

WASHINGTON TRUST BANCORP INC  
Form 10-Q  
August 05, 2010

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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended JUNE 30, 2010 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  
(State or other jurisdiction of  
incorporation or organization)

05-0404671  
(I.R.S. Employer  
Identification No.)

23 BROAD STREET  
WESTERLY, RHODE ISLAND  
(Address of principal executive offices)

02891  
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer

Accelerated filer

Edgar Filing: WASHINGTON TRUST BANCORP INC - Form 10-Q

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

Smaller reporting company

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

The number of shares of common stock of the registrant outstanding as of August 4, 2010 was 16,136,030.

---

Table of Content

FORM 10-Q  
WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES  
For the Quarter Ended June 30, 2010

TABLE OF CONTENTS

	Page Number
<u>PART I. Financial Information</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets</u>	
<u>June 30, 2010 and December 31, 2009</u>	<u>3</u>
<u>Consolidated Statements of Income</u>	
<u>Three and Six Months Ended June 30, 2010 and 2009</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows</u>	
<u>Six Months Ended June 30, 2010 and 2009</u>	<u>5</u>
<u>Condensed Notes to Unaudited Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>31</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>56</u>
<u>Item 4. Controls and Procedures</u>	<u>56</u>
<u>PART II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>57</u>
<u>Item 1A. Risk Factors</u>	<u>57</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>57</u>
<u>Item 6. Exhibits</u>	<u>58</u>
<u>Signatures</u>	<u>59</u>
<u>Exhibit 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	
<u>Exhibit 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	

Exhibit 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

Table of Content

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES

(Dollars in thousands,  
except par value)

## CONSOLIDATED BALANCE SHEETS (unaudited)

	June 30, 2010	December 31, 2009
<b>Assets:</b>		
Cash and noninterest-bearing balances due from banks	\$ 32,787	\$ 38,167
Interest-bearing balances due from banks	26,676	13,686
Other short-term investments	4,426	5,407
Mortgage loans held for sale	8,798	9,909
Securities available for sale, at fair value; amortized cost \$653,355 in 2010 and \$677,676 in 2009	675,938	691,484
Federal Home Loan Bank stock, at cost	42,008	42,008
<b>Loans:</b>		
Commercial and other	1,019,357	984,550
Residential real estate	622,613	605,575
Consumer	330,528	329,543
Total loans	1,972,498	1,919,668
Less allowance for loan losses	27,985	27,400
Net loans	1,944,513	1,892,268
Premises and equipment, net	27,237	27,524
Accrued interest receivable	9,195	9,137
Investment in bank-owned life insurance	50,871	44,957
Goodwill	58,114	58,114
Identifiable intangible assets, net	8,362	8,943
Property acquired through foreclosure or repossession, net	2,338	1,974
Other assets	38,590	40,895
Total assets	\$ 2,929,853	\$ 2,884,473
<b>Liabilities:</b>		
<b>Deposits:</b>		
Demand deposits	\$ 225,494	\$ 194,046
NOW accounts	234,014	202,367
Money market accounts	378,004	403,333
Savings accounts	209,616	191,580
Time deposits	902,777	931,684
Total deposits	1,949,905	1,923,010
Dividends payable	3,423	3,369
Federal Home Loan Bank advances	615,146	607,328
Junior subordinated debentures	32,991	32,991
Other borrowings	20,914	21,501
Accrued expenses and other liabilities	42,063	41,328
Total liabilities	2,664,442	2,629,527
<b>Shareholders' Equity:</b>		
Common stock of \$.0625 par value; authorized 30,000,000 shares; issued 16,120,659 shares in 2010 and 16,061,748 shares in 2009	1,008	1,004

Edgar Filing: WASHINGTON TRUST BANCORP INC - Form 10-Q

Paid-in capital	83,657	82,592
Retained earnings	172,186	168,514
Accumulated other comprehensive income	8,560	3,337
Treasury stock, at cost; 19,185 shares in 2009	–	(501 )
Total shareholders' equity	265,411	254,946
Total liabilities and shareholders' equity	\$ 2,929,853	\$ 2,884,473

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

-3-

---

Table of ContentWASHINGTON TRUST BANCORP, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF  
INCOME (unaudited)

(Dollars and shares in thousands,

except per share amounts)

