans. Prior to January 1, 2023, individually analyzed loans included reasonably expected TDRs and executed TDRs.

For loans that are individually analyzed, the ACL is measured using a DCF 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. Factors management considers when measuring the extent of expected credit loss include payment status, collateral value, borrower financial condition, guarantor support and the probability of collecting scheduled principal and interest payments when due. For collateral dependent loans for which repayment is to be provided substantially through the sale of the collateral, management adjusts the fair value for estimated costs to sell. For collateral dependent loans for which repayment is to be provided substantially through the operation of the collateral, 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 for unobservable factors resulting from its knowledge of circumstances associated with the collateral.

For pooled loans, the Corporation utilizes a DCF methodology to estimate credit losses over the expected life of the loan. The life of the loan excludes expected extensions, renewals and modifications, unless the extension or renewal options are included in the original or modified contract terms and not unconditionally cancellable by the Corporation. The methodology incorporates a probability of default and loss given default framework. Default triggers include the loan has become past due by 90 or more days, a charge-off has occurred, the loan has been placed on nonaccrual status, the loan has been modified as a TLM (effective January 1, 2023; TDR prior to January 1, 2023), or the loan is risk-rated as special mention or classified. Loss given default is estimated based on historical credit loss experience. Probability of default is estimated utilizing a

regression model that incorporates econometric factors. Econometric factors are selected based on the correlation of the factor to historical credit losses for each portfolio segment.

The following table summarizes the econometric factors utilized for each loan portfolio segment as of the dates indicated:

	Econometric Factors	
Loan portfolio segment	At December 31, 2023	At December 31, 2022
CRE	NUR & GDP	NUR & GDP
C&I	NUR & GDP	NUR & GDP
Residential real estate	NUR & HPI	NUR & HPI
Home equity	NUR & HPI	NUR & HPI
Other consumer	GDP	GDP

To estimate the probability of default, the model utilizes forecasted econometric factors over a one-year reasonable and supportable forecast period. After the forecast period, the econometric factors revert to their historical mean on a straight-line basis over a one-year reversion period resulting in a constant default rate after the reversion period. The DCF methodology combines the probability of default, the loss given default, prepayment speeds and the remaining life of the loan to estimate a reserve for each loan. The sum of all the loan level reserves are aggregated for each portfolio segment and a loss rate factor is derived.

Quantitative loss factors are also supplemented by certain qualitative risk factors reflecting management's view of how losses may vary from those represented by quantitative loss rates. The qualitative risk factors management considers include: 1) changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses; 2) changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments; 3) changes in the nature and volume of the portfolio and in the terms of loans; 4) changes in the experience, ability, and depth of lending management and other relevant staff; 5) changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or rated loans; 6) changes in the quality of the institution's credit review system; 7) changes in the value of underlying collateral for collateral dependent loans; 8) the existence and effect of any concentrations of credit, and changes in the level of such concentrations; and 9) the effect of other external factors such as legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio. Qualitative loss factors are applied to each portfolio segment with the range of amounts determined by historical loan charge-offs of a peer group of similar-sized regional banks.

Because the methodology is based upon historical experience and trends, current economic data, reasonable and supportable forecasts, as well as management's judgment, factors may arise that result in different estimations. Deteriorating conditions or assumptions could lead to further increases in the ACL on loans, conversely improving conditions or assumptions could lead to further reductions in the ACL on loans. In addition, various regulatory agencies periodically review the ACL on loans. Such agencies may require additions to the allowance based on their judgments about information available to them at the time of their examination. The ACL on loans is an estimate, and ultimate losses may vary from management's estimate.

Allowance for Credit Losses on Unfunded Commitments

The ACL on unfunded commitments is management's estimate of expected lifetime credit losses over the expected contractual term in which the Corporation is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Corporation. Unfunded commitments for home equity lines of credit and commercial demand loans are considered unconditionally cancellable for regulatory capital purposes and, therefore, are excluded from the calculation to estimate the ACL on unfunded commitments. For each portfolio, estimated loss rates and funding factors are applied to the corresponding balance of unfunded commitments. The estimated loss rates applied to unfunded commitments are the same quantitative and qualitative loss rates applied to the corresponding on-balance sheet amounts in determining the ACL on loans. The estimated funding factor applied to unfunded commitments represents the likelihood that the funding will occur and is based upon the Corporation's average historical utilization rate for each portfolio.

The ACL on unfunded commitments is included in other liabilities in the Consolidated Balance Sheets. The ACL on unfunded commitments is adjusted through a provision for credit losses recognized in the Consolidated Statements of Income.

Premises and Equipment

Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation for financial reporting purposes is calculated on the straight-line method over the estimated useful lives of assets. For leasehold improvements, the estimated useful life is the shorter of the expected lease term or the estimated useful life of the improvement. Expected lease terms include lease renewal options to the extent that the exercise of such renewals is reasonably assured. The estimated useful lives of premises and improvements range from 5 to 40 years. For furniture, fixtures and equipment, the estimated useful lives range from 3 to 20 years. Repairs and maintenance costs are charged to noninterest expense as incurred.

Leases

The Corporation has committed to rent premises used in business operations under non-cancelable operating leases and determines if an arrangement meets the definition of a lease upon inception. Operating leases are recorded on the balance sheet, through the recognition of an operating lease ROU asset and an operating lease liability at the commencement date of the new lease. ROU assets represent a right to use an underlying asset for the contractual lease term. Operating lease liabilities represent an obligation to make lease payments arising from the lease.

The Corporation's leases do not provide an implicit interest rate, therefore the Corporation uses its incremental collateralized borrowing rates commensurate with the underlying lease terms to determine the present value of operating lease liabilities. The Corporation's operating lease agreements contain both lease and non-lease components, which are generally accounted for separately. The Corporation's lease agreements do not contain any residual value guarantees.

Operating leases with terms of 12 months or less are included in ROU assets and operating lease liabilities recorded in the Consolidated Balance Sheets. Operating lease terms include options to extend when it is reasonably certain that the Corporation will exercise such options, determined on a lease-by-lease basis.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. Variable lease components, such as consumer price index adjustments, are expensed as incurred and not included in ROU assets and operating lease liabilities.

Bank-Owned Life Insurance

The investment in BOLI represents the cash surrender value of life insurance policies on the lives of certain employees who have provided positive consent allowing the Bank to be the beneficiary of such policies. Increases in the cash value of the policies, as well as insurance proceeds received, are recorded in noninterest income and are not subject to income taxes. The financial strength of the insurance carrier is reviewed prior to the purchase of BOLI and annually thereafter.

Goodwill and Identifiable Intangible Assets

Goodwill represents the excess of the purchase price over the net fair value of the acquired businesses. Goodwill is not amortized, but is tested for impairment at the reporting unit level (defined as the segment level), at least annually in the fourth quarter or more frequently whenever events or circumstances occur that indicate that it is more-likely-than-not that an impairment loss has occurred. In assessing impairment, management has the option to perform a qualitative analysis to determine whether the existence of events or circumstances leads to a determination that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount. If, after assessing the totality of such events or circumstances, we determine it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then we would not be required to perform an impairment test.

The quantitative impairment analysis requires a comparison of each reporting unit's fair value to its carrying value to identify potential impairment. Goodwill impairment exists when a reporting unit's carrying value of goodwill exceeds its implied fair value. Significant judgment is applied when goodwill is assessed for impairment. This judgment includes, but may not be limited to, the selection of appropriate discount rates, the identification of relevant market comparables and the development of cash flow projections. The selection and weighting of the various fair value techniques may result in a higher or lower fair value. Judgment is applied in determining the weightings that are most representative of fair value.

Intangible assets identified in acquisitions consist of advisory contracts. The value attributed to intangible assets was based on the time period over which they are expected to generate economic benefits. Intangible assets are amortized over their estimated lives using a method that approximates the amount of economic benefits that are realized by the Corporation.

Intangible assets with definite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. If applicable, management tests each of the intangibles by comparing the carrying value of the intangible asset to the sum of undiscounted cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its undiscounted cash flows, then an impairment loss would be recognized for the amount by which the carrying amount exceeds its fair value. Impairment would result in a write-down to the estimated fair value based on the anticipated discounted future cash flows. The remaining useful life of the intangible assets that are being amortized is also evaluated to determine whether events and circumstances warrant a revision to the remaining period of amortization.

Property Acquired through Foreclosure or Repossession
Property acquired through foreclosure or repossession is initially recorded at fair value less estimated costs to sell, resulting in a new cost basis. Fair value of such assets is determined based on independent appraisals and other relevant factors. The amount by which the recorded investment in the loan exceeds the fair value (net of estimated costs to sell) at the time of foreclosure or repossession is charged to the ACL on loans. Subsequent to foreclosure or repossession, a valuation allowance is maintained for declines in market value and for estimated selling expenses. Any subsequent increases in fair value of the property are recorded as a reduction to the valuation allowance, but not below zero. Upon sale of foreclosed property, any excess of the carrying value over the sales proceeds is recognized as a loss on sale. Any excess of sales proceeds over the carrying value of the foreclosed property is first applied as a recovery to the valuation allowance, if any, with the remainder being recognized as a gain on sale. Changes to the valuation allowance, expenses associated with ownership of these properties, and gains and losses from their sale are included in other noninterest expense.

Loans that are substantively repossessed include only those loans for which the Corporation has obtained control of the collateral, but has not completed legal foreclosure proceedings.

Investments in Real Estate Limited Partnerships
The Bank invests in real estate limited partnerships that renovate, own and operate low-income housing complexes. The Bank neither actively participates in the management of nor has a controlling interest in the real estate limited partnerships. The carrying value of such investments is recorded in other assets on the Consolidated Balance Sheets.

Investments in real estate limited partnerships are accounted for using the proportional amortization method. Unfunded commitments for future capital contributions are recognized and recorded in other liabilities on the Consolidated Balance Sheets. Under the proportional amortization method, the investment is amortized over the same tax period and in proportion to the total tax benefits expected to be allocated to the Bank. The amortization is recognized as a component of income tax expense in the Consolidated Statements of Income. In addition, operating losses and tax credits generated by the partnership are also recorded as a reduction to income tax expense.

Other Equity Investments
The Corporation invests in equity investments without readily determinable fair value. Such equity investments are classified within other assets in the Consolidated Balance Sheet. The Corporation has elected to carry equity investments without readily determinable fair value at cost, less impairment, if any, plus or minus changes in observable prices. A qualitative impairment analysis for equity investments without readily determinable fair value is performed quarterly. If the equity investment is deemed to be impaired, an impairment loss is recognized in the amount by which the carrying value of the equity investment exceeds its estimated fair value. The impairment loss is recognized as a reduction of other noninterest income in the Consolidated Statement of Income. An impairment loss can be reversed in a subsequent period if there are observable transactions for the identical or similar investment of the same issuer at an amount that is greater than the carrying value of the investment that was established when the impairment loss was recognized. The reversal of any impairment loss or other changes resulting from observable transactions are recognized in other noninterest income in the Consolidated Statement of Income.

Impairment of Long-Lived Assets Other than Goodwill
Long-lived assets, including premises and equipment, operating lease ROU assets and investments in real estate limited partnerships, are tested for impairment whenever events or changes in business circumstances indicate that the carrying

amount may not be fully recoverable. If impairment is determined to exist, any related impairment loss is calculated based on fair value. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal. An impairment loss is recognized within noninterest expense in the Consolidated Statement of Income. A previously recognized impairment loss cannot be reversed in a subsequent period.

Transfers and Servicing of Assets and Extinguishments of Liabilities
The accounting for transfers and servicing of financial assets and extinguishments of liabilities is based on consistent application of a financial components approach that focuses on control. This approach distinguishes transfers of financial assets that are sales from transfers that are secured borrowings. Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation, (2) the transferee obtains the right to pledge or exchange the transferred assets with no conditions that constrain the transferee and provide more than a trivial benefit to the Corporation, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. If a transfer does not meet the criteria for a sale, the transfer is accounted for as a secured borrowing with a pledge of collateral.

Wealth Management AUA
AUA represents assets held in a fiduciary or agency capacity for wealth management clients and are not included in the Consolidated Balance Sheets, as these are not assets of the Corporation.

Revenue from Contracts with Customers
ASC 606, Revenue from Contracts with Customers, provides a revenue recognition framework for contracts with customers unless those contracts are within the scope of other accounting standards.

The Corporation recognizes revenue from contracts with customers by identifying the performance obligations in its contracts, determining the transaction price in the contract, allocating the transaction price to each performance obligation contained within the contract, as applicable, and then recognizing revenue from its contracts with customers when it satisfies its performance obligations. The performance obligations are generally satisfied as services are rendered and can either be satisfied at a point in time or over time.

Revenue that is earned at a point in time is derived from transactional information and is recognized as revenue immediately as the transactions occur or upon providing the service to complete the customer's transaction. This includes card interchange fees (fee income related to debit card transactions), certain service charges on deposits accounts such as overdraft charges, ATM fees for customers, stop-payment fees, and certain other income such as wire transfer fees and ATM fees for non-customers.

Revenue that is earned over time is generally recognized over the term of the contract as services are performed and performance obligations are satisfied. Such revenue includes wealth management revenues, monthly service charges on deposit accounts and certain other income such as safe deposit box rental fees.

In certain cases, other parties are involved with providing services to our customers. If the Corporation is a principal in the transaction (providing services itself or through a third party on its behalf), revenues are reported based on the gross consideration received from the customer and any related expenses are reported gross in noninterest expense. If the Corporation is an agent in the transaction (referring customers to another party to provide services), the Corporation reports its net fee or commission retained as revenue.

For certain commissions and incentives, such as those paid to employees in our wealth management services and commercial banking segments in order to obtain customer contracts, contract cost assets are established. The contract cost assets are capitalized and amortized over the estimated useful life that the asset is expected to generate benefits. Contract cost assets are included in other assets in the Consolidated Balance Sheets. The amortization of contract cost assets is recorded within salaries and employee benefits expense in the Consolidated Statements of Income.

Pension Costs
Pension benefits are accounted for using the net periodic benefit cost method, which recognizes the compensation cost of an employee's pension benefit over that employee's approximate service period. 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. Management evaluates these assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to so do. The effect of modifications to those assumptions is recorded in other comprehensive income (loss) and amortized to net periodic cost over future periods.

The service cost component of net periodic benefit cost is recognized within salaries and employee benefits expense in the Consolidated Statements of Income. All other components of net periodic benefit cost are recognized in other noninterest expense in the Consolidated Statements of Income.

The funded status of defined benefit pension plans, measured as the difference between the fair value of plan assets and the projected benefit obligation, is recognized in the Consolidated Balance Sheet. The changes in the funded status of the defined benefit plans, including actuarial gains and losses and prior service costs and credits, are recognized in comprehensive income in the year in which the changes occur.

Share-Based Compensation

Share-based compensation plans provide for awards of stock options and other equity incentives, including restricted stock units and performance share units.

Compensation expense for awards is recognized over the service period based on the fair value at the date of grant and is included in salaries and employee benefits expense in the Consolidated Statements of Income. Grant date fair value for stock options is estimated using the Black-Scholes option-pricing model. Awards of restricted stock units and performance share units are valued at the fair market value of the Bancorp's common stock as of the award date. Performance share unit compensation expense is based on the most recent performance assumption available and is adjusted as assumptions change. Forfeitures are recognized when they occur. Vesting of the awards may accelerate or may be subject to proportional vesting if there is a change in control, disability, retirement or death. Vested equity awards are issued from treasury stock, when available, or from authorized but unissued stock.

