WASHINGTON TRUST BANCORP INC
Form DEF 14A
March 13, 2013

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

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý
Filed by a Party other than the Registrant o

Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only, (as permitted by Rule 14a-6(e)(2))
ý Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material under Rule 14a-12

WASHINGTON TRUST BANCORP, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
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  1) Amount Previously Paid:
  2) Form, Schedule or Registration Statement No.:
  3) Filing Party:

4) Date Filed:

WASHINGTON TRUST BANCORP, INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held April 23, 2013

To the Shareholders of
Washington Trust Bancorp, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of WASHINGTON TRUST BANCORP, INC., a Rhode Island corporation (the "Corporation"), will be held at the Westerly Library, 44 Broad Street, Westerly, Rhode Island on Tuesday, the 23rd of April, 2013 at 11:00 a.m. (local time) for the purpose of considering and acting upon the following:

1. The election of four directors, nominated by the Board of Directors, for three-year terms, each to serve until their successors are duly elected and qualified;
2. The ratification of the selection of KPMG LLP as the Corporation's independent registered public accounting firm for the year ending December 31, 2013;
3. A non-binding resolution to approve the compensation of the Corporation's named executive officers;
4. The approval of the Washington Trust Bancorp, Inc. 2013 Stock Option and Incentive Plan; and
5. Such other business as may properly come before the meeting, or any adjournment thereof.

Only shareholders of record at the close of business on February 26, 2013 will be entitled to notice of and to vote at the Annual Meeting.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AND VOTED WHETHER OR NOT YOU PLAN TO BE PRESENT AT THE ANNUAL MEETING. PLEASE SIGN, DATE, AND FILL IN THE ENCLOSED PROXY OR VOTING INSTRUCTION FORM AND RETURN IT BY MAIL IN THE ENCLOSED ADDRESSED ENVELOPE OR VOTE YOUR SHARES THROUGH THE INTERNET OR BY TELEPHONE AS DESCRIBED IN THE ENCLOSED PROXY CARD OR VOTING INSTRUCTION FORM. IF YOU WISH TO VOTE YOUR SHARES IN PERSON AT THE ANNUAL MEETING, YOU MAY REVOKE YOUR PROXY AND DO SO.

Important Notice Regarding the Availability of Proxy Materials for the Annual Shareholder Meeting To Be Held on April 23, 2013: The Corporation's 2013 Proxy Statement, Form 10-K and Annual Report for 2012 are available at www.washtrust.com/proxy. These documents are also available by calling the Corporation's toll-free number (800) 475-2265 or by contacting Elizabeth B. Eckel, Senior Vice President by email at investor.relations@washtrust.com.

Free parking is available at the Washington Trust parking garage at 23 Broad Street, Westerly, Rhode Island. The Westerly Library is handicapped accessible. Please call 401-348-1566 for questions regarding accessibility.

By Order of the Board of Directors,

/s/ David V. Devault
David V. Devault, Secretary

This Proxy Statement is dated March 13, 2013 and was first mailed to the Corporation's shareholders on or about March 13, 2013.

WASHINGTON TRUST BANCORP, INC.
23 Broad Street, Westerly, RI 02891 Telephone: 401-348-1200

PROXY STATEMENT

The accompanying proxy is solicited by and on behalf of the Board of Directors of Washington Trust Bancorp, Inc. (the "Corporation" or "Washington Trust") for use at the Annual Meeting of Shareholders to be held at the Westerly Library, 44 Broad Street, Westerly, Rhode Island on Tuesday, the 23rd of April, 2013 at 11:00 a.m. (local time) (the "Annual Meeting"), and any adjournment thereof, and may be revoked at any time before it is exercised by submission of another proxy bearing a later date, by voting through the Internet or by telephone, by attending the Annual Meeting and voting in person, or by notifying the Corporation of the revocation in writing to the Secretary of the Corporation, 23 Broad Street, Westerly, Rhode Island 02891. If not revoked, the proxy will be voted at the Annual Meeting in accordance with the instructions indicated by the shareholder or, if no instructions are indicated, all shares represented by valid proxies received pursuant to this solicitation (and not revoked before they are voted) will be voted "for" Proposal Nos. 1, 2, 3 and 4.

This Proxy Statement is dated March 13, 2013 and was first mailed to our shareholders on or about March 13, 2013.