Periods ended June 30,	Three Months		Six Months	
	2010	2009	2010	2009
<b>Interest income:</b>				
Interest and fees on loans	\$ 24,180	\$ 24,147	\$ 48,148	\$ 48,286
<b>Interest on securities:</b>				
Taxable	5,837	7,588	11,888	16,037
Nontaxable	770	778	1,539	1,558
<b>Dividends on corporate stock and Federal Home Loan Bank stock</b>				
Other interest income	13	9	34	26
<b>Total interest income</b>	<b>30,854</b>	<b>32,577</b>	<b>61,718</b>	<b>66,034</b>
<b>Interest expense:</b>				
Deposits	5,331	8,481	11,100	18,028
Federal Home Loan Bank advances	6,000	7,112	12,219	14,339
Junior subordinated debentures	447	479	1,077	958
Other interest expense	243	244	485	489
<b>Total interest expense</b>	<b>12,021</b>	<b>16,316</b>	<b>24,881</b>	<b>33,814</b>
<b>Net interest income</b>	<b>18,833</b>	<b>16,261</b>	<b>36,837</b>	<b>32,220</b>
Provision for loan losses	1,500	3,000	3,000	4,700
<b>Net interest income after provision for loan losses</b>	<b>17,333</b>	<b>13,261</b>	<b>33,837</b>	<b>27,520</b>
<b>Noninterest income:</b>				
<b>Wealth management services:</b>				
Trust and investment advisory fees	5,153	4,402	10,170	8,524
Mutual fund fees	1,105	993	2,215	1,908
<b>Financial planning, commissions and other service fees</b>				
Wealth management services	6,763	5,954	13,069	11,367
Service charges on deposit accounts	1,400	1,201	2,553	2,314
Merchant processing fees	2,406	2,086	4,012	3,435
Income from bank-owned life insurance	474	447	913	891
Net gains on loan sales and commissions on loans originated for others	318	1,552	878	2,596
Net realized gains on securities	–	257	–	314
Net (losses) gains on interest rate swap contracts	(121 )	341	(53 )	401
Other income	273	465	586	884
<b>Noninterest income, excluding other-than-temporary impairment losses</b>				
<b>Total other-than-temporary impairment losses on securities</b>	<b>(2,840 )</b>	<b>–</b>	<b>(4,102 )</b>	<b>(4,244 )</b>
Portion of loss recognized in other comprehensive income (before taxes)	2,486	–	3,685	2,253
<b>Net impairment losses recognized in earnings</b>	<b>(354 )</b>	<b>–</b>	<b>(417 )</b>	<b>(1,991 )</b>
<b>Total noninterest income</b>	<b>11,159</b>	<b>12,303</b>	<b>21,541</b>	<b>20,211</b>

Edgar Filing: WASHINGTON TRUST BANCORP INC - Form 10-Q

Noninterest expense:				
Salaries and employee benefits	11,726	10,359	23,227	20,834
Net occupancy	1,237	1,122	2,461	2,348
Equipment	1,014	1,036	2,011	2,011
Merchant processing costs	2,057	1,780	3,414	2,923
Outsourced services	855	568	1,610	1,354
FDIC deposit insurance costs	784	2,143	1,578	2,794
Legal, audit and professional fees	408	664	926	1,339
Advertising and promotion	419	491	783	792
Amortization of intangibles	290	308	581	616
Other expenses	2,193	1,858	3,984	3,708
Total noninterest expense	20,983	20,329	40,575	38,719
Income before income taxes	7,509	5,235	14,803	9,012
Income tax expense	2,211	1,470	4,333	2,577
Net income	\$ 5,298	\$ 3,765	\$ 10,470	\$ 6,435
Weighted average common shares				
outstanding – basic	16,104.6	15,983.6	16,081.3	15,963.2
Weighted average common shares				
outstanding – diluted	16,143.1	16,037.4	16,116.3	16,009.1
Per share information:				
Basic earnings per common share	\$ 0.33	\$ 0.24	\$ 0.65	\$ 0.40
Diluted earnings per common share	\$ 0.33	\$ 0.23	\$ 0.65	\$ 0.40
Cash dividends declared per share				
	\$ 0.21	\$ 0.21	\$ 0.42	\$ 0.42

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



Table of ContentWASHINGTON TRUST BANCORP, INC. AND  
SUBSIDIARIES

(Dollars in thousands)