Excess tax benefits (expenses) result when tax return deductions differ from recognized share-based compensation cost that are determined using the grant-date fair value approach for financial statement purposes. Excess tax benefits (expenses) related to the settlement of share-based awards are recorded as a decrease (increase) to income tax expense in the Consolidated Income Statements and are classified in the Consolidated Statements of Cash Flows as an operating activity.

Dividends declared on restricted stock units issued under the 2013 Stock Option and Incentive Plan are nonforfeitable and paid quarterly in conjunction with dividends declared and paid to common shareholders. Dividends declared on restricted stock units issued under the 2022 Long Term Incentive Plan are accrued at each dividend declaration date and paid upon the issuance of the shares after the award vests. Dividends on performance share units are accrued at each dividend declaration date based on the most recent performance assumptions available and paid upon the issuance of the shares after the award vest.

Income Taxes

Income tax expense is determined based on the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The impact of tax legislation changes is recognized as a component of income tax expense in the period of enactment. Valuation allowances are established when necessary to reduce deferred tax assets to an amount, which is more-likely-than-not to be realizable.

Additionally, a liability for unrecognized tax benefits is recorded for uncertain tax positions taken by the Corporation on its tax returns for which there is less than a 50% likelihood of being recognized upon a tax examination. Interest related to unrecognized tax benefits is recorded in income tax expense.

Penalties, if incurred, would be recognized as a component of income tax expense.

Segment Reporting

The Corporation manages its operations through two reportable business segments, consisting of Commercial Banking and Wealth Management Services. Additional information on the segments is presented in Note 18.

Management uses an allocation methodology to allocate income and expenses to the business lines. Direct activities are assigned to the appropriate business segment to which the activity relates. Indirect activities, such as corporate, technology and other support functions, are allocated to business segments primarily based upon full-time equivalent employee computations.

Segment reporting results may be restated, when necessary, to reflect changes in organizational structure or allocation methodology. Any changes in estimates and allocations that may affect the reported results of any business segment will not affect the consolidated financial position or results of operations of the Corporation as a whole.

Earnings Per Common Share

EPS is calculated utilizing the two-class method. The two-class method is an earnings allocation formula that determines earnings per share of each class of stock according to dividends and participation rights in undistributed earnings. Share-based awards that entitle holders to receive nonforfeitable dividends before vesting are considered participating securities (i.e., restricted stock units awarded under the 2013 Stock Option and Incentive Plan), not subject to performance-based measures. Undistributed income is allocated to common shareholders and participating securities under the two-class method based upon the proportion of each to the total weighted average shares available. Under the two-class method, basic EPS is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding. Diluted EPS is computed using the weighted-average number of shares determined for the basic EPS computation plus the dilutive effect on common shares outstanding, using the treasury stock method.

Comprehensive Income

Comprehensive income is defined as all changes in equity, except for those resulting from transactions with shareholders. Net income is a component of comprehensive income. All other components are referred to in the aggregate as other comprehensive income (loss). Other comprehensive income (loss) includes the after-tax effect of net changes in the fair value of securities available for sale, net changes in fair value of cash flow hedges and net changes in defined benefit pension plan obligations.

Guarantees

Standby letters of credit are considered a guarantee of the Corporation. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. Under the standby letters of credit, the Corporation is required to make payments to the beneficiary of the letters of credit upon request by the beneficiary contingent upon the customer’s failure to perform under the terms of the underlying contract with the beneficiary.

Derivative Instruments and Hedging Activities

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.

For derivatives designated as cash flow hedges, the changes in the fair value are recorded in other comprehensive income (loss) and subsequently reclassified to earnings when gains or losses are realized.

For derivatives not designated as hedges, changes in fair value of the derivative instruments are recognized in earnings, in noninterest income.

Net accrued interest receivable or payable on derivatives that qualify for hedge accounting are recorded in interest income or interest expense based on the item being hedged. Net accrued interest receivable or payable on derivatives that do not qualify for hedge accounting are reported in noninterest income.

When a cash flow hedge is discontinued, but the hedged cash flows or forecasted transaction is still expected to occur, changes in value that were accumulated in other comprehensive income (loss) are amortized or accreted into earnings over the same periods that the hedged transactions will affect earnings.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820, “Fair Value Measurements and Disclosures”, establishes a

framework for measuring fair value and expands disclosures about fair value measurements. The required disclosures about fair value measurements have been included in Note 10.

Note 2 - Recently Issued Accounting Pronouncements

Accounting Standards Adopted in 2023

Financial Instruments - Credit Losses - ASC 326

ASU No. 2022-02, "Troubled Debt Restructurings and Vintage Disclosures" ("ASU 2022-02"), was issued in March 2022 to provide updates on the accounting treatment for TDRs and related disclosures requirements, as well as modifying the disclosure requirement associated with the existing credit quality indicators "vintage" disclosure. With respect to TDRs, ASU 2022-02 eliminates the recognition and measurement guidance for TDRs under current GAAP and instead requires that the Corporation evaluate whether the modification represents a new loan or a continuation of an existing loan, consistent with the current GAAP treatment for other loan modifications. In addition, ASU 2022-02 eliminates existing disclosure requirements on TDRs and replaces with enhanced disclosure requirements related to certain loan modifications made to borrowers experiencing financial difficulty. ASU 2022-02 also provides an update to the existing credit quality indicators "vintage" tabular disclosure requiring current period gross write-offs to be disclosed by year of origination for each loan segment. The Corporation adopted the provisions of ASU 2022-02 on January 1, 2023 on a prospective basis. The adoption of this ASU did not have a material impact on the consolidated financial statements. See Note 4 for additional information regarding modifications to borrowers experiencing financial difficulty.

Accounting Standards Pending Adoption

Segment Reporting - Topic 280

Accounting Standards Update No. 2023-07, "Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures" ("ASU 2023-07"), was issued in November 2023 to enhance and provide additional transparency on segment disclosures, including disclosure of significant segment expense provided to the chief operating decision maker ("CODM"), as well as disclosing the title and position of the CODM and how they use reported results in assessing segment performance and allocation of resources. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The provisions under ASU 2023-07 should be applied on a retrospective basis. ASU 2023-07 is not expected to have a material impact on the Corporation's financial statements.

Income Taxes - Topic 740

Accounting Standards Update No. 2023-09, "Income Taxes (Topic 740) - Improvements to Income Tax Disclosures" ("ASU 2023-09"), was issued in December 2023 to enhance and provide additional transparency on income tax disclosures. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The provisions under ASU 2023-09 should be applied on a prospective basis, however retrospective application is also permitted. ASU 2023-09 is not expected to have a material impact on the Corporation's financial statements.

Note 3 - Securities

Available for Sale Debt Securities

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

(Dollars in thousands)

December 31, 2023	Amortized Cost	Unrealized Gains	Unrealized Losses	ACL	Fair Value
Available for Sale Debt Securities:					
Obligations of U.S. government-sponsored enterprises	$250,450	$15	($24,723)	$—	$225,742
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	879,597	246	(125,887)	—	753,956
Individual name issuer trust preferred debt securities	9,400	—	(607)	—	8,793
Corporate bonds	13,182	—	(1,293)	—	11,889
Total available for sale debt securities	$1,152,629	$261	($152,510)	$—	$1,000,380

(Dollars in thousands)

December 31, 2022	Amortized Cost	Unrealized Gains	Unrealized Losses	ACL	Fair Value
Available for Sale Debt Securities:					
Obligations of U.S. government-sponsored enterprises	$231,203	$1	($31,622)	$—	$199,582
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	912,581	269	(138,748)	—	774,102
Individual name issuer trust preferred debt securities	9,387	—	(627)	—	8,760
Corporate bonds	13,169	—	(1,685)	—	11,484
Total available for sale debt securities	$1,166,340	$270	($172,682)	$—	$993,928

Accrued interest receivable on available for sale debt securities totaled $3.7 million and $3.1 million, respectively, as of December 31, 2023 and 2022.

At December 31, 2023 and 2022, securities with a fair value of $311.9 million and $294.8 million, respectively, were pledged as collateral for FHLB borrowings, potential borrowings with the FRBB, certain public deposits and for other purposes. See Note 13 for additional discussion of FHLB borrowings.

The schedule of maturities of available for sale debt securities is presented below. Mortgage-backed securities are included based on weighted average maturities, adjusted for anticipated prepayments. All other debt securities are included based on contractual maturities. Actual maturities may differ from amounts presented because certain issuers have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollars in thousands)

December 31, 2023	Amortized Cost	Fair Value
Due in one year or less	$86,534	$74,195
Due after one year to five years	475,831	416,771
Due after five years to ten years	308,465	267,513
Due after ten years	281,799	241,901
Total securities	$1,152,629	$1,000,380

Included in the above table are debt securities with an amortized cost balance of $253.0 million and a fair value of $226.5 million at December 31, 2023 that are callable at the discretion of the issuers. Final maturities of the callable securities range from 6 months to 13 years, with call features ranging from 1 month to 7 months.

Assessment of Available for Sale Debt Securities for Impairment

Management assesses the decline in fair value of investment securities on a regular basis. Unrealized losses on debt securities may occur from current market conditions, increases in interest rates since the time of purchase, a structural change in an investment, volatility of earnings of a specific issuer, or deterioration in credit quality of the issuer. Management evaluates both qualitative and quantitative factors to assess whether an impairment exists.

The following tables summarize available for sale debt securities in an unrealized loss position, for which an ACL on securities has not been recorded, segregated by length of time that the securities have been in a continuous unrealized loss position:

(Dollars in thousands)	Less than 12 Months			12 Months or Longer			Total		
December 31, 2023	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
Obligations of U.S. government-sponsored enterprises	1	$19,824	($176)	20	$195,903	($24,547)	21	$215,727	($24,723)
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	8	43,887	(262)	154	698,115	(125,625)	162	742,002	(125,887)
Individual name issuer trust preferred debt securities	—	—	—	3	8,793	(607)	3	8,793	(607)
Corporate bonds	—	—	—	4	11,889	(1,293)	4	11,889	(1,293)
Total temporarily impaired securities	9	$63,711	($438)	181	$914,700	($152,072)	190	$978,411	($152,510)

(Dollars in thousands)	Less than 12 Months			12 Months or Longer			Total		
December 31, 2022	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
Obligations of U.S. government-sponsored enterprises	4	$20,115	($638)	18	$169,466	($30,984)	22	$189,581	($31,622)
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	95	288,777	(24,960)	66	471,355	(113,788)	161	760,132	(138,748)
Individual name issuer trust preferred debt securities	—	—	—	3	8,760	(627)	3	8,760	(627)
Corporate bonds	—	—	—	4	11,484	(1,685)	4	11,484	(1,685)
Total temporarily impaired securities	99	$308,892	($25,598)	91	$661,065	($147,084)	190	$969,957	($172,682)

There were no debt securities on nonaccrual status at December 31, 2023 and 2022 and, therefore there was no accrued interest related to debt securities reversed against interest income for 2023 and 2022.

As of December 31, 2023, the Corporation does not intend to sell the debt securities in an unrealized loss position and has determined that it is more-likely-than-not that the Corporation will not be required to sell each security before the recovery of its amortized cost basis. In addition, management does not believe that any of the securities are impaired due to reasons of credit quality. As further described below, management believes the unrealized losses on these debt securities are primarily attributable to changes in the investment spreads and interest rates. Therefore, no ACL was recorded at both December 31, 2023 and 2022.

Obligations of U.S. Government Agency and U.S. Government-Sponsored Enterprise Securities, including Mortgage-Backed Securities

The contractual cash flows for these securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major credit rating agencies and have a long history of no credit losses. The issuers of these securities continue to make timely principal and interest payments and none of these securities were past due at December 31, 2023. As disclosed in Note 1, the Corporation utilizes a zero credit loss estimate for these securities.

Individual Name Issuer Trust Preferred Debt Securities

These securities in an unrealized loss position at December 31, 2023 included three trust preferred securities issued by three individual companies in the banking sector. Management reviewed the collectability of these securities taking into consideration such factors as the financial condition of the issuers, reported regulatory capital ratios of the issuers, credit ratings, including ratings in effect as of the reporting period date, as well as credit rating changes between the reporting period date and the filing date of this report, and other information. As of December 31, 2023, there was one individual name issuer trust preferred debt security with an amortized cost of $2.0 million and unrealized losses of $228 thousand that was rated below investment grade by S&P. We noted no downgrades to below investment grade between December 31, 2023 and

the filing date of this report. Based on the information available through the filing date of this report, all individual name issuer trust preferred debt securities continue to accrue interest and make payments as expected with no payment deferrals or defaults on the part of the issuers.

Corporate Bonds

These securities in an unrealized loss position at December 31, 2023 included four corporate bond holdings issued by three individual companies in the financial services industry. Management reviewed the collectability of these securities taking into consideration such factors as the financial condition of the issuers, reported regulatory capital ratios of the issuers, credit ratings, including ratings in effect as of the reporting period date, as well as credit rating changes between the reporting period date and the filing date of this report, and other information. As of December 31, 2023, there was one corporate bond debt security with an amortized cost of $2.0 million and unrealized losses of $102 thousand that was rated below investment grade by S&P. We noted no downgrades to below investment grade between December 31, 2023 and the filing date of this report. Based on the information available through the filing date of this report, all corporate bond debt securities continue to accrue interest and make payments as expected with no payment deferrals or defaults on the part of the issuers.

Note 4 - Loans

The following table presents a summary of loans:

(Dollars in thousands)

December 31,	2023	2022
Commercial:		
Commercial real estate (1)	$2,106,359	$1,829,304
Commercial & industrial (2)	605,072	656,397
Total commercial	2,711,431	2,485,701
Residential Real Estate:		
Residential real estate (3)	2,604,478	2,323,002
Consumer:		
Home equity	312,594	285,715
Other (4)	19,203	15,721
Total consumer	331,797	301,436
Total loans (5)	$5,647,706	$5,110,139

(1) CRE consists of commercial mortgages primarily secured by income-producing property, as well as construction and development loans. Construction and development loans are made to businesses for land development or the on-site construction of industrial, commercial, or residential buildings.
(2) C&I consists of loans to businesses and individuals, a portion of which are fully or partially collateralized by real estate.
(3) Residential real estate consists of mortgage and homeowner construction loans secured by one- to four-family residential properties.
(4) Other consists of loans to individuals secured by general aviation aircraft and other personal installment loans.
(5) Includes net unamortized loan origination costs of $13.0 million and $11.6 million, respectively, at December 31, 2023 and 2022 and net unamortized premiums on loans purchased from and serviced by other financial institutions of $286 thousand and $318 thousand, respectively, at December 31, 2023 and 2022.

Loan balances exclude accrued interest receivable of $22.9 million and $17.6 million, respectively, as of December 31, 2023 and 2022.

As of December 31, 2023 and 2022, loans amounting to $3.4 billion and $2.4 billion, respectively, were pledged as collateral to the FHLB under a blanket pledge agreement and to the FRBB for the discount window. See Note 13 for additional disclosure regarding borrowings.