Important Notice Regarding the Availability of Proxy Materials for the Annual Shareholder Meeting To Be Held on April 23, 2013: Our 2013 Proxy Statement, our Form 10-K and our Annual Report for 2012 are available at www.washtrust.com/proxy. These documents are also available by calling our toll-free number (800) 475-2265 or by contacting Elizabeth B. Eckel, Senior Vice President, by email at investor.relations@washtrust.com.

As of February 26, 2013, the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting, there were 16,403,296 shares of our common stock, $0.0625 par value, issued and outstanding. Each share of common stock is entitled to one vote per share on all matters to be voted upon at the Annual Meeting, with all holders of common stock voting as one class. A majority of the outstanding shares of common stock entitled to vote, represented in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and broker non-votes will be counted for purposes of determining if a quorum is present.

For Proposal No. 1, you may either vote "for" all the nominees to the Board of Directors or you may "withhold" your vote for any nominee you specify. For each of Proposal Nos. 2, 3 and 4, you may vote "for" or "against" the Proposal, or abstain from voting on the Proposal.

Directors will be elected by a plurality of the votes cast at the Annual Meeting by the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. The individuals who receive the largest number of "for" votes cast are elected as directors, up to the maximum number of directors to be chosen at the meeting. Accordingly, the four nominees who receive the most "for" votes will be elected as directors. Abstentions and broker non-votes will not affect the outcome of the election of directors.

The ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013 will require "for" votes from a majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on this proposal. Abstentions will have the same effect as a vote "against" the proposal. Broker non-votes, if any, will have no effect on the vote.

The approval of the non-binding advisory resolution to approve the compensation of the Corporation's named executive officers will require "for" votes from a majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on this proposal. Abstentions will have the same effect as a vote "against" the proposal. Broker non-votes, if any, will have no effect on the vote.

The approval of the resolution to approve the 2013 Washington Trust Bancorp, Inc. Stock Option and Incentive Plan will require "for" votes from a majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on this proposal. Abstentions will have the same effect as a vote "against" the proposal. Broker non-votes, if any, will have no effect on the vote.

We know of no matters to be brought before the Annual Meeting other than those referred to in this Proxy Statement. If any other matters not described in the Proxy Statement are properly presented at the meeting, any proxies received by us will be voted in the discretion of the proxy holders.

ELECTION OF DIRECTORS (PROPOSAL NO. 1)

Our Board of Directors is divided into three classes, with each class serving staggered terms of three years, so that only one class is elected in any one year. Under our by-laws, any director who reaches his or her 70th birthday agrees to resign from the Board of Directors as of the next Annual Meeting of Shareholders following such director's 70th birthday. There are presently 13 directors.

This year, based on the recommendation of our Nominating and Corporate Governance Committee (the "Nominating Committee"), a total of four nominees for election to the Board of Directors have been nominated to be elected at the Annual Meeting to serve until the 2016 Annual Meeting of Shareholders and until their respective successors are elected and qualified.

Based on the recommendation of our Nominating Committee, the Board of Directors has nominated Barry G. Hittner, Esq., Katherine W. Hoxsie, CPA, Kathleen E. McKeough, and John C. Warren for election at the Annual Meeting. Each of the nominees for director is presently a director of the Corporation. Each of the nominees has consented to being named a nominee in this Proxy Statement and has agreed to serve as a director if elected at the Annual Meeting. In the event that any nominee is unable to serve, the persons named in the proxy have discretion to vote for other persons if the Board of Directors designates such other persons. The Board of Directors has no reason to believe that any of the nominees will be unavailable for election.

The Board of Directors unanimously recommends that shareholders vote "FOR" this proposal.

The following paragraphs provide information as of the date of this Proxy Statement about each member of the Board of Directors and each director nominee. The information presented includes information provided by each director about positions held, principal occupation and business experience for the past five years or more. The biographical description below for each nominee includes the specific experience, qualifications, attributes and skills that led to the conclusion by the Board of Directors that such person should serve as a director of the Corporation. The biographical description below for each director who is not standing for election includes the specific experience, qualifications, attributes and skills that the Board of Directors would expect to consider if it were making a conclusion currently as to whether such person should serve as a director. The Board of Directors did not currently evaluate whether these directors should serve as directors, as the terms for which they have been previously elected continue beyond the Annual Meeting. In addition to the information presented below regarding each person's specific experience, qualifications, attributes and skills that led our Board to the conclusion that he or she should serve as a director, we also believe all of our directors have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to the Corporation and its shareholders.