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

Six months ended June 30,	2010	2009	
Cash flows from operating activities:			
Net income	\$ 10,470	\$ 6,435	
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	3,000	4,700	
Depreciation of premises and equipment	1,540	1,575	
Net amortization of premium and discount	207	229	
Net amortization of intangibles	581	616	
Share-based compensation	395	398	
Earnings from bank-owned life insurance	(913 )	(891 )	
Net gains on loan sales and commissions on loans originated for others	(878 )	(2,596 )	
Net realized gains on securities	–	(314 )	
Net impairment losses recognized in earnings	417	1,991	
Net losses (gains) on interest rate swap contracts	53	(401 )	
Proceeds from sales of loans	59,487	167,015	
Loans originated for sale	(57,518 )	(167,604 )	
(Increase) decrease in accrued interest receivable, excluding purchased interest	(56 )	1,169	
Decrease (increase) in other assets	2,474	(2,685 )	
(Decrease) increase in accrued expenses and other liabilities	(3,140 )	617	
Net cash provided by operating activities	16,119	10,254	
Cash flows from investing activities:			
Purchases of:	Mortgage-backed securities available for sale	(44,479 )	–
	Other investment securities available for sale	(15,000 )	(204 )
Proceeds from sale of:	Other investment securities available for sale	711	1,604
Maturities and principal payments of:	Mortgage-backed securities available for sale	82,301	88,564
	Other investment securities available for sale	–	7,000
Net increase in loans	(54,553 )	(50,615 )	
Purchases of loans, including purchased interest	(558 )	(4,154 )	
Proceeds from the sale of property acquired through foreclosure or repossession	219	367	
Purchases of premises and equipment	(1,253 )	(1,993 )	
Purchases of bank-owned life insurance	(5,000 )	–	
Equity investment in real estate limited partnership	(414 )	–	
Payment of deferred acquisition obligation	–	(2,509 )	
Net cash (used in) provided by investing activities	(38,026 )	38,060	
Cash flows from financing activities:			
Net increase in deposits	26,895	92,852	

Edgar Filing: WASHINGTON TRUST BANCORP INC - Form 10-Q

Net decrease in other borrowings	(587 )	(2,195 )
Proceeds from Federal Home Loan Bank advances	164,500	224,170
Repayment of Federal Home Loan Bank advances	(156,679 )	(365,359 )
Issuance of treasury stock, including deferred compensation plan activity	44	19
Net proceeds from the issuance of common stock under dividend reinvestment plan	517	555
Net proceeds from the exercise of stock options and issuance of other compensation-related equity instruments	558	117
Tax benefit from stock option exercises and issuance of other compensation-related equity instruments	47	303
Cash dividends paid	(6,759 )	(6,705 )
Net cash provided by (used in) financing activities	28,536	(56,243 )
Net increase (decrease) in cash and cash equivalents	6,629	(7,929 )
Cash and cash equivalents at beginning of period	57,260	58,190
Cash and cash equivalents at end of period	\$ 63,889	\$ 50,261
<b>Noncash Investing and Financing Activities:</b>		
Loans charged off	\$ 2,538	\$ 2,509
Net transfer from loans to property acquired through foreclosure or repossession	630	236
Reclassification of other-than-temporary impairment charge effective January 1, 2009	–	1,859
Supplemental Disclosures: Interest payments	24,148	33,588
Income tax payments	4,513	5,168

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

Table of Content

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

General

Washington Trust Bancorp, Inc. (the “Bancorp”) is a publicly-owned and registered bank holding company that has elected financial holding company status. The Bancorp owns all of the outstanding common stock of The Washington Trust Company (the “Bank”), a Rhode Island chartered commercial bank founded in 1800. Through its subsidiaries, the Bancorp offers a complete product line of financial services including commercial, residential and consumer lending, retail and commercial deposit products, and wealth management services through its offices in Rhode Island, eastern Massachusetts and southeastern Connecticut, ATMs, and its Internet website ([www.washtrust.com](http://www.washtrust.com)).

(1) Basis of Presentation

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

The accounting and reporting policies of the Corporation conform to U.S. generally accepted accounting principles (“GAAP”) and to general practices of the banking industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to change are the determination of the allowance for loan losses and the review of goodwill, other intangible assets and investments for impairment. The current economic environment has increased the degree of uncertainty inherent in such estimates and assumptions.

In the opinion of management, the accompanying consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) and disclosures necessary to present fairly the Corporation’s financial position as of June 30, 2010 and December 31, 2009, respectively, and the results of operations and cash flows for the interim periods presented. Interim results are not necessarily reflective of the results of the entire year. The unaudited consolidated financial statements of the Corporation presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission (“SEC”) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by GAAP. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2009.