Concentrations of Credit Risk

A significant portion of our loan portfolio is concentrated among borrowers in southern New England and a substantial portion of the portfolio is collateralized by real estate in this area. The ability of single family residential and consumer borrowers to honor their repayment commitments is generally dependent on the level of overall economic activity within the market area and real estate values. The ability of commercial borrowers to honor their repayment commitments is dependent on the general economy, as well as the health of the real estate economic sector in the Corporation's market area.

Past Due Loans

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

(Dollars in thousands)		Days Past Due				
December 31, 2023	Current	30-59	60-89	90 or More	Total Past Due	Total Loans
Commercial:						
Commercial real estate	$2,106,359	$—	$—	$—	$—	$2,106,359
Commercial & industrial	605,062	10	—	—	10	605,072
Total commercial	2,711,421	10	—	—	10	2,711,431
Residential Real Estate:						
Residential real estate	2,596,362	4,369	1,738	2,009	8,116	2,604,478
Consumer:						
Home equity	309,398	2,349	112	735	3,196	312,594
Other	19,180	20	3	—	23	19,203
Total consumer	328,578	2,369	115	735	3,219	331,797
Total loans	$5,636,361	$6,748	$1,853	$2,744	$11,345	$5,647,706

(Dollars in thousands)		Days Past Due				
December 31, 2022	Current	30-59	60-89	90 or More	Total Past Due	Total Loans
Commercial:						
Commercial real estate	$1,828,117	$1,187	$—	$—	$1,187	$1,829,304
Commercial & industrial	656,132	265	—	—	265	656,397
Total commercial	2,484,249	1,452	—	—	1,452	2,485,701
Residential Real Estate:						
Residential real estate	2,314,127	4,793	303	3,779	8,875	2,323,002
Consumer:						
Home equity	284,480	1,103	132	—	1,235	285,715
Other	15,705	16	—	—	16	15,721
Total consumer	300,185	1,119	132	—	1,251	301,436
Total loans	$5,098,561	$7,364	$435	$3,779	$11,578	$5,110,139

Included in past due loans as of December 31, 2023 and 2022, were nonaccrual loans of $6.9 million and $7.2 million, respectively. In addition, all loans 90 days or more past due at December 31, 2023 and 2022 were classified as nonaccrual.

Nonaccrual Loans

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

(Dollars in thousands)

	December 31, 2023			December 31, 2022		
	Nonaccrual Loans			Nonaccrual Loans		
	With an ACL	Without an ACL	Total	With an ACL	Without an ACL	Total
Commercial:						
Commercial real estate	$10,997	$21,830	$32,827	$—	$—	$—
Commercial & industrial	—	682	682	—	—	—
Total commercial	10,997	22,512	33,509	—	—	—
Residential Real Estate:						
Residential real estate	8,495	1,131	9,626	6,009	5,885	11,894
Consumer:						
Home equity	1,483	—	1,483	360	592	952
Other	—	—	—	—	—	—
Total consumer	1,483	—	1,483	360	592	952
Total	$20,975	$23,643	$44,618	$6,369	$6,477	$12,846
Accruing loans 90 days or more past due			$—			$—

Nonaccrual loans of $37.7 million and $5.7 million, respectively, at December 31, 2023 and 2022 were current as to the payment of principal and interest.

As of December 31, 2023 and 2022, nonaccrual loans secured by one- to four-family residential property amounting to $960 thousand and $2.9 million, respectively, were in process of foreclosure.

There were no significant commitments to lend additional funds to borrowers whose loans were on nonaccrual status at December 31, 2023.

The following table presents interest income recognized on nonaccrual loans:

(Dollars in thousands)

	Interest Income Recognized	
Years Ended December 31,	2023	2022
Commercial:		
Commercial real estate	$2,719	$—
Commercial & industrial	59	—
Total commercial	2,778	—
Residential Real Estate:		
Residential real estate	466	398
Consumer:		
Home equity	107	62
Other	4	3
Total consumer	111	65
Total	$3,355	$463

Troubled Loan Modifications

As disclosed in Note 2, effective January 1, 2023, the Corporation adopted ASU 2022-02, which eliminated the accounting guidance for TDRs and added enhanced disclosures with respect to certain modifications for borrowers experiencing financial difficulty.

The following table presents the carrying value at December 31, 2023, of TLMs made during the period indicated, segregated by class of loans and type of concession granted:

(Dollars in thousands)

Year ended December 31, 2023	Maturity Extension	Combination (1)	Total	% (2)
Commercial:				
Commercial real estate	$13,780	$8,050	$21,830	1%
Commercial & industrial	—	—	—	—
Total commercial	13,780	8,050	21,830	1
Total	$13,780	$8,050	$21,830	—%

(1) Combination includes an interest rate reduction, payment deferral and maturity extension.
(2) Percentage of TLMs to the total loans outstanding within the respective loan class.

The following table presents the financial effect of TLMs made during the period indicated, segregated by class of loans:

(Dollars in thousands)

Year ended December 31, 2023	Weighted Average Interest Rate Reduction	Weighted Average Maturity Extension (in months)	Weighted Average Other-than-Insignificant Payment Delay (in months)
Commercial:			
Commercial real estate	3%	10	12
Commercial & industrial	—	—	—
Total commercial	3	10	12
Total	3%	10	12

Management closely monitors the performance of TLMs to understand the effectiveness of the modifications. The following table presents an aging analysis as of the date indicated, of TLMs that have been modified in the past 12 months:

(Dollars in thousands)

	Days Past Due					
December 31, 2023	30-59	60-89	Over 90	Total Past Due	Current	Total Loans
Commercial:						
Commercial real estate	$—	$—	$—	$—	$21,830	$21,830
Commercial & industrial	—	—	—	—	—	—
Total commercial	—	—	—	—	21,830	21,830
Total loans	$—	$—	$—	$—	$21,830	$21,830

The total carrying value of TLMs at December 31, 2023 were included in nonaccrual loans. There were no TLMs made in the previous 12 months for which there was a subsequent payment default.

There were no significant commitments to lend additional funds to borrowers experiencing financial difficulty whose loans were TLMs at December 31, 2023.

Troubled Debt Restructurings

As disclosed in Note 2, effective January 1, 2023, the Corporation adopted ASU 2022-02, which eliminated the accounting guidance for TDRs. Historical disclosures that were required prior to adoption of ASU 2022-02 are shown below.

The following table presents the recorded investment in TDRs and other pertinent information:

(Dollars in thousands)	
December 31, 2022	
Accruing TDRs	$3,571
Nonaccrual TDRs	5,073
Total	$8,644
Specific reserves on TDRs included in the ACL on loans	$115
Additional commitments to lend to borrowers with TDRs	$—

The following table presents TDRs occurring during the period indicated and the recorded investment pre- and post-modification:

(Dollars in thousands)		Outstanding Recorded Investment	
Year ended December 31, 2022	# of Loans	Pre-Modification	Post-Modification
Commercial:			
Commercial real estate	—	$—	$—
Commercial & industrial	3	1,687	1,687
Total commercial	3	1,687	1,687
Total	3	$1,687	$1,687

The following table presents TDRs occurring during the period indicated by type of modification:

(Dollars in thousands)	
Years ended December 31, 2022	
Below-market interest rate concession	$—
Payment deferral	—
Maturity / amortization concession	—
Interest only payments	—
Combination (1)	1,687
Total	$1,687

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

In 2022, there were no TDRs modified within the previous 12 months for which there was a payment default.

Individually Analyzed Loans

Individually analyzed loans include nonaccrual commercial loans, TLMs and certain other loans based on the underlying risk characteristics and the discretion of management to individually analyze such loans. Prior to January 1, 2023, individually analyzed loans also included TDRs.

As of December 31, 2023, the carrying value of individually analyzed loans amounted to $34.6 million, all of which were considered collateral dependent. As of December 31, 2022, individually analyzed loans amounted to $10.0 million, of which $8.5 million were considered collateral dependent. For collateral dependent loans where management has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and repayment of the loan is to be provided substantially through the operation or sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the loan as of the measurement date. See Note 10 for additional disclosure regarding fair value of individually analyzed collateral dependent loans.

The following table presents the carrying value of collateral dependent individually analyzed loans:

(Dollars in thousands)	December 31, 2023		December 31, 2022	
	Carrying Value	Related Allowance	Carrying Value	Related Allowance
Commercial:				
Commercial real estate (1)	$32,827	$97	$2,103	$—
Commercial & industrial (2)	682	—	—	—
Total commercial	33,509	97	2,103	—
Residential Real Estate:				
Residential real estate (3)	1,131	—	5,760	—
Consumer:				
Home equity (3)	—	—	592	—
Other	—	—	—	—
Total consumer	—	—	592	—
Total	$34,640	$97	$8,455	$—

(1) Secured by income-producing property.
(2) Secured by business assets.
(3) Secured by one- to four-family residential properties.

Credit Quality Indicators

Commercial

The Corporation utilizes an internal rating system to assign a risk 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 risk 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. The Corporation takes the risk rating into consideration along with other credit attributes in the establishment of an appropriate ACL on loans. See Note 5 for additional information.

A description of the commercial loan categories is 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 may exhibit some weakness in various credit metrics such as collateral adequacy, cash flow, performance or may be in an industry or of a loan type known to have a higher degree of risk. These weaknesses may be mitigated by secondary sources of repayment, including SBA guarantees.

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 on nonaccrual status when management determines there is uncertainty of collectability. A "doubtful" loan is placed on nonaccrual 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 risk ratings and classifications to be revised whenever information becomes available that indicates a change is warranted. On a quarterly basis, management reviews a watched asset list, which generally consists of commercial loans that are risk-rated 6 or worse, highly leveraged transaction loans, high-volatility commercial real estate and other selected loans. Management's review focuses on the current status of the loans, the appropriateness of risk ratings and strategies to improve the credit.

An annual credit 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.

Residential and Consumer

Management monitors the relatively homogeneous residential real estate and consumer loan portfolios on an ongoing basis using delinquency information by loan type.

In addition, other techniques are utilized to monitor indicators of credit deterioration in the residential real estate loans and home equity consumer loans. Among these techniques is the periodic tracking of loans with an updated Fair Isaac Corporation (commonly known as "FICO") score and an updated estimated LTV ratio. LTV is estimated based on such factors as geographic location, the original appraised value and changes in median home prices, and takes into consideration the age of the loan. The results of these analyses and other credit review procedures, including selected targeted internal reviews, are taken into account in the determination of qualitative loss factors for residential real estate and home equity consumer credits.

The following table summarizes the Corporation's loan portfolio by credit quality indicator and loan portfolio segment as of December 31, 2023:

(Dollars in thousands)	Term Loans Amortized Cost by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost	Revolving Loans Converted to Term Loans	Total
Commercial:									
CRE:									
Pass	$327,139	$598,946	$396,468	$168,451	$167,484	$333,356	$42,095	$1,032	$2,034,971
Special Mention	—	—	—	—	—	16,630	—	—	16,630
Classified	21,830	—	18,430	—	14,498	—	—	—	54,758
Total CRE	348,969	598,946	414,898	168,451	181,982	349,986	42,095	1,032	2,106,359
Gross charge-offs	—	—	—	—	—	373	—	—	373
C&I:									
Pass	55,607	124,894	52,282	49,812	72,876	145,361	90,664	587	592,083
Special Mention	11,119	—	—	—	181	—	—	—	11,300
Classified	—	818	189	—	682	—	—	—	1,689
Total C&I	66,726	125,712	52,471	49,812	73,739	145,361	90,664	587	605,072
Gross charge-offs	37	—	—	—	—	—	—	—	37
Residential Real Estate:									
Residential real estate:									
Current	431,563	808,442	666,447	255,554	113,462	320,894	—	—	2,596,362
Past Due	—	—	—	886	594	6,636	—	—	8,116
Total residential real estate	431,563	808,442	666,447	256,440	114,056	327,530	—	—	2,604,478
Gross charge-offs	—	—	—	—	—	—	—	—	—
Consumer:									
Home equity:									
Current	24,925	14,997	6,829	2,919	1,982	3,696	241,459	12,591	309,398
Past Due	—	—	—	—	130	829	1,301	936	3,196
Total home equity	24,925	14,997	6,829	2,919	2,112	4,525	242,760	13,527	312,594
Gross charge-offs	—	—	—	—	—	—	—	—	—
Other:									
Current	6,777	3,530	3,685	1,001	120	3,824	243	—	19,180
Past Due	21	—	—	—	—	—	2	—	23
Total other	6,798	3,530	3,685	1,001	120	3,824	245	—	19,203
Gross charge-offs	159	—	8	—	—	—	—	—	167
Total Loans	$878,981	$1,551,627	$1,144,330	$478,623	$372,009	$831,226	$375,764	$15,146	$5,647,706
Total gross charge-offs	$196	$—	$8	$—	$—	$373	$—	$—	$577

The following table summarizes the Corporation's loan portfolio by credit quality indicator and loan portfolio segment as of December 31, 2022:

(Dollars in thousands)	Term Loans Amortized Cost by Origination Year								
	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost	Revolving Loans Converted to Term Loans	Total
Commercial:									
CRE:									
Pass	$591,596	$383,062	$177,286	$170,259	$148,371	$242,061	$6,243	$1,437	$1,720,315
Special Mention	20,579	22,324	328	24,270	28,676	10,564	146	—	106,887
Classified	—	—	503	—	1,187	412	—	—	2,102
Total CRE	612,175	405,386	178,117	194,529	178,234	253,037	6,389	1,437	1,829,304
C&I:									
Pass	127,152	63,180	71,265	86,470	85,011	114,241	90,987	745	639,051
Special Mention	13,566	—	—	—	1,427	—	1,426	—	16,419
Classified	—	225	—	7	—	—	695	—	927
Total C&I	140,718	63,405	71,265	86,477	86,438	114,241	93,108	745	656,397
Residential Real Estate:									
Residential real estate:									
Current	838,566	707,760	277,613	123,098	72,541	294,549	—	—	2,314,127
Past Due	—	600	—	266	2,315	5,694	—	—	8,875
Total residential real estate	838,566	708,360	277,613	123,364	74,856	300,243	—	—	2,323,002
Consumer:									
Home equity:									
Current	20,665	8,308	3,742	2,406	1,947	3,139	235,004	9,268	284,479
Past Due	—	—	—	—	68	98	548	522	1,236
Total home equity	20,665	8,308	3,742	2,406	2,015	3,237	235,552	9,790	285,715
Other:									
Current	4,231	4,287	1,676	299	235	4,726	251	—	15,705
Past Due	16	—	—	—	—	—	—	—	16
Total other	4,247	4,287	1,676	299	235	4,726	251	—	15,721
Total Loans	$1,616,371	$1,189,746	$532,413	$407,075	$341,778	$675,484	$335,300	$11,972	$5,110,139

Washington Trust may renew commercial loans at or immediately prior to their maturity. In the tables above, renewals subject to full credit evaluation before being granted are reported as originations in the period renewed. In addition, loans with extensions of maturity dates of more than three months are reported as originations in the period extended.