John J. Bowen, Director since 2011
Mr. Bowen, age 61, has been the Chancellor, President and Chief Executive Officer of Johnson & Wales University, Providence, Rhode Island, since 2010, having served as President and Chief Executive Officer from 2004 to 2010, and is a member of the Board of Trustees of the University. He joined Johnson & Wales University in 1974 as a faculty member and currently oversees more than 17,000 students and approximately 2,000 employees at four domestic campuses. He serves as a board member for a wide variety of not-for-profit organizations and has previously served as a director of a large regional bank. We believe Mr. Bowen's qualifications to serve on the Board of Directors include his experience as an executive of a large, successful institution as well as his previous experience in the banking industry.

Steven J. Crandall, Director since 1983
Mr. Crandall, age 60, has served as Vice President of Ashaway Line & Twine Manufacturing Co., a manufacturer of sporting goods products and medical threads, for over 35 years. Mr. Crandall's experience and responsibilities include domestic and international sales and marketing, corporate finance and financial analysis, and human resources management. We believe Mr. Crandall's qualifications to serve on the Board of Directors include his extensive experience in sales and marketing as well as the management of a successful commercial and industrial business.

Robert A. DiMuccio, CPA, Director since 2010
Mr. DiMuccio, age 55, has served as President and Chief Executive Officer of Amica Mutual Insurance Company since 2005 and has held the title of Chairman since 2009. He joined Amica in 1991 as a Vice President and has held a variety of positions of progressive responsibility, including Chief Financial Officer and Treasurer. Prior to joining Amica, Mr. DiMuccio was an audit partner with the public accounting firm of KPMG LLP, with experience in audits of public and non-public companies including banking and insurance companies. Mr. DiMuccio is also a director and the past Chair of the Property Casualty Insurers Association of America and has earned the Chartered Property Casualty Underwriter (CPCU) designation. We believe Mr. DiMuccio's qualifications to serve on the Board of Directors include his extensive experience in the areas of audit, accounting and financial reporting, as well as his record of leadership in the financial services industry.

Barry G. Hittner, Esq., Director since 2003
Mr. Hittner, age 66, is an attorney, and was Of Counsel with the firm of Cameron & Mittleman from 2003 to 2011. Prior to that, he was Of Counsel with the firm of Edwards & Angell, LLP. His legal experience over many years includes legal representation of banks and insurance entities. He served as the Director of the Rhode Island Department of Business Regulation and as State Banking Commissioner from 1995 to 1999 and served as an attorney with the firm of Edwards & Angell from 1979 to 1995. We believe Mr. Hittner's qualifications to serve on the Board of Directors include his extensive legal experience, with particular emphasis in the financial services industry, as well as his background in the area of regulatory oversight.

Katherine W. Hoxsie, CPA, Director since 1991
Ms. Hoxsie, age 64, has been retired since 2008. She served as the Vice President of Hoxsie Buick-Pontiac-GMC Truck, Inc. automotive dealership, responsible for the company's management and operations from 1991 until 2008. Prior to 1991, Ms. Hoxsie was employed by the public accounting firm of Price Waterhouse with experience in audits of public and non-public companies, including financial services companies. We believe Ms. Hoxsie's qualifications to serve on the Board of Directors include her expertise in the areas of audit, finance, accounting and taxation, as well as her knowledge of regulatory and financial reporting requirements.

Joseph J. MarcAurele, Director since 2009
Mr. MarcAurele, age 61, has served as Chairman, President and Chief Executive Officer of the Corporation and its subsidiary bank, The Washington Trust Company, since April 2010. He joined Washington Trust in 2009 as President and Chief Operating Officer of the Corporation and The Washington Trust Company. He served as President of

Citizens Bank from 2007 to 2009 and previously held positions of President and Chief Executive Officer of Citizens Bank entities in Rhode Island and Connecticut from 2001 to 2007. He held a series of positions of executive leadership at Citizens Bank from 1993 to 2001 in the areas of commercial lending, wealth management and private banking. Prior to that, Mr. MarcAurele held positions at Fleet National Bank with concentration in commercial lending and credit analysis and also held the position of Senior Vice President, Director of Human Resources. We believe Mr. MarcAurele's qualifications to serve on the Board of Directors include his extensive experience in many areas of banking and financial services, experience in positions of executive leadership, and knowledge of the business community in our market area.