(2) Recently Issued Accounting Pronouncements

Accounting Standards Codification (“ASC”) 860, “Transfers and Servicing,” incorporates former SFAS No. 166, “Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140” which was issued in June 2009 and was effective for interim and annual periods beginning after January 1, 2010. These pending provisions of ASC 860 will require more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to the transferred financial assets. Among other things, the concept of a “qualifying special-purpose entity” is eliminated under these pending provisions of ASC 860, which also changes the requirements for derecognizing financial assets and requires additional disclosures. The adoption of these provisions of ASC 860 did not have a material impact on the Corporation’s consolidated financial statements.

ASC 810, “Consolidations,” incorporates former SFAS No. 167, “Amendments to FASB Interpretation No. 46(R)” which was issued in June 2009 and was effective for interim and annual periods beginning after January 1, 2010. These provisions of ASC 810 revise former FASB Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities,” and change how a reporting entity determines when an entity that is insufficiently capitalized or is

not controlled through voting (or similar rights) and therefore should be consolidated. Consolidation of variable interest entities would be based on the target entity's purpose and design as well as the reporting entity's ability to direct the target's activities, among other criteria. The adoption of these provisions of ASC 810 did not have an impact on the Corporation's consolidated financial statements.

-6-

---

Table of ContentWASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES  
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Accounting Standards Update No. 2010-06 “Improving Disclosures about Fair Value Measurements” (“ASU 2010-06”) was issued in January 2010 to update ASC 820 “Fair Value Measurements and Disclosures”. ASU 2010-06 requires new disclosures (1) for significant transfers in and out of Level 1 and Level 2 including a description of the reason for the transfers and (2) in the reconciliation of Level 3 presenting sales, issuances and settlements gross rather than one net number. ASU 2010-06 also requires clarification of existing disclosures requiring (1) measurement disclosures for each “class” of assets and liabilities (a class being a subset of assets and liabilities within one line item in the statement of financial position) using judgment in determining the appropriate classes and (2) disclosures about inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and Level 3. The new disclosures and clarifications of existing disclosures were effective for interim and reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity Level 3 which will be effective for interim and annual periods beginning after December 15, 2010. See Note 10 for the Corporation’s Fair Value Measurements disclosure. The adoption of ASU-2010-06 is not expected to have a material impact on the Corporation’s consolidated financial statements.

Accounting Standards Update No. 2010-11, “Scope Exception Related to Embedded Credit Derivatives” (“ASU 2010-11”) was issued in March 2010 and will be effective for interim and annual periods beginning after June 30, 2010. ASU 2010-11 updates ASC 815 “Derivatives and Hedging” to clarify scope exceptions for embedded credit derivatives features related to the transfer of credit risk in the form of subordination of one financial instrument to another. The adoption of ASU-2010-11 is not expected to have an impact on the Corporation’s consolidated financial statements.

Accounting Standards Update No. 2010-20 “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses” (“ASU 2010-20”) was issued in July 2010. ASU 2010-20 will significantly enhance disclosures that entities must make about the credit quality of financing receivables and the allowance for credit losses. The FASB issued the ASU to give financial statement users greater transparency about entities’ credit-risk exposures and the allowance for credit losses. The disclosures will provide financial statement users with additional information about the nature of credit risks inherent in entities’ financing receivables, how credit risk is analyzed and assessed when determining the allowance for credit losses, and the reasons for the change in the allowance for credit losses. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The amendments in this ASU encourage, but do not require, comparative disclosures for earlier reporting periods that ended before initial adoption. The adoption of ASU-2010-20 is not expected to have a material impact on the Corporation’s consolidated financial statements.

**(3) Federal Home Loan Bank Stock**

The Bank is a member of the Federal Home Loan Bank of Boston (“FHLBB”). The FHLBB is a cooperative that provides services, including funding in the form of advances, to its member banking institutions. As a requirement of membership, the Bank must own a minimum amount of FHLBB stock, calculated periodically based primarily on its level of borrowings from the FHLBB. No market exists for shares of the FHLBB and therefore, they are carried at par value. FHLBB stock may be redeemed at par value five years following termination of FHLBB membership, subject to limitations which may be imposed by the FHLBB or its regulator, the Federal Housing Finance Agency, to maintain capital adequacy of the FHLBB. While the Corporation currently has no intentions to terminate its FHLBB membership, the ability to redeem its investment in FHLBB stock would be subject to the conditions imposed by the FHLBB. In 2008, the FHLBB announced to its members that it is focusing on preserving capital in response to ongoing market volatility including the extension of a moratorium on excess stock repurchases and in 2009 announced the suspension of its quarterly dividends. Based on the capital adequacy and the liquidity position of the FHLBB,