Loan Servicing Activities

Loans sold with servicing retained result in the capitalization of loan servicing rights. The following table presents an analysis of loan servicing rights:

(Dollars in thousands)

	Loan Servicing Rights	Valuation Allowance	Total
Balance at December 31, 2020	$7,588	($154)	$7,434
Loan servicing rights capitalized	5,671	—	5,671
Amortization	(3,438)	—	(3,438)
Decrease in impairment reserve	—	154	154
Balance at December 31, 2021	9,821	—	9,821
Loan servicing rights capitalized	957	—	957
Amortization	(1,763)	—	(1,763)
Balance at December 31, 2022	9,015	—	9,015
Loan servicing rights capitalized	1,069	—	1,069
Amortization	(1,538)	—	(1,538)
Increase in impairment reserve	—	(34)	(34)
Balance at December 31, 2023	$8,546	($34)	$8,512

The following table presents estimated aggregate amortization expense related to loan servicing assets:

(Dollars in thousands)

Years ending December 31:	2024	$1,330
	2025	1,123
	2026	948
	2027	801
	2028	676
	2029 and thereafter	3,668
Total estimated amortization expense		$8,546

Loans sold to others may be serviced by the Corporation 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 loan portfolio:

(Dollars in thousands)

December 31,	2023	2022
Residential real estate	$1,454,342	$1,457,896
Commercial	135,954	107,762
Total	$1,590,296	$1,565,658

Note 5 - Allowance for Credit Losses on Loans

The ACL on loans is management's estimate of expected lifetime credit losses on loans carried at amortized cost. The level of the ACL on loans is based on management's ongoing review of all relevant information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts.

The following table presents the activity in the ACL on loans for the year ended December 31, 2023:

(Dollars in thousands)	Commercial				Consumer			
	CRE	C&I	Total Commercial	Residential Real Estate	Home Equity	Other	Total Consumer	Total
Beginning Balance	$18,435	$10,356	$28,791	$7,740	$1,115	$381	$1,496	$38,027
Charge-offs	(373)	(37)	(410)	—	—	(167)	(167)	(577)
Recoveries	—	12	12	3	10	32	42	57
Provision	6,082	(2,243)	3,839	(340)	(77)	128	51	3,550
Ending Balance	$24,144	$8,088	$32,232	$7,403	$1,048	$374	$1,422	$41,057

The following table presents the activity in the ACL on loans for the year ended December 31, 2022:

(Dollars in thousands)	Commercial				Consumer			
	CRE	C&I	Total Commercial	Residential Real Estate	Home Equity	Other	Total Consumer	Total
Beginning Balance	$18,933	$10,832	$29,765	$7,860	$1,069	$394	$1,463	$39,088
Charge-offs	—	(36)	(36)	—	—	(148)	(148)	(184)
Recoveries	445	29	474	21	12	45	57	552
Provision	(943)	(469)	(1,412)	(141)	34	90	124	(1,429)
Ending Balance	$18,435	$10,356	$28,791	$7,740	$1,115	$381	$1,496	$38,027

The following table presents the activity in the ACL on loans for the year ended December 31, 2021:

(Dollars in thousands)	Commercial				Consumer			
	CRE	C&I	Total Commercial	Residential Real Estate	Home Equity	Other	Total Consumer	Total
Beginning Balance	$22,065	$12,228	$34,293	$8,042	$1,300	$471	$1,771	$44,106
Charge-offs	—	(307)	(307)	(107)	(183)	(66)	(249)	(663)
Recoveries	—	41	41	89	91	25	116	246
Provision	(3,132)	(1,130)	(4,262)	(164)	(139)	(36)	(175)	(4,601)
Ending Balance	$18,933	$10,832	$29,765	$7,860	$1,069	$394	$1,463	$39,088

Note 6 - Premises and Equipment

The following presents a summary of premises and equipment:

(Dollars in thousands)

December 31,	2023	2022
Land	$6,042	$6,042
Premises and improvements	48,573	47,029
Furniture, fixtures and equipment	23,980	24,463
Total premises and equipment	78,595	77,534
Less: accumulated depreciation	46,304	45,984
Total premises and equipment, net	$32,291	$31,550

The following table presents a summary of depreciation expense:

(Dollars in thousands)

		Year ended December 31,		
Fixed Asset Type	Income Statement Line Item	2023	2022	2021
Premises and improvements	Net occupancy	$1,840	$1,668	$1,470
Furniture, fixtures and equipment	Equipment	2,165	1,797	1,941
Total depreciation expense		$4,005	$3,465	$3,411

Note 7 - Leases

The Corporation has committed to rent premises used in business operations under non-cancelable operating leases and determines if an arrangement meets the definition of a lease upon inception. Operating lease ROU assets amounted to $29.4 million and $27.2 million, respectively, as of December 31, 2023 and 2022. Operating lease liabilities totaled $32.0 million and $29.6 million, respectively, as of December 31, 2023 and 2022.

As of December 31, 2023, there were no operating leases that had not yet commenced. As of December 31, 2022, there were three operating leases that had not yet commenced.

The following table presents information regarding the Corporation's operating leases:

At December 31,	2023	2022
Weighted average discount rate	3.80%	3.34%
Range of lease expiration dates	3 months - 24 years	7 months - 25 years
Range of lease renewal options	3 years - 5 years	3 years - 5 years
Weighted average remaining lease term	13.1 years	13.3 years

The following table presents the undiscounted annual lease payments under the terms of the Corporation's operating leases at December 31, 2023, including a reconciliation to the present value of operating lease liabilities recognized in the Consolidated Balance Sheets:

(Dollars in thousands)

Years ending December 31:	2024	$4,243
	2025	3,701
	2026	3,460
	2027	2,917
	2028	2,595
	2029 and thereafter	23,958
Total operating lease payments		40,874
Less: interest		8,847
Present value of operating lease liabilities (1)		$32,027

(1) Includes short-term operating lease liabilities of $3.1 million.

The following table presents the components of total lease expense and operating cash flows:

(Dollars in thousands)

Year ended December 31,	2023	2022	2021
Lease Expense:			
Operating lease expense	$4,476	$4,159	$4,015
Variable lease expense	201	104	69
Total lease expense (1)	$4,677	$4,263	$4,084
Cash Paid:			
Cash paid reducing operating lease liabilities	$4,275	$4,076	$3,888

(1) Included in net occupancy expenses in the Consolidated Statements of Income.

Note 8 - Goodwill and Intangible Assets

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

(Dollars in thousands)

December 31,	2023	2022
Commercial Banking Segment	$22,591	$22,591
Wealth Management Services Segment	41,318	41,318
Total goodwill	$63,909	$63,909

The balance of goodwill in the Commercial Banking segment arose from the acquisition of First Financial Corp. in 2002. The balance of goodwill in the Wealth Management Services segment arose from the 2005 acquisition of Weston and the 2015 acquisition of Halsey.

The following table presents the components of intangible assets:

(Dollars in thousands)

December 31,	2023	2022
Gross carrying amount	$20,803	$20,803
Accumulated amortization	17,092	16,249
Net amount	$3,711	$4,554

The balance of intangible assets at December 31, 2023 includes wealth management advisory contracts resulting from the 2005 acquisition of Weston and the 2015 acquisition of Halsey.

The wealth management advisory contracts resulting from the Weston 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 resulting from the acquisition of Halsey are being amortized on a straight-line basis over a 15-year life.

Amortization expense for the years ended December 31, 2023, 2022, and 2021, amounted to $843 thousand, $860 thousand and $890 thousand, respectively.

The following table presents estimated annual amortization expense for intangible assets at December 31, 2023:

(Dollars in thousands)

Years ending December 31,	2024	$826
	2025	702
	2026	476
	2027	476
	2028	476
	2029 and thereafter	755

Note 9 - 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. Derivative assets are included in other assets and derivative liabilities are included in other liabilities in the Unaudited Consolidated Balance Sheets. 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 risk management agreements, such as caps, swaps and floors, 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 and floors 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, 2023 and 2022, the Corporation had interest rate swap contracts that were designated as cash flow hedges to hedge the interest rate risk associated with short-term borrowings. See Note 13 for additional disclosure on borrowings.

Additionally, the Corporation had an interest rate swap contract that was designated as a cash flow hedge to hedge the interest rate risk associated with a pool of variable rate commercial loans. On March 31, 2023, the Corporation terminated this interest rate swap contract and the derivative liability was derecognized. The loss on this interest rate swap included in the AOCL component of shareholders' equity was updated to its termination date fair value of $26.5 million, or $20.1 million after tax. This loss is being amortized into earnings as a reduction of interest income on a straight-line basis over the remaining life of the original interest rate swap term, or through May 1, 2026. At December 31, 2023, the remaining unamortized balance of the loss included in the AOCL component of shareholders' equity was $20.0 million, or $14.9 million after tax.

The changes in fair value of derivatives designated as cash flow hedges are recorded in other comprehensive income (loss) and subsequently reclassified to earnings when gains or losses are realized.

Loan Related Derivative Contracts

Interest Rate Derivative Contracts with Customers

The Corporation enters into interest rate swap and interest rate cap contracts to help commercial loan borrowers manage their interest rate risk. These interest rate swap contracts allow borrowers to convert variable-rate loan payments to fixed-rate loan payments, while interest rate cap contracts allow borrowers to limit their interest rate exposure in a rising rate environment. When the Corporation enters into an interest rate derivative contract with a commercial loan borrower, it simultaneously enters into a "mirror" interest rate contract with a third party. For interest rate swaps, the third party exchanges the client's fixed-rate loan payments for variable-rate loan payments. The Corporation's credit policies with respect to interest rate contracts with commercial borrowers are similar to those used for loans. The Corporation retains the risk that is associated with the potential failure of counterparties and the risk inherent in originating loans. The interest rate contracts with counterparties are generally subject to bilateral collateralization terms. These derivatives are not designated as hedges and therefore, changes in fair value are recognized in earnings.

Risk Participation Agreements

The Corporation has entered into risk participation agreements with other banks in commercial loan arrangements. Participating banks guarantee the performance on borrower-related interest rate swap contracts. 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.

Mortgage Loan Commitments

Interest rate lock commitments are extended to borrowers and relate to the origination of mortgage loans held for sale. To mitigate the interest rate risk and pricing risk associated with rate locks and mortgage loans held for sale, the Corporation enters into forward sale commitments. Forward sale commitments are contracts for delayed delivery or net settlement of the underlying instrument, such as a residential real estate mortgage loan, where the seller agrees to deliver on a specified future date, either a specified instrument at a specified price or yield or the net cash equivalent of an underlying instrument. Both interest rate lock commitments and forward sale commitments are derivative financial instruments, but do not meet criteria for hedge accounting and therefore, the changes in fair value of these commitments are recognized in earnings.

The following table presents the notional amounts and fair values of derivative instruments in the Consolidated Balance Sheets:

(Dollars in thousands)	December 31, 2023			December 31, 2022		
		Fair Value			Fair Value	
	Notional Amounts	Derivative Assets	Derivative Liabilities	Notional Amounts	Derivative Assets	Derivative Liabilities
Derivatives Designated as Cash Flow Hedging Instruments:						
Interest rate risk management contracts:						
Interest rate swaps (1)	$120,000	$802	$1,119	$320,000	$548	$31,178
Derivatives not Designated as Hedging Instruments:						
Loan related derivative contracts:						
Interest rate contracts with customers	938,872	6,594	52,102	935,099	32	68,137
Mirror interest rate contracts with counterparties	938,872	51,859	6,757	935,099	67,797	61
Risk participation agreements	321,055	66	1	282,191	—	2
Mortgage loan commitments:						
Interest rate lock commitments	20,980	504	1	12,201	144	4
Forward sale commitments	50,117	18	711	23,150	58	150
Gross amounts		59,843	60,691		68,579	99,532
Less: amounts offset (2)		7,877	7,877		23,524	23,524
Derivative balances, net of offset		51,966	52,814		45,055	76,008
Less: collateral pledged (3)		—	—		—	7,716
Net amounts		$51,966	$52,814		$45,055	$68,292

(1) The fair value of derivative assets includes accrued interest receivable of $239 thousand and $24 thousand, respectively, at December 31, 2023 and 2022. There was no accrued interest payable included in the fair value of derivative liabilities at December 31, 2023, compared to $856 thousand of accrued interest payable at December 31, 2022.

(2) Interest rate risk management contracts and loan related derivative contracts with counterparties are subject to master netting arrangements.

(3) Collateral contractually required to be pledged to derivative counterparties is in the form of cash. Washington Trust may need to post additional collateral in the future in proportion to potential increases in unrealized loss positions.

The following table presents the effect of derivative instruments in the Consolidated Statements of Changes in Shareholders' Equity:

(Dollars in thousands)	Gain (Loss) Recognized in Other Comprehensive Income, Net of Tax		
Years ended December 31,	2023	2022	2021
Derivatives Designated as Cash Flow Hedging Instruments:			
Interest rate risk management contracts:			
Interest rate swaps	$7,026	($18,632)	($2,566)
Total	$7,026	($18,632)	($2,566)

For derivatives designated as cash flow hedging instruments, see Note 19 for additional disclosure pertaining to the amounts and location of reclassifications from AOCL into earnings.

The following table presents the effect of derivative instruments in the Consolidated Statements of Income:

(Dollars in thousands)

Years ended December 31,	Statement of Income Location	Amount of Gain (Loss) Recognized in Noninterest Income 2023	2022	2021
Derivatives not Designated as Hedging Instruments:				
Loan related derivative contracts:				
Interest rate contracts with customers	Loan related derivative income	($1,408)	($92,730)	($27,846)
Mirror contracts with counterparties	Loan related derivative income	3,211	94,759	31,547
Risk participation agreements	Loan related derivative income	(413)	727	641
Mortgage loan commitments:				
Interest rate lock commitments	Mortgage banking revenues	363	(1,116)	(5,947)
Forward sale commitments	Mortgage banking revenues	61	4,530	5,383
Total		$1,814	$6,170	$3,778

Note 10 - Fair Value Measurements

The Corporation uses fair value measurements to record fair value adjustments on certain assets and liabilities and to determine fair value disclosures. Items recorded at fair value on a recurring basis include securities available for sale, mortgage loans held for sale and derivatives. Additionally, from time to time, we may be required to record other assets at fair value on a nonrecurring basis, such as collateral dependent individually analyzed loans.

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, or “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 has elected the fair value option for mortgage loans held for sale to better match changes in fair value of the loans with changes in the fair value of the forward sale commitment contracts used to economically hedge them.

The following table presents a summary of mortgage loans held for sale accounted for under the fair value option:

(Dollars in thousands)

December 31,	2023	2022
Aggregate fair value	$20,077	$8,987
Aggregate principal balance	19,480	8,860
Difference between fair value and principal balance	$597	$127

Changes in fair value of mortgage loans held for sale accounted for under the fair value option election are included in mortgage banking revenues in the Consolidated Statements of Income. Changes in fair value amounted to an increase in mortgage banking revenues of $470 thousand in 2023, compared to a decrease in mortgage banking revenues of $868 thousand in 2022.

There were no mortgage loans held for sale 90 days or more past due as of December 31, 2023 and 2022.

Valuation Techniques

Debt Securities

Available for sale debt securities are recorded at fair value on a recurring basis. When available, the Corporation uses quoted market prices to determine the fair value of debt securities; such items are classified as Level 1. There were no Level 1 debt securities held at December 31, 2023 and 2022.

Level 2 debt securities are traded less frequently than exchange-traded instruments. The fair value of these securities 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 includes obligations of U.S. government-sponsored enterprises, including mortgage-backed securities, individual name issuer trust preferred debt securities and corporate bonds.

Debt 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 debt securities held at December 31, 2023 and 2022.

Mortgage Loans Held for Sale

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

Collateral Dependent Individually Analyzed Loans

Collateral dependent individually analyzed loans are valued based upon the lower of amortized cost or fair value. Fair value is determined based on the appraised value of the underlying collateral. Such collateral primarily consists of real estate and, to a lesser extent, other business assets. For collateral dependent loans that are expected to be repaid substantially through the sale of the collateral, management adjusts the fair value for estimated costs to sell. 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 collateral. Internal valuations may be utilized to determine the fair value of other business assets. Collateral dependent individually analyzed loans are categorized as Level 3.

Derivatives

Interest rate derivative contracts are traded in over-the-counter markets where quoted market prices are not readily available. Fair value measurements are determined using independent valuation software, which utilizes the present value of future cash flows discounted using market observable inputs such as forward rate assumptions. The Corporation evaluates the credit risk of its counterparties, as well as that of the Corporation. Accordingly, factors such as the likelihood of default by the Corporation and its counterparties, its net exposures and remaining contractual life are considered 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, if any. The Corporation has determined that the majority of the inputs used to value its derivative positions fall within Level 2 of the fair value hierarchy. However, the credit valuation adjustments utilize Level 3 inputs. As of December 31, 2023 and 2022, the Corporation has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation. As a result, the Corporation has classified its derivative valuations in their entirety as Level 2.

Fair value measurements of forward loan commitments (interest rate lock commitments and forward sale commitments) are primarily based on current market prices for similar assets in the secondary market for mortgage loans and therefore are classified as Level 2 assets. The fair value of interest rate lock commitments is also dependent on the ultimate closing of the loans. Pull-through rates are based on the Corporation's historical data and reflect the Corporation's best estimate of the likelihood that a commitment will result in a closed loan. Although the pull-through rates are Level 3 inputs, the Corporation has assessed the significance of the impact of pull-through rates on the overall valuation of its interest rate lock commitments and has determined that they are not significant to the overall valuation. As a result, the Corporation has classified its interest rate lock commitments as Level 2.

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) December 31, 2023	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available for sale debt securities:				
Obligations of U.S. government-sponsored enterprises	$225,742	$—	$225,742	$—
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	753,956	—	753,956	—
Individual name issuer trust preferred debt securities	8,793	—	8,793	—
Corporate bonds	11,889	—	11,889	—
Mortgage loans held for sale	20,077	—	20,077	—
Derivative assets	51,966	—	51,966	—
Total assets at fair value on a recurring basis	$1,072,423	$—	$1,072,423	$—
Liabilities:				
Derivative liabilities	$52,814	$—	$52,814	$—
Total liabilities at fair value on a recurring basis	$52,814	$—	$52,814	$—

(Dollars in thousands) December 31, 2022	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available for sale debt securities:				
Obligations of U.S. government-sponsored enterprises	$199,582	$—	$199,582	$—
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	774,102	—	774,102	—
Individual name issuer trust preferred debt securities	8,760	—	8,760	—
Corporate bonds	11,484	—	11,484	—
Mortgage loans held for sale	8,987	—	8,987	—
Derivative assets	45,055	—	45,055	—
Total assets at fair value on a recurring basis	$1,047,970	$—	$1,047,970	$—
Liabilities:				
Derivative liabilities	$76,008	$—	$76,008	$—
Total liabilities at fair value on a recurring basis	$76,008	$—	$76,008	$—

Items Recorded at Fair Value on a Nonrecurring Basis

The following table presents the carrying value of assets held at December 31, 2023, which were written down to fair value during the twelve months ended December 31, 2023:

(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 individually analyzed loans	$8,050	$—	$—	$8,050
Loan servicing rights	8,512	—	—	8,512
Total assets at fair value on a nonrecurring basis	$16,562	$—	$—	$16,562

There were no assets written down to fair value during the twelve months ended December 31, 2022.

The following table presents 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)

December 31, 2023	Fair Value	Valuation Technique	Unobservable Input	Inputs Utilized
Collateral dependent individually analyzed loans	$8,050	Appraisals of collateral	Discount for costs to sell	0%
			Appraisal adjustments	0%
Loan servicing rights	8,512	Discounted Cash Flow	Discount Rate	10% - 14% (10%)
			Prepayment rates	6% - 53% (9%)

Items for which Fair Value is Only Disclosed

The estimated fair values and related carrying amounts for financial instruments for which fair value is only disclosed are presented in the tables below:

(Dollars in thousands) December 31, 2023	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:					
Cash and cash equivalents	$90,184	$90,184	$90,184	$—	$—
Loans, net of allowance for credit losses on loans	5,606,649	5,365,396	—	—	5,365,396
FHLB stock	51,893	51,893	—	51,893	—
Investment in BOLI	103,736	103,736	—	103,736	—
Financial Liabilities:					
Non-maturity deposits	$3,559,923	$3,559,923	$—	$3,559,923	$—
Time deposits	1,788,237	1,773,643	—	1,773,643	—
FHLB advances	1,190,000	1,192,262	—	1,192,262	—
Junior subordinated debentures	22,681	19,228	—	19,228	—

(Dollars in thousands) December 31, 2022	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:					
Cash and cash equivalents	$118,422	$118,422	$118,422	$—	$—
Loans, net of allowance for credit losses on loans	5,072,112	4,929,449	—	—	4,929,449
FHLB stock	43,463	43,463	—	43,463	—
Investment in BOLI	102,182	102,182	—	102,182	—
Financial Liabilities:					
Non-maturity deposits	$3,896,080	$3,896,080	$—	$3,896,080	$—
Time deposits	1,122,882	1,137,219	—	1,137,219	—
FHLB advances	980,000	978,590	—	978,590	—
Junior subordinated debentures	22,681	18,963	—	18,963	—

Note 11 - Income Taxes

The following table presents the components of income tax expense (benefit):

(Dollars in thousands)

Years ended December 31,	2023	2022	2021
Current Tax Expense:			
Federal	$10,494	$16,127	$17,032
State	1,501	2,202	2,130
Total current tax expense	11,995	18,329	19,162
Deferred Tax Expense (Benefit):			
Federal	412	1,012	1,822
State	(4,102)	148	333
Total deferred tax expense (benefit)	(3,690)	1,160	2,155
Total income tax expense	$8,305	$19,489	$21,317

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:

Years ended December 31,	2023		2022		2021	
(Dollars in thousands)	Amount	Rate	Amount	Rate	Amount	Rate
Tax expense at Federal statutory rate	$11,861	21.0%	$19,146	21.0%	$20,619	21.0%
Increase (decrease) in taxes resulting from:						
State income tax expense, net of federal tax benefit	1,107	2.0	1,856	2.1	1,943	2.0
Share-based compensation	29	0.1	(68)	(0.1)	(159)	(0.2)
Tax-exempt income, net	(543)	(1.0)	(721)	(0.8)	(772)	(0.8)
Investments in low-income housing tax credits and other benefits, net	(357)	(0.6)	(261)	(0.3)	(117)	(0.1)
BOLI	(732)	(1.3)	(544)	(0.6)	(614)	(0.6)
State valuation allowance adjustment, net	2,153	3.8	—	—	—	—
State net operating loss carryforward, net of federal tax	(1,312)	(2.3)	—	—	—	—
Adjustment to net deferred tax assets for enacted changes in state tax law	(4,093)	(7.2)	—	—	—	—
Other	192	0.2	81	0.1	417	0.4
Total income tax expense	$8,305	14.7%	$19,489	21.4%	$21,317	21.7%

On October 6, 2023 the Commonwealth of Massachusetts enacted into law a tax bill, which made changes to how corporations calculate their Massachusetts taxable income. The law enacted a single sales factor apportionment formula and prescribed a method for sourcing of income from investment and trading activities, effective on January 1, 2025. Upon the enactment, the Corporation was required to revalue its deferred tax assets and liabilities reflecting the updated apportionment formula and income sourcing method. In addition, as further described below, the Corporation determined a portion of state deferred tax assets did not meet the more-likely-than-not realization threshold and a valuation allowance was required. As a result, the Corporation increased net deferred tax assets by $3.3 million with a corresponding decrease to income tax expense in 2023.

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,	2023	2022
Deferred Tax Assets:		
Net unrealized losses on available for sale debt securities	$38,823	$41,379
Allowance for credit losses on loans	10,470	9,127
Operating lease liabilities	8,167	7,094
Deferred compensation	5,258	4,486
Cash flow hedges	5,250	7,151
Deferred loan origination fees	2,356	2,106
Share-based compensation	1,806	1,884
Defined benefit pension obligations	1,425	—
State net operating loss carryforwards	1,312	—
Other	2,094	1,809
Deferred tax assets	76,961	75,036
Less: valuation allowance	(2,153)	—
Deferred tax assets, net of valuation allowance	74,808	75,036
Deferred Tax Liabilities:		
Operating lease ROU assets	(7,488)	(6,518)
Deferred loan origination costs	(7,365)	(6,394)
Loan servicing rights	(2,171)	(2,163)
Depreciation of premises and equipment	(1,897)	(1,494)
Amortization of intangibles	(946)	(1,093)
Defined benefit pension obligations	—	(333)
Other	(1,133)	(669)
Deferred tax liabilities	(21,000)	(18,664)
Net deferred tax asset	$53,808	$56,372

The Corporation’s net deferred tax asset is included in other assets in the Consolidated Balance Sheets. Net deferred tax assets decreased by $2.6 million during 2023, including the establishment of a valuation allowance of $2.2 million.

Deferred tax assets are to be reduced by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets are realized primarily through future reversals of existing taxable temporary differences or by offsetting projected future taxable income.

Management determined that no valuation allowance was required at December 31, 2022. The valuation allowance amounted to $2.2 million at December 31, 2023 and reflected management’s estimate regarding the realizability of a portion of the Corporation’s state deferred tax assets, largely associated with state net operating loss carryforwards. These operating loss carryforwards have various expirations beginning in 2028 through 2042, the majority of which are subject to annual usage limitations. Management’s assessment considered the Corporation’s forecasted future taxable income, existing taxable temporary differences along with tax planning strategies. Management believes deferred tax assets, net of the valuation allowance, are more-likely-than-not to be realized.

The Corporation had no unrecognized tax benefits as of December 31, 2023 and 2022. The Corporation files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. Generally, the Corporation is no longer subject to U.S. federal income and state tax examinations by tax authorities for years before 2020.

Note 12 - Deposits

The following table presents a summary of deposits:

(Dollars in thousands)

December 31,	2023	2022
Noninterest-bearing:		
Noninterest-bearing demand deposits	$693,746	$858,953
Interest-bearing:		
Interest-bearing demand deposits (1)	504,959	333,197
NOW accounts	767,036	871,875
Money market accounts	1,096,959	1,255,805
Savings accounts	497,223	576,250
Time deposits (2)	1,788,237	1,122,882
Total interest-bearing deposits	$4,654,414	$4,160,009
Total deposits	$5,348,160	$5,018,962

(1) Includes wholesale brokered demand deposit balances of $0 and $31.2 million, respectively, as of December 31, 2023 and 2022.
(2) Includes wholesale brokered time deposit balances of $654.1 million and $327.0 million, respectively, as of December 31, 2023 and 2022.

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

(Dollars in thousands)

		Scheduled Maturity	Weighted Average Rate
Years ending December 31:	2024	$1,549,955	4.63%
	2025	149,532	3.38
	2026	32,528	2.21
	2027	30,585	3.16
	2028	25,637	3.61
	2029 and thereafter	—	—
Balance at December 31, 2023		$1,788,237	4.44%

Time certificates of deposit in denominations of $250 thousand or more totaled $271.2 million and $200.9 million, respectively, at December 31, 2023 and 2022.

Note 13 - Borrowings

Federal Home Loan Bank Advances

Advances payable to the FHLB amounted to $1.2 billion and $980.0 million, respectively, at December 31, 2023 and 2022.

At December 31, 2023, the Corporation has interest rate swaps with a notional amount of $120.0 million that were designated as cash flow hedges to hedge the interest rate risk associated with short-term FHLB advances. See Note 9 for additional disclosure on derivatives.

As of December 31, 2023 and 2022, the Bank had access to a $40.0 million unused line of credit with the FHLB. Additionally, the Bank had a standby letter of credit with the FHLB of $65.0 million and $215.0 million, respectively, at December 31, 2023 and December 31, 2022. This standby letter of credit collateralizes an institutional deposit. The Bank had remaining available borrowing capacity of $1.1 billion and $668.3 million, respectively, with the FHLB at December 31, 2023 and 2022. The Bank pledges certain qualified investment securities and loans as collateral to the FHLB.

The following table presents maturities and weighted average interest rates on FHLB advances outstanding as of December 31, 2023:

(Dollars in thousands)	Scheduled Maturity	Weighted Average Rate
2024	$550,000	5.30%
2025	305,000	4.94
2026	165,000	4.54
2027	45,000	4.24
2028	125,000	4.15
2029 and thereafter	—	—
Total	$1,190,000	4.94%

Junior Subordinated Debentures
Junior subordinated debentures amounted to $22.7 million at December 31, 2023 and 2022.

The Bancorp sponsored the creation of Trust I and 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 $8.3 million of junior subordinated debentures associated with Trust I mature on September 15, 2035 and bear interest at a rate equal to the three-month SOFR rate plus 1.71%, or 7.10% as of December 31, 2023. Prior to the cessation of LIBOR on June 30, 2023, the Trust I junior subordinated debentures bore interest at a rate equal to the three-month LIBOR rate plus 1.45%, which was 6.22% at December 31, 2022. The $14.4 million of junior subordinated debentures associated with Trust II mature on November 23, 2035 and bear interest at a rate equal to the three-month SOFR rate plus 1.71%, or 7.09% as of December 31, 2023. Prior to the cessation of LIBOR, the Trust II junior subordinated debentures bore interest at a rate equal to the three-month LIBOR rate plus 1.45%, which was 6.14% at December 31, 2022. The debentures 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.

See Note 14 for additional discussion of the regulatory capital treatment of trust preferred securities.

Note 14 - Shareholders' Equity

Stock Repurchase Program

On December 28, 2023, the Corporation announced that its Board of Directors adopted the 2024 Repurchase Program, which authorizes the repurchase of up to 850,000 shares, or approximately 5%, of the Corporation's outstanding common stock. This authority may be exercised from time to time and in such amounts as market conditions warrant, and subject to regulatory considerations. The timing and actual numbers of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, market conditions, and other corporate liquidity requirements and priorities. The 2024 Repurchase Program commenced on January 1, 2024 and expires on December 31, 2024 and may be modified, suspended, or discontinued at any time.

The 2023 Repurchase Program expired on December 31, 2023. For the year ended December 31, 2023, the Corporation repurchased 200,000 shares at an average price of $43.70 and a total cost of $8.8 million, under its 2023 Repurchase Program. The total cost included $73 thousand of excise tax attributable to shares that were repurchased in 2023.

Dividends

The primary source of liquidity for the Bancorp is dividends received from the Bank. The Bancorp and the Bank are regulated entities 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 FRBB 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. Payment of dividends by a bank is also restricted pursuant to various state regulatory limitations. Dividends paid by the Bank to the Bancorp amounted to $38.8 million and $53.2 million, respectively, for the years ended December 31, 2023 and 2022.

Regulatory Capital Requirements

The Bancorp and the Bank are subject to various regulatory capital requirements administered by the FRBB and the FDIC, respectively. Regulatory authorities can initiate certain mandatory actions if the 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, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. These quantitative measures, to ensure capital adequacy, require minimum amounts and ratios.

Capital levels at December 31, 2023 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, 2023						
Total Capital (to Risk-Weighted Assets):						
Corporation	$611,220	11.58%	$422,259	8.00%	N/A	N/A
Bank	605,289	11.47	422,131	8.00	$527,663	10.00%
Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	572,960	10.86	316,694	6.00	N/A	N/A
Bank	567,029	10.75	316,598	6.00	422,131	8.00
Common Equity Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	550,964	10.44	237,521	4.50	N/A	N/A
Bank	567,029	10.75	237,449	4.50	342,981	6.50
Tier 1 Capital (to Average Assets): (1)						
Corporation	572,960	7.80	293,837	4.00	N/A	N/A
Bank	567,029	7.72	293,742	4.00	367,177	5.00
December 31, 2022						
Total Capital (to Risk-Weighted Assets):						
Corporation	605,005	12.37	391,363	8.00	N/A	N/A
Bank	588,090	12.02	391,260	8.00	489,074	10.00
Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	571,794	11.69	293,522	6.00	N/A	N/A
Bank	554,879	11.35	293,445	6.00	391,260	8.00
Common Equity Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	549,798	11.24	220,142	4.50	N/A	N/A
Bank	554,879	11.35	220,083	4.50	317,898	6.50
Tier 1 Capital (to Average Assets): (1)						
Corporation	571,794	8.65	264,295	4.00	N/A	N/A
Bank	554,879	8.40	264,177	4.00	330,222	5.00

(1) Leverage ratio.

In addition to the minimum regulatory capital required for capital adequacy outlined in the table above, the Corporation and the Bank are required to maintain a minimum capital conversation buffer, in the form of common equity, of 2.50% resulting in a requirement for the Corporation and the Bank to effectively maintain total capital, Tier 1 capital and common equity Tier 1 capital ratios of 10.50%, 8.50% and 7.00%, respectively. The Corporation and the Bank must maintain the capital conservation buffer to avoid restrictions on the ability to pay dividends and discretionary bonuses. The Corporation's and the Bank's capital levels exceeded the minimum regulatory capital requirements plus the capital conservation buffer at December 31, 2023 and 2022.

The Bancorp owns the common stock of two capital trusts, which have issued trust preferred securities. In accordance with GAAP, the capital trusts are treated as unconsolidated subsidiaries. At both December 31, 2023 and 2022, $22.0 million in trust preferred securities were included in the Tier 1 capital of the Corporation for regulatory capital reporting purposes pursuant to the capital adequacy guidelines of the Federal Reserve.

In accordance with regulatory capital rules, the Corporation elected the option to delay the estimated impact of ASC 326 on its regulatory capital over a two-year deferral and subsequent three-year transition period ending December 31, 2024. As a result, capital ratios exclude the full impact of the increased ACL on loans and unfunded loan commitments attributed to the adoption of ASC 326, adjusted for an approximation of the after-tax provision for credit losses attributable to ASC 326 relative to the incurred loss methodology during the two-year deferral period. The cumulative difference at the end of the deferral period is being phased-in to regulatory capital over the three-year transition period, which began January 1, 2022.

Note 15 - Revenue from Contracts with Customers

The following table summarizes total revenues as presented in the Consolidated Statements of Income and the related amounts that are from contracts with customers within the scope of ASC 606. As shown below, a substantial portion of our revenues are specifically excluded from the scope of ASC 606.

Years ended December 31,	2023		2022		2021	
(Dollars in thousands)	Revenue (1)	ASC 606 Revenue (2)	Revenue (1)	ASC 606 Revenue (2)	Revenue (1)	ASC 606 Revenue (2)
Net interest income	$137,098	$—	$155,990	$—	$141,435	$—
Noninterest income:						
Wealth management revenues	35,540	35,540	38,746	38,746	41,282	41,282
Mortgage banking revenues	6,660	—	8,733	—	28,626	—
Card interchange fees	4,921	4,921	4,996	4,996	4,996	4,996
Service charges on deposit accounts	2,806	2,806	3,192	3,192	2,683	2,683
Loan related derivative income	1,390	—	2,756	—	4,342	—
Income from bank-owned life insurance	3,488	—	2,591	—	2,925	—
Other income	1,335	1,226	1,588	1,219	2,540	2,148
Total noninterest income	56,140	44,493	62,602	48,153	87,394	51,109
Total revenues	$193,238	$44,493	$218,592	$48,153	$228,829	$51,109

(1) As reported in the Consolidated Statements of Income.
(2) Revenue from contracts with customers in scope of ASC 606.

The following table presents revenue from contracts with customers segregated by revenue recognition timing:

(Dollars in thousands)

Years ended December 31,	2023	2022	2021
Revenue recognized at a point in time:			
Card interchange fees	$4,921	$4,996	$4,996
Service charges on deposit accounts	1,842	2,512	2,136
Other income	983	967	1,931
Revenue recognized over time:			
Wealth management revenues	35,540	38,746	41,282
Service charges on deposit accounts	964	680	547
Other income	243	252	217
Total revenues from contracts with customers in scope of ASC 606	$44,493	$48,153	$51,109

Receivables for revenue from contracts with customers consist primarily of amounts due for wealth management services performed for which the Corporation's performance obligations have been fully satisfied. Receivables amounted to $5.5 million and $5.1 million, respectively, at December 31, 2023 and 2022 and were included in other assets in the Consolidated Balance Sheets.

Deferred revenues, which are considered contract liabilities under ASC 606, represent advance consideration received from customers for which the Corporation has a remaining performance obligation to fulfill. Contract liabilities are recognized as

revenue over the life of the contract as the performance obligations are satisfied. The balances of contract liabilities were insignificant at both December 31, 2023 and 2022 and were included in other liabilities in the Consolidated Balance Sheets.

For commissions and incentives that are in scope of ASC 606, such as those paid to employees in our wealth management services and commercial banking segments in order to obtain customer contracts, contract cost assets are established. The contract cost assets are capitalized and amortized over the estimated useful life that the asset is expected to generate benefits. The carrying value of contract cost assets amounted to $2.0 million and $2.1 million, respectively, at December 31, 2023 and 2022 and were included in other assets in the Consolidated Balance Sheets. The amortization of contract cost assets is recorded within salaries and employee benefits expense Consolidated Statements of Income.

Note 16 - Employee Benefits

Defined Benefit Pension Plans

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

In the fourth quarter of 2023, the Corporation's Board of Directors approved a resolution to terminate the qualified pension plan and participants were notified of the termination. Work on the qualified pension plan termination process has commenced and the qualified pension plan's assets are expected to be distributed in 2025, pending completion of applicable regulatory approvals, including receipt of a determination letter from the Internal Revenue Service. The qualified pension plan liability is expected to be settled in 2025 through a combination of lump sum payments to participants and purchase of a group annuity contract from a highly-rated insurance company. Upon settlement in 2025, the Corporation expects to recognize a pre-tax pension settlement charge that will include a non-cash charge for the recognition of all pre-tax actuarial losses accumulated in AOCL at that time. The actual amount of the settlement charge will depend on various factors, including interest rates, plan asset returns, the lump sum election rate and annuity pricing.

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

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. The actuarial assumptions as of December 31, 2023 included considerations for the termination of the qualified pension plan.

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

(Dollars in thousands)	Qualified Pension Plan		Non-Qualified Retirement Plans	
At December 31,	2023	2022	2023	2022
Change in Benefit Obligation:				
Benefit obligation at beginning of period	$66,656	$89,408	$13,562	$17,717
Service cost	1,403	2,062	156	218
Interest cost	3,540	2,368	706	423
Actuarial (gain) loss	8,522	(23,658)	(279)	(3,880)
Benefits paid	(4,570)	(3,422)	(950)	(916)
Administrative expenses	(267)	(102)	—	—
Benefit obligation at end of period	75,284	66,656	13,195	13,562
Change in Plan Assets:				
Fair value of plan assets at beginning of period	81,553	103,047	—	—
Actual return on plan assets	6,121	(17,970)	—	—
Employer contributions	—	—	950	916
Benefits paid	(4,570)	(3,422)	(950)	(916)
Administrative expenses	(267)	(102)	—	—
Fair value of plan assets at end of period	82,837	81,553	—	—
Funded (unfunded) status at end of period (1)	$7,553	$14,897	($13,195)	($13,562)

(1) Funded status of the qualified pension plan is included in other assets in the Consolidated Balance Sheets. Unfunded status of the non-qualified retirement plans is included in other liabilities in the Consolidated Balance Sheets.

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 $13.6 million and $14.0 million are included in the Consolidated Balance Sheets at December 31, 2023 and 2022, respectively.

The following table presents the amounts included in AOCL related to the qualified pension plan and non-qualified retirement plans:

(Dollars in thousands)	Qualified Pension Plan		Non-Qualified Retirement Plans	
At December 31,	2023	2022	2023	2022
Net actuarial loss included in AOCL, pre-tax	$8,837	$1,846	$2,939	$3,455

The accumulated benefit obligation for the qualified pension plan was $75.3 million and $64.8 million, respectively, at December 31, 2023 and 2022. The accumulated benefit obligation for the non-qualified retirement plans amounted to $13.2 million and $13.1 million, respectively, at December 31, 2023 and 2022.

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		
Years ended December 31,	2023	2022	2021	2023	2022	2021
Net Periodic Benefit Cost:						
Service cost (1)	$1,403	$2,062	$2,369	$156	$218	$208
Interest cost (2)	3,540	2,368	2,004	706	423	337
Expected return on plan assets (2)	(4,590)	(4,634)	(4,815)	—	—	—
Recognized net actuarial loss (2)	—	1,020	2,121	237	692	723
Net periodic benefit cost	353	816	1,679	1,099	1,333	1,268
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (on a pre-tax basis):						
Net loss (gain)	6,991	(2,074)	(8,132)	(516)	(4,572)	(621)
Recognized in other comprehensive income (loss)	6,991	(2,074)	(8,132)	(516)	(4,572)	(621)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$7,344	($1,258)	($6,453)	$583	($3,239)	$647

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

Assumptions

The following table presents the measurement date and weighted-average assumptions used to determine benefit obligations at December 31, 2023 and 2022:

	Qualified Pension Plan		Non-Qualified Retirement Plans	
	2023	2022	2023	2022
Measurement date	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Discount rate	4.51%	5.54%	5.10%	5.50%
Rate of compensation increase	0.50	5.00	N/A	5.00

The following table presents the measurement date and weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2023, 2022 and 2021:

	Qualified Pension Plan			Non-Qualified Retirement Plans		
	2023	2022	2021	2023	2022	2021
Measurement date	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020
Equivalent single discount rate for benefit obligations	5.54%	3.00%	2.71%	5.50%	2.89%	2.51%
Equivalent single discount rate for service cost	5.60	3.11	2.86	5.61	3.16	2.94
Equivalent single discount rate for interest cost	5.43	2.67	2.16	5.40	2.48	1.97
Expected long-term return on plan assets	5.25	5.25	5.75	N/A	N/A	N/A
Rate of compensation increase	5.00	3.75	3.75	5.00	3.75	3.75

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. Decreases in the long-term rate of return assumption on plan assets increase pension costs and, in general, may increase the requirement to make funding contributions to the plans. Increases in the long-term rate of return on plan assets have the opposite effect.

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. Decreases in discount rates increase the present value of pension obligations and increase our pension costs, while increases in discount rates have the opposite effect.

The "spot rate approach" was utilized in the calculation of interest and service cost. The spot rate approach applies separate discount rates for each projected benefit payment in the calculation of interest and service cost. This 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.

Plan Assets

The following tables present the fair values of the qualified pension plan's assets:

(Dollars in thousands)

	Fair Value Measurements Using			
December 31, 2023	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash and cash equivalents	$16,820	$—	$—	$16,820
Obligations of U.S. government-sponsored enterprises	—	58,147	—	58,147
Obligations of states and political subdivisions	—	1,459	—	1,459
Corporate bonds	—	1,974	—	1,974
Mutual funds	4,437	—	—	4,437
Total plan assets	$21,257	$61,580	$—	$82,837

(Dollars in thousands)

	Fair Value Measurements Using			
December 31, 2022	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash and cash equivalents	$8,438	$—	$—	$8,438
Obligations of U.S. government-sponsored enterprises	—	42,601	—	42,601
Obligations of states and political subdivisions	—	1,728	—	1,728
Corporate bonds	—	4,854	—	4,854
Mutual funds	23,932	—	—	23,932
Total plan assets	$32,370	$49,183	$—	$81,553

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 and cash equivalents, as well as exchange-traded mutual funds.

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-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, 2023 and 2022, the qualified pension plan did not have any securities in the Level 3 category.

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

December 31,	2023	2022
Asset Category:		
Cash and cash equivalents	20.3%	10.3%
Fixed income securities (1)	74.3	60.3
Mutual funds	5.4	29.4
Total	100.0%	100.0%

(1) Includes obligations of U.S. government agencies and U.S. government-sponsored enterprises, obligations of states and political subdivisions and corporate bonds.

The assets of the qualified defined benefit pension plan trust are managed to ensure that all present and future benefit obligations are met as they come due. It seeks to achieve this goal while trying to mitigate volatility in plan funded status, contributions and expense by aligning the characteristics of the plan assets to that of the plan liabilities. The qualified pension plan is considered well-funded and benefit accruals have been frozen at December 31, 2023. In addition, as noted above, the qualified pension plan's termination has commenced in 2023. Our investment approach takes these factors into consideration, and as such we have increased our allocation to lower-risk fixed income securities, while simultaneously reducing our allocation to higher-risk equity securities.

Cash inflow is typically composed of investment income from portfolio holdings and employer 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.

Cash Flows

Contributions

The Code permits flexibility in plan contributions so that normally a range of contributions is possible. The Corporation does not expect to make contributions to the qualified pension plan in the future due to the plan's termination that is expected to be completed in 2025 and the plan's funded status. In addition, the Corporation expects to contribute $859 thousand in benefit payments to the non-qualified retirement plans in 2024.

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 Retirement Plans
Years ending December 31,	2024	$2,830	$859
	2025 (1)	76,626	873
	2026	—	918
	2027	—	942
	2028	—	934
	2029 and thereafter	—	4,749

(1) The expected benefit payments for the qualified pension plan in 2025 reflects the termination of the plan that is expected to be completed in 2025.

401(k) Plan

The Corporation's 401(k) Plan provides a match up to a maximum of 3% 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% of compensation. Total employer matching contributions under this plan amounted to $3.5 million, $3.2 million and $3.0 million in 2023, 2022 and 2021, respectively.

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 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 $20.6 million and $18.7 million, respectively, at December 31, 2023 and 2022, and is included in other liabilities on the accompanying Consolidated Balance Sheets. The corresponding invested assets are reported in other assets in the Consolidated Balance Sheets.

Note 17 - Share-Based Compensation Arrangements

The Corporation's equity compensation plans include the 2003 Stock Incentive Plan, the 2013 Stock Option and Incentive Plan and the 2022 Long Term Incentive Plan, which have been approved by the Corporation's Board of Directors and shareholders. Awards are being granted only from the 2022 Long Term Incentive Plan, as there are no securities available for future grants under the 2003 Stock Incentive Plan or 2013 Stock Option and Incentive Plan.

The maximum number of shares of common stock that may be issued under the 2022 Long Term Incentive Plan is 669,966 at December 31, 2023 and is subject to adjustment in accordance with the terms of this plan. The types of permitted equity awards under the 2022 Long Term Incentive Plan include stock options (both incentive and non-qualified options), stock appreciation rights, restricted stock, restricted stock units, unrestricted stock, cash-based awards, and dividend equivalent rights.

See Item 12 for additional information regarding the equity compensation plans.

Reserved Shares

As of December 31, 2023, a total of 1,232,966 common stock shares were reserved for issuance under the 2003 Stock Incentive Plan, 2013 Stock Option and Incentive Plan and 2022 Long Term Incentive Plan.

Share-based Compensation Expense

The following table presents share-based compensation expense and the related income tax benefits recognized in the Consolidated Statements of Income for stock options, restricted stock units and performance share units:

(Dollars in thousands)

Years ended December 31,	2023	2022	2021
Share-based compensation expense	$2,064	$3,247	$3,316
Related income tax benefits (1)	$492	$857	$978

(1) Includes $34 thousand of excess tax expense recognized upon the settlement of share-based compensation awards in 2023, compared to $78 thousand and $182 thousand, respectively, of excess tax benefits in 2022 and 2021.

As of December 31, 2023, there was $4.4 million of total unrecognized compensation cost related to share-based compensation arrangements, including stock options, restricted stock units and performance share units granted under the Plans. That cost is expected to be recognized over a weighted average period of 1.8 years.

Stock Options

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. For the years ended 2023, 2022 and 2021, all stock options granted by the Corporation were designated as non-qualified stock options.

Washington Trust uses historical data to estimate stock option exercise and employee departure behavior 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:

	2023	2022	2021
Options granted	49,000	57,700	53,700
Cliff vesting period (years)	3	3	3
Expected term (years)	6.5	6.5	6.5
Expected dividend yield	4.38%	3.90%	3.80%
Weighted average expected volatility	33.15%	31.67%	31.50%
Weighted average risk-free interest rate	4.85%	4.15%	1.41%
Weighted average grant-date fair value	$6.71	$12.01	$11.10

The following table presents a summary of stock options outstanding as of and for the year ended December 31, 2023:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (000's)
Options outstanding at beginning of period	371,890	$46.67		
Granted	49,000	26.42		
Exercised	—	—		
Forfeited or expired	(11,033)	36.53		
Options outstanding at end of period	409,857	$44.52	6.34	$303
Options exercisable at end of period	253,257	$45.09	4.83	$11

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, 2023:

	Options Outstanding			Options Exercisable	
Exercise Price Ranges	Number of Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$20.01 to $30.00	49,000	9.80	$26.42	—	$—
$30.01 to $40.00	90,287	5.69	33.21	90,287	33.21
$40.01 to $50.00	133,528	6.47	47.44	77,728	46.68
$50.01 to $60.00	137,042	5.42	55.60	85,242	56.22
Total	409,857	6.34	$44.52	253,257	$45.09

There were no stock options exercised during the year ended December 31, 2023. The total intrinsic value of stock options exercised during the years ended December 31, 2022 and 2021 was $142 thousand and $897 thousand, respectively.

Restricted Stock Units

In 2023, 2022 and 2021, the Corporation granted to directors and certain key employees 30,862, 21,467 and 19,185 restricted stock units, respectively, with 3-year cliff vesting.

The following table presents a summary of restricted stock units as of and for the year ended December 31, 2023:

	Number of Shares	Weighted Average Grant Date Fair Value
Beginning of period	65,312	$45.51
Granted	30,862	31.04
Vested	(26,711)	37.07
Forfeited	(1,289)	48.43
End of period	68,174	$42.21

Performance Share Units

The Corporation granted performance share units to certain key employees providing the opportunity to earn shares of common stock over a 3-year performance period. The number of shares to be vested will be contingent upon the Corporation's attainment of certain performance measures as detailed in the performance share unit award agreements.

The following table presents a summary of outstanding performance share units as of December 31, 2023:

		Grant Date Fair Value per Share	Weighted Average Current Performance Assumption	Expected Number of Shares
Performance share units awarded in:	2023	$47.35	110%	47,520
	2022	59.31	100%	27,100
	2021	46.15	70%	22,652
Total				97,272

The following table presents a summary of performance share units as of and for the year ended December 31, 2023:

	Number of Shares	Weighted Average Grant Date Fair Value
Beginning of period	144,938	$45.41
Granted	47,520	47.35
Vested	(48,010)	37.37
Forfeited (1)	(47,176)	45.25
End of period	97,272	$50.40

(1) The number of forfeited shares also includes adjustments made to performance measure estimates on outstanding awards that have not yet vested.

Note 18 - Business Segments

The Corporation manages its operations through two reportable business segments, consisting of Commercial Banking and Wealth Management Services.

Management uses an allocation methodology to allocate income and expenses to the business lines. Direct activities are assigned to the appropriate business segment to which the activity relates. Indirect activities, such as corporate, technology and other support functions, are allocated to business segments primarily based upon full-time equivalent employee computations.

Commercial Banking

The Commercial Banking segment includes commercial, residential and consumer lending activities; mortgage banking activities; deposit generation; cash management activities; banking activities, including customer support and the operation of

ATMs, telephone banking, internet banking and mobile banking services; as well as investment portfolio and wholesale funding activities.

Wealth Management Services

The Wealth Management Services segment includes investment management; holistic financial planning services; personal trust and estate services, including services as trustee, personal representative and custodian; settlement of decedents' estates; and institutional trust services, including custody and fiduciary services.

The following tables present the statement of operations and total assets for Washington Trust's reportable business segments.

(Dollars in thousands)

Year ended December 31, 2023	Commercial Banking	Wealth Management Services	Consolidated Total
Net interest income	$137,061	$37	$137,098
Provision for credit losses	3,200	—	3,200
Net interest income after provision for credit losses	133,861	37	133,898
Noninterest income	20,006	36,134	56,140
Noninterest expenses:			
Depreciation and amortization expense	3,460	1,388	4,848
Other noninterest expenses	99,506	29,203	128,709
Total noninterest expenses	102,966	30,591	133,557
Income before income taxes	50,901	5,580	56,481
Income tax expense	7,028	1,277	8,305
Net income	$43,873	$4,303	$48,176
Total assets at period end	$7,146,096	$56,751	$7,202,847
Expenditures for long-lived assets	5,013	35	5,048

(Dollars in thousands)

Year ended December 31, 2022	Commercial Banking	Wealth Management Services	Consolidated Total
Net interest income (expense)	$156,040	($50)	$155,990
Provision for credit losses	(1,300)	—	(1,300)
Net interest income (expense) after provision for credit losses	157,340	(50)	157,290
Noninterest income	23,088	39,514	62,602
Noninterest expenses:			
Depreciation and amortization expense	2,948	1,377	4,325
Other noninterest expenses	94,025	30,372	124,397
Total noninterest expenses	96,973	31,749	128,722
Income before income taxes	83,455	7,715	91,170
Income tax expense	17,557	1,932	19,489
Net income	$65,898	$5,783	$71,681
Total assets at period end	$6,585,310	$74,741	$6,660,051
Expenditures for long-lived assets	5,475	664	6,139

(Dollars in thousands)

Year ended December 31, 2021	Commercial Banking	Wealth Management Services	Consolidated Total
Net interest income (expense)	$141,493	($58)	$141,435
Provision for credit losses	(4,822)	—	(4,822)
Net interest income (expense) after provision for credit losses	146,315	(58)	146,257
Noninterest income	44,748	42,646	87,394
Noninterest expenses:			
Depreciation and amortization expense	2,827	1,474	4,301
Other noninterest expenses	101,029	30,134	131,163
Total noninterest expenses	103,856	31,608	135,464
Income before income taxes	87,207	10,980	98,187
Income tax expense	18,575	2,742	21,317
Net income	$68,632	$8,238	$76,870
Total assets at period end	$5,776,754	$74,373	$5,851,127
Expenditures for long-lived assets	3,246	244	3,490

Note 19 - Other Comprehensive Income (Loss)

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

(Dollars in thousands)

Year ended December 31, 2023	Pre-tax Amounts	Income Tax Benefit (Expense)	Net of Tax
Available for Sale Debt Securities:			
Changes in fair value of available for sale debt securities	$20,163	($5,721)	$14,442
Cash Flow Hedges:			
Changes in fair value of cash flow hedges	1,647	(346)	1,301
Net cash flow hedge losses reclassified into earnings (1)	7,563	(1,838)	5,725
Net change in the fair value of cash flow hedges	9,210	(2,184)	7,026
Defined Benefit Plan Obligations:			
Defined benefit plan obligation adjustment	(6,712)	1,712	(5,000)
Amortization of net actuarial losses (2)	237	(58)	179
Net change in defined benefit plan obligations	(6,475)	1,654	(4,821)
Total other comprehensive income	$22,898	($6,251)	$16,647

(1) The pre-tax amounts reclassified into earnings in the Consolidated Statements of Income include a $9.2 million reduction in interest and fees on loans and a $1.7 million reduction in FHLB interest expense.

(2) The pre-tax amount presented above is included in other expenses in the Consolidated Statements of Income.

(Dollars in thousands)

Year ended December 31, 2022	Pre-tax Amounts	Income Tax Benefit (Expense)	Net of Tax
Available for Sale Debt Securities:			
Changes in fair value of available for sale debt securities	($163,471)	$39,233	($124,238)
Cash Flow Hedges:			
Changes in fair value of cash flow hedges	(27,344)	6,563	(20,781)
Net cash flow hedge losses reclassified into earnings (1)	2,828	(679)	2,149
Net change in the fair value of cash flow hedges	(24,516)	5,884	(18,632)
Defined Benefit Plan Obligations:			
Defined benefit plan obligation adjustment	4,934	(1,184)	3,750
Amortization of net actuarial losses (2)	1,712	(411)	1,301
Net change in defined benefit plan obligations	6,646	(1,595)	5,051
Total other comprehensive loss	($181,341)	$43,522	($137,819)

(1) The pre-tax amounts reclassified into earnings in the Consolidated Statements of Income include a $2.8 million reduction in interest and fees on loans and a $70 thousand increase in FHLB interest expense.
(2) The pre-tax amount presented above is included in other expenses in the Consolidated Statements of Income.

(Dollars in thousands)

Year ended December 31, 2021	Pre-tax Amounts	Income Tax (Expense) Benefit	Net of Tax
Available for Sale Debt Securities:			
Changes in fair value of available for sale debt securities	($21,942)	$5,266	($16,676)
Cash Flow Hedges:			
Changes in fair value of cash flow hedges	(3,067)	736	(2,331)
Net cash flow hedge gains reclassified into earnings (1)	(310)	75	(235)
Net change in the fair value of cash flow hedges	(3,377)	811	(2,566)
Defined Benefit Plan Obligations:			
Defined benefit plan obligation adjustment	5,908	(1,417)	4,491
Amortization of net actuarial losses (2)	2,844	(683)	2,161
Net change in defined benefit plan obligations	8,752	(2,100)	6,652
Total other comprehensive loss	($16,567)	$3,977	($12,590)

(1) The pre-tax amounts reclassified into earnings in the Consolidated Statements of Income include a $1.5 million increase in interest and fees on loans and a $1.1 million increase in FHLB interest expense.
(2) The pre-tax amount presented above is included in other expenses in the Consolidated Statements of Income.

The following tables present the changes in AOCI (AOCL) by component, net of tax:

(Dollars in thousands)	Net Unrealized Losses on Available for Sale Debt Securities	Net Unrealized Losses on Cash Flow Hedges	Net Unrealized Losses on Defined Benefit Plan Obligations	Total
Balance at December 31, 2022	($131,033)	($22,645)	($4,122)	($157,800)
Other comprehensive income (loss) before reclassifications	14,442	1,301	(5,000)	10,743
Amounts reclassified from accumulated other comprehensive income (loss)	—	5,725	179	5,904
Net other comprehensive income (loss)	14,442	7,026	(4,821)	16,647
Balance at December 31, 2023	($116,591)	($15,619)	($8,943)	($141,153)

(Dollars in thousands)	Net Unrealized Losses on Available for Sale Debt Securities	Net Unrealized Losses on Cash Flow Hedges	Net Unrealized Losses on Defined Benefit Plan Obligations	Total
Balance at December 31, 2021	($6,795)	($4,013)	($9,173)	($19,981)
Other comprehensive (loss) income before reclassifications	(124,238)	(20,781)	3,750	(141,269)
Amounts reclassified from accumulated other comprehensive (loss) income	—	2,149	1,301	3,450
Net other comprehensive (loss) income	(124,238)	(18,632)	5,051	(137,819)
Balance at December 31, 2022	($131,033)	($22,645)	($4,122)	($157,800)

(Dollars in thousands)	Net Unrealized Gains (Losses)on Available for Sale Debt Securities	Net Unrealized Losses on Cash Flow Hedges	Net Unrealized Losses on Defined Benefit Plan Obligations	Total
Balance at December 31, 2020	$9,881	($1,447)	($15,825)	($7,391)
Other comprehensive (loss) income before reclassifications	(16,676)	(2,331)	4,491	(14,516)
Amounts reclassified from accumulated other comprehensive (loss) income	—	(235)	2,161	1,926
Net other comprehensive (loss) income	(16,676)	(2,566)	6,652	(12,590)
Balance at December 31, 2021	($6,795)	($4,013)	($9,173)	($19,981)

Note 20 - Earnings per Common Share

The following table presents the calculation of EPS:

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

Years ended December 31,	2023	2022	2021
Earnings per basic and diluted earnings per common share:			
Net income	$48,176	$71,681	$76,870
Less: dividends and undistributed earnings allocated to participating securities	(85)	(202)	(223)
Net income available to common shareholders	$48,091	$71,479	$76,647
Shares:			
Weighted average common shares outstanding for basic EPS	17,033	17,246	17,310
Dilutive effect of common stock equivalents	29	135	145
Weighted average common shares outstanding for diluted EPS	17,062	17,381	17,455
EPS:			
Basic EPS	$2.82	$4.14	$4.43
Diluted EPS	$2.82	$4.11	$4.39

Weighted average common stock equivalents, not included in common stock equivalents above because they were anti-dilutive, totaled 465,997, 149,742 and 100,150, respectively, for the years ended December 31, 2023, 2022 and 2021.

Note 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 and standby letters of credit, as well as derivative financial instruments, such as mortgage loan commitments, loan related derivative contracts and interest rate risk management contracts. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the 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. See Note 9 for additional disclosure pertaining to derivative financial instruments.

Financial Instruments Whose Contract Amounts Represent Credit Risk (Unfunded Commitments)

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, 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 one year. At December 31, 2023 and 2022, there were no liabilities to beneficiaries resulting from standby letters of credit. Should the Corporation be required to make payments to the beneficiary, repayment from the customer to the Corporation is required.

The following table presents the contractual and notional amounts of financial instruments with off-balance sheet risk:

(Dollars in thousands)

December 31,	2023	2022
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$1,185,196	$1,308,873
Standby letters of credit	9,323	9,028

ACL on Unfunded Commitments

The activity in the ACL on unfunded commitments for the year ended December 31, 2023 is presented below:

(Dollars in thousands)	Commercial				Consumer			
	CRE	C&I	Total Commercial	Residential Real Estate	Home Equity	Other	Total Consumer	Total
Beginning Balance	$1,236	$988	$2,224	$50	$—	$16	$16	$2,290
Provision	(145)	(166)	(311)	(35)	—	(4)	(4)	(350)
Ending Balance	$1,091	$822	$1,913	$15	$—	$12	$12	$1,940

The activity in the ACL on unfunded commitments for the year ended December 31, 2022 is presented below:

(Dollars in thousands)	Commercial				Consumer			
	CRE	C&I	Total Commercial	Residential Real Estate	Home Equity	Other	Total Consumer	Total
Beginning Balance	$1,267	$816	$2,083	$62	$—	$16	$16	$2,161
Provision	(31)	172	141	(12)	—	—	—	129
Ending Balance	$1,236	$988	$2,224	$50	$—	$16	$16	$2,290

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 balance sheets or statements of income of the Corporation.

Other Matters

On September 27, 2023, the Bank entered into a settlement with the DOJ through an agreement to resolve allegations that it violated fair lending laws in the state of Rhode Island from 2016 to 2021. Under the settlement, the Bank will provide $7.0 million in loan subsidies over a five-year period with the goal of increasing home mortgage loans, home improvement loans, and home refinance loans in specific census tracts in Rhode Island. Loan subsidies may include originating a loan for a home purchase, refinancing or home improvement at an interest rate below the otherwise prevailing market interest rate offered by Washington Trust and payment of the initial mortgage insurance premium on loans subject to such mortgage insurance. The cost of such subsidies will generally be recognized over the life of the respective loans. Loan subsidies may also include down payment assistance and closing cost assistance. The Bank also will commit $2.0 million for focused community outreach and marketing efforts over a five-year period. The expenses associated with community outreach and marketing efforts will be recorded in the period in which the activities occur and are consistent with historical spending levels. In addition, the Bank will commit to opening two full-service branches in specific census tracts in Rhode Island, including the previously announced new branch in Olneyville, Rhode Island.

The settlement included no civil penalties levied against the Bank. The United States District Court for the District of Rhode Island approved the settlement on October 31, 2023. The settlement resolves all claims made by the DOJ against the Bank related to its lending practices in the state of Rhode Island from 2016 to 2021.

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, 2023 and 2022, the carrying value of loans repurchased due to representation and warranty claims was $1.5 million and $1.0 million, respectively. Washington Trust has recorded a reserve for its exposure to losses for premium recapture and the obligation to indemnify or repurchase previously sold residential real estate mortgage loans. The reserve balance amounted to $245 thousand and $265 thousand at December 31, 2023 and 2022, respectively, 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.

Note 22 - Parent Company Financial Statements

The following tables present parent company only condensed 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)	
December 31,	2023	2022
Assets:		
Cash on deposit with bank subsidiary	$4,701	$15,557
Investment in subsidiaries at equity value:		
Bank	488,751	458,750
Non-bank	685	685
Dividends receivable from bank subsidiary	9,925	10,578
Other assets	1,603	1,293
Total assets	$505,665	$486,863
Liabilities and Shareholders' Equity:		
Junior subordinated debentures	$22,681	$22,681
Dividends payable	10,021	10,349
Other liabilities	277	164
Shareholders' equity	472,686	453,669
Total liabilities and shareholders' equity	$505,665	$486,863

Statements of Income		(Dollars in thousands)	
Years ended December 31,	2023	2022	2021
Income:			
Dividends from subsidiaries:			
Bank	$38,822	$53,240	$45,732
Non-bank	46	20	11
Other losses	(300)	—	(102)
Total income	38,568	53,260	45,641
Expenses:			
Interest on junior subordinated debentures	1,543	739	370
Other expenses	681	591	622
Total expenses	2,224	1,330	992
Income before income taxes	36,344	51,930	44,649
Income tax benefit	542	273	230
Income before equity in undistributed earnings (losses) of subsidiaries	36,886	52,203	44,879
Equity in undistributed earnings (losses) of subsidiaries:			
Bank	11,290	19,565	32,045
Non-bank	—	(87)	(54)
Net income	$48,176	$71,681	$76,870

Statements of Cash Flows	(Dollars in thousands)		
Years ended December 31,	2023	2022	2021
Cash flows from operating activities:			
Net income	$48,176	$71,681	$76,870
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed (earnings) losses of subsidiaries:			
Bank	(11,290)	(19,565)	(32,045)
Non-bank	—	87	54
Tax (expense) benefit from stock option exercises and other equity awards	(34)	78	182
Deferred income tax (benefit) expense	(56)	5	(24)
Decrease (increase) in dividend receivable	653	2,386	(1,128)
Decrease (increase) in other assets	8	(175)	50
Increase in accrued expenses and other liabilities	113	93	31
Other, net	36	(97)	(182)
Net cash provided by operating activities	37,606	54,493	43,808
Cash flows from investing activities:			
Repayment of equity investment in subsidiary	—	1,096	—
Purchases of other equity investments, net	(263)	(375)	(650)
Net cash (used in) provided by investing activities	(263)	721	(650)
Cash flows from financing activities:			
Treasury stock purchased	(8,814)	(9,479)	—
Net proceeds from stock option exercises and issuance of other equity awards, net of awards surrendered	(754)	(821)	(177)
Cash dividends paid	(38,631)	(37,647)	(36,349)
Net cash used in financing activities	(48,199)	(47,947)	(36,526)
Net (decrease) increase in cash	(10,856)	7,267	6,632
Cash at beginning of year	15,557	8,290	1,658
Cash at end of year	$4,701	$15,557	$8,290

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, 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, 2023. 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 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 Crowe LLP, an independent registered public accounting firm.

There has been no change in our internal controls over financial reporting during the fourth quarter ended December 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information.

Insider Trading Arrangements

During the three months ended December 31, 2023, none of the Corporation’s directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item will be included in the Proxy Statement and 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 Investor Relations section of the Corporation's website at https://ir.washtrust.com, under the caption Corporate Governance.

ITEM 11. Executive Compensation.

The information required by this Item will be included in the Proxy Statement and is incorporated herein by reference, except as to information disclosed therein pursuant to Item 402(v) of Regulation S-K relating to pay versus performance.

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 will be included in the Proxy Statement and is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2023 regarding shares of common stock of the Bancorp that may be issued under our existing equity compensation plans, including the 2003 Stock Incentive Plan, 2013 Stock Option and Incentive Plan and 2022 Long Term Incentive 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 plans (excluding securities referenced in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (2)	802,059 (3)	$44.52 (4)	430,907 (5)
Equity compensation plans not approved by security holders	—	N/A	N/A
Total	802,059	$44.52	430,907

(1) Does not include any shares already reflected in the Bancorp's outstanding shares.
(2) Consists of the 2003 Stock Incentive Plan, 2013 Stock Option and Incentive Plan and 2022 Long Term Incentive Plan. Under the 2013 Stock Option and Incentive Plan, the grant of any full value award (an award other than an option or a stock appreciation award) shall be deemed, for the purposes of 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.
(3) For performance share awards, amounts included represent the maximum amount of performance shares that could be issued under existing awards. The actual shares issued may differ based on the attainment of performance goals.
(4) Reflects the weighted average exercise price of outstanding stock options granted under the 2003 Stock Incentive Plan, 2013 Stock Option and Incentive Plan and 2022 Long Term Incentive Plan. Other award types do not have an exercise price and therefore, are not included.
(5) Consists of the 2022 Long Term Incentive Plan only, as there are no securities available for future grants under the 2003 Stock Incentive Plan or 2013 Stock Option and Incentive Plan.

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

The information required by this Item will be included in the Proxy Statement and is incorporated herein by reference.

ITEM 14. Principal Accounting Fees and Services.

The information required by this Item will be included in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules.

(a) Documents filed as part of this report.

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.

(b) See (a) 3. above for all exhibits filed herewith and the Exhibit Index.

(c) Financial Statement Schedules. None.

Exhibit Index

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	Amendment to Restated Articles of Incorporation – Filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on May 11, 2016. (1)
3.4	Amendment to Restated Articles of Incorporation - Filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q dated May 6, 2021. (1)
3.5	Amended and Restated By-Laws of the Registrant - Filed as Exhibit 3.5 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023. (1)
4.1	Description of Equity Securities Registered Under Section 12 of the Exchange Act - Filed as Exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019. (1)
10.1	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)
10.2	First Amendment to the 2003 Stock Option Incentive 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 March 31, 2017. (1) (2)
10.3	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)
10.4	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)
10.5	Form of Nonqualified Stock Option Certificate and Statement of Terms and Conditions under the Washington Trust Bancorp, Inc. 2003 Stock Incentive Plan – Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017. (1) (2)
10.6	2013 Stock and Incentive Plan – Filed as Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017. (1) (2)
10.7	First Amendment to the 2013 Stock Option and Incentive Plan - Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017. (1) (2)
10.8	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)

10.9	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)
10.10	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 September 30, 2017. (1) (2)
10.11	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, 2020. (1) (2)
10.12	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)
10.13	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)
10.14	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 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017. (1) (2)
10.15	Form of Restricted Stock Unit Certificate under the Washington Trust Bancorp, Inc. 2013 Stock Option and Incentive Plan for employees – Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020. (1) (2)
10.16	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)
10.17	Form of Performance Share Unit Award Agreement under the Washington Trust Bancorp, Inc. 2013 Stock Option and Incentive Plan – Filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017. (1) (2)
10.18	Form of Performance Share Unit Award Agreement under the Washington Trust Bancorp, Inc. 2013 Stock Option and Incentive Plan – Filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020. (1) (2)
10.19	2022 Long Term Incentive Plan - Filed as Exhibit 10.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-264484), as filed with the Securities and Exchange Commission on April 26, 2022. (1) (2)
10.20	Form of Non-qualified Stock Option Agreement for Employees under the Washington Trust Bancorp, Inc. 2022 Long Term Incentive Plan - Filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022. (1) (2)
10.21	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under the Washington Trust Bancorp, Inc. 2022 Long Term Incentive Plan - Filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-8 (File No. 333-264484) filed with the Securities and Exchange Commission on April 26, 2022. (1) (2)
10.22	Form of Restricted Stock Unit Award Agreement for Employees under the Washington Trust Bancorp, Inc. 2022 Long Term Incentive Plan - Filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022. (1) (2)
10.23	Form of Performance Restricted Stock Unit Award Agreement for Employees under the Washington Trust Bancorp, Inc. 2022 Long Term Incentive Plan - Filed as Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. (1) (2)
10.24	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)
10.25	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)
10.26	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)

10.27	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)
10.28	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)
10.29	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)
10.30	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)
10.31	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)
10.32	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)
10.33	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)
10.34	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)
10.35	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)
10.36	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)
10.37	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)
10.38	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)
10.39	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)
10.40	Second Amendment to The Washington Trust Company Nonqualified Deferred Compensation Plan as Amended and Restated – Filed as Exhibit 10.34 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016. (1) (2)
10.41	Third Amendment to The Washington Trust Company Nonqualified Deferred Compensation Plan as Amended and Restated – Filed as Exhibit 10.35 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016. (1) (2)
10.42	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)
10.43	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)
10.44	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)
10.45	Seventh Amendment to The Washington Trust Company Nonqualified Deferred Compensation Plan as Amended and Restated – Filed as Exhibit 10.47 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017. (1) (2)
10.46	Amended and Restated Annual Performance Plan, dated December 13, 2021 - Filed as Exhibit 10.64 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2021. (1) (2)

10.47	Amended and Restated Wealth Management Business Building Incentive Plan, dated January 24, 2022 - Filed as Exhibit 10.65 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2021. (1) (2)
10.48	Retail Lending Growth Incentive Plan, dated March 15, 2021 - Filed as Exhibit 10.63 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2021. (1) (2)
10.49	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)
10.50	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)
10.51	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)
10.52	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)
10.53	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)
10.54	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	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)
10.57	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)
10.58	Terms of Amended and Restated Change in Control with certain executive officers, dated September 22, 2016 – Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016. (1) (2)
10.59	Terms of Restricted Stock Unit Certificate with an executive officer, dated June 1, 2017 – Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017. (1) (2)
10.60	Terms of Amended and Restated Change in Control with an executive officer, dated June 1, 2017 – Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017. (1) (2)
10.61	Terms of Amended and Restated Change in Control with an executive officer, dated February 27, 2018 – Filed as Exhibit 10.71 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017. (1) (2)
10.62	Terms of Amended and Restated Change in Control Agreement - Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019. (1) (2)
10.63	Terms of Performance Share Unit Award Agreement with certain executive officers, dated January 25, 2021 - Filed as Exhibit 10.71 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2020. (1) (2)
10.64	Terms of Performance Share Unit Award Agreement with certain executive officers, dated January 24, 2022 - Filed as Exhibit 10.62 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2021. (1) (2)
10.65	Terms of Performance Restricted Stock Unit Agreement with certain executive officers, dated January 24, 2023 - Filed as Exhibit 10.68 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. (1) (2)
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, 2022. (1)
23.1	Consent of Crowe LLP – 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)

97	Washington Trust Bancorp, Inc. Incentive Compensation Clawback and Forfeiture Policy - Filed herewith.
101	The following materials from Washington Trust Bancorp, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2023 formatted in Inline XBRL; (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (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.

ITEM 16. Form 10-K Summary.

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

WASHINGTON TRUST BANCORP, INC.
(Registrant)

Date: February 26, 2024 By /s/ Edward O. Handy III
Edward O. Handy III

Chairman and Chief Executive Officer
(principal executive officer)

Date: February 26, 2024 By /s/ Ronald S. Ohsberg
Ronald S. Ohsberg

Senior Executive Vice President, Chief Financial Officer and Treasurer
(principal financial officer)

Date: February 26, 2024 By /s/ Maria N. Janes
Maria N. Janes

Executive Vice President, Chief Accounting Officer and Controller
(principal accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 26, 2024	/s/ John J. Bowen
	John J. Bowen, Director
Date: February 26, 2024	/s/ Steven J. Crandall
	Steven J. Crandall, Director
Date: February 26, 2024	/s/ Robert A. DiMuccio
	Robert A. DiMuccio, Director
Date: February 26, 2024	/s/ Joseph P. Gencarella
	Joseph P. Gencarella, Director
Date: February 26, 2024	/s/ Mark K.W. Gim
	Mark K.W. Gim, Director
Date: February 26, 2024	/s/ Edward O. Handy III
	Edward O. Handy III, Director
Date: February 26, 2024	/s/ Constance A. Howes
	Constance A. Howes, Director
Date: February 26, 2024	/s/ Joseph J. MarcAurele
	Joseph J. MarcAurele, Director
Date: February 26, 2024	/s/ Sandra Parrillo
	Sandra Parrillo, Director
Date: February 26, 2024	/s/ John T. Ruggieri
	John T. Ruggieri, Director
Date: February 26, 2024	/s/ Edwin J. Santos
	Edwin J. Santos, Director
Date: February 26, 2024	/s/ Lisa M. Stanton
	Lisa M. Stanton, Director