Kathleen E. McKeough, Director since 2003
Ms. McKeough, age 62, is retired. She served as the Senior Vice President, Human Resources, of GTECH Holdings Corporation, a lottery industry and financial transaction processing company, from 2000 to 2004. From 1991 to 1999, she served with the U.S. division of Allied Domecq, PLC, a manufacturer and franchiser for 6,500 franchised stores, in positions which included Treasurer, Chief Financial Officer and Senior Vice President, Human Resources. Previously, she held positions in commercial lending and credit administration with Bank of Boston. We believe Ms. McKeough's qualifications to serve on the Board of Directors include her extensive experience in human resources matters as well as her experience in finance and banking.

Victor J. Orsinger II, Esq., Director since 1983
Mr. Orsinger, age 66, is an attorney. Since January 1, 2012, he has had an independent law practice and has been Of Counsel with the firm of Orsinger Nardone Lallo and Thomsen. Mr. Orsinger was a partner in the law firm of Orsinger & Nardone Law Offices from 1985 through December 31, 2011. Previously, Mr. Orsinger was engaged in the practice of law either as a sole practitioner or affiliated with other attorneys and firms. Mr. Orsinger has over 40 years of legal experience in the areas of real estate, estate planning and probate matters, commercial loan transactions, and corporate and partnership law. We believe Mr. Orsinger's qualifications to serve on the Board of Directors include his broad legal experience, including in the areas of commercial and residential real estate lending and wealth management, and knowledge of corporate governance matters.

H. Douglas Randall, III, Director since 2000
Mr. Randall, age 65, is the Chief Executive Officer of Randall, Realtors, and also holds the title of Chief Executive Officer in several related firms including Kinlin Grover Real Estate (since 2009), Kinlin Grover Commercial (since 2010), Page Taft (since 2011) and Pequot Commercial (since 2012). These firms operate 29 realty offices with 485 professionals and staff in Rhode Island, Massachusetts and Connecticut. Mr. Randall has over 40 years of experience in realty and property use matters, holding Graduate Realtors Institute and Certified Residential Broker designations. We believe Mr. Randall's qualifications to serve on the Board of Directors include his extensive experience in and knowledge of real estate matters as well as the management of a successful realty business.

Edwin J. Santos, Director Since 2012
Mr. Santos, age 53, has had a distinguished career in banking, with experience in risk management, corporate governance, management advisory services, acquisitions, and reengineering efforts. He served for many years in various positions of significant responsibility with FleetBoston Financial Group and most recently served as Group Executive Vice President and General Auditor for Citizens Financial Group prior to his retirement in 2009. Mr. Santos currently serves as Chairman of CharterCARE Health Partners and previously served as Vice Chairman of the Bryant University Board of Trustees. We believe Mr. Santos' professional competency, broad experience in the financial services industry and strong reputation in the Rhode Island community qualify him to serve on the Board of Directors.

Patrick J. Shanahan, Jr., Director since 2002
Mr. Shanahan, age 68, is retired and was the Chairman and Chief Executive Officer, First Financial Corp., a publicly traded Rhode Island bank holding company, from 1981 to 2002, and served as the President and Chief Executive Officer of its commercial bank subsidiary, First Bank and Trust Company, from 1975 to 2002. Mr. Shanahan has over 45 years experience in the financial services industry. We believe Mr. Shanahan's qualifications to serve on the Board of Directors include his extensive experience in the leadership and governance of a commercial bank, his background in commercial lending, and his knowledge of financial reporting and bank regulatory matters.

John F. Treanor, Director since 2001

Mr. Treanor, age 65, served as the President and Chief Operating Officer of the Corporation and The Washington Trust Company from 1999 until his retirement in 2009. Mr. Treanor has over 40 years of experience in the financial services industry. Prior to joining Washington Trust, he held Chief Financial Officer positions with commercial banks for ten years and previously served as Director of Corporate Planning and Mergers and Acquisitions for a major Boston bank

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for more than five years. Mr. Treanor is a member of the board of directors of the Federal Home Loan Bank of Boston and a member of the board of directors of Beacon Mutual