management believes there is no impairment related to the carrying amount of the Corporation's FHLBB stock as of June 30, 2010. Further deterioration of the FHLBB's capital levels may require the Corporation to deem its restricted investment in FHLBB stock to be other-than-temporarily impaired. If evidence of impairment exists in the future, the FHLBB stock would reflect fair value using either observable or unobservable inputs. The Corporation will continue to monitor its investment in FHLBB stock.

-7-

---

Table of ContentWASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES  
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## (4) Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of securities by major security type and class of security at June 30, 2010 and December 31, 2009 were as follows:

(Dollars in thousands)

June 30, 2010	Amortized Cost (1)	Unrealized Gains	Unrealized Losses	Fair Value
<b>Securities Available for Sale:</b>				
Obligations of U.S. government-sponsored enterprises	\$ 56,585	\$ 4,312	\$ –	\$ 60,897
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	464,938	25,338	(110 )	490,166
States and political subdivisions	79,464	3,123	(118 )	82,469
<b>Trust preferred securities:</b>				
Individual name issuers	30,582	–	(7,970 )	22,612
Collateralized debt obligations	4,504	–	(3,632 )	872
Corporate bonds	13,269	1,554	–	14,823
Common stocks	659	102	–	761
Perpetual preferred stocks	3,354	85	(101 )	3,338
<b>Total securities available for sale</b>	<b>\$ 653,355</b>	<b>\$ 34,514</b>	<b>\$ (11,931 )</b>	<b>\$ 675,938</b>

(Dollars in thousands)

December 31, 2009	Amortized Cost (1)	Unrealized Gains	Unrealized Losses	Fair Value
<b>Securities Available for Sale:</b>				
Obligations of U.S. government-sponsored enterprises	\$41,565	\$3,675	\$–	\$45,240
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	503,115	20,808	(477 )	523,446
States and political subdivisions	80,183	2,093	(214 )	82,062
<b>Trust preferred securities:</b>				
Individual name issuers	30,563	–	(9,977 )	20,586
Collateralized debt obligations	4,966	–	(3,901 )	1,065
Corporate bonds	13,272	1,434	–	14,706
Common stocks	658	111	–	769
Perpetual preferred stocks	3,354	396	(140 )	3,610
<b>Total securities available for sale</b>	<b>\$677,676</b>	<b>\$28,517</b>	<b>\$(14,709 )</b>	<b>\$691,484</b>

(1) Net of other-than-temporary impairment losses recognized in earnings.

Securities available for sale with a fair value of \$509 million and \$558 million were pledged in compliance with state regulations concerning trust powers and to secure Treasury Tax and Loan deposits, borrowings, and certain public deposits at June 30, 2010 and December 31, 2009, respectively. (See Note 7 to the Consolidated Financial Statements for additional discussion of FHLBB borrowings.) In addition, securities available for sale with a fair value of \$21.6 million and \$22.2 million were pledged for potential use at the Federal Reserve Bank discount window at

June 30, 2010 and December 31, 2009, respectively. There were no borrowings with the Federal Reserve Bank at either date. Securities available for sale with a fair value of \$6.4 million and \$7.2 million were designated in rabbi trusts for nonqualified retirement plans at June 30, 2010 and December 31, 2009, respectively. Securities available for sale with a fair value of \$3.4 million and \$2.6 million were pledged as collateral to secure certain interest rate swap agreements at June 30, 2010 and December 31, 2009, respectively.



Table of ContentWASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES  
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The following table presents a roll-forward of the balance of credit-related impairment losses on debt securities held at June 30, 2010 for which a portion of an other-than-temporary impairment was recognized in other comprehensive income:

(Dollars in thousands)

Periods ended June 30,	Three Months		Six Months	
	2010	2009	2010	2009
Balance at beginning of period	\$ 2,559	\$ 1,350	\$ 2,496	\$ -
Credit-related impairment loss on debt securities for which an other-than-temporary impairment was not previously recognized	-	-	-	1,350
Additional increases to the amount of credit-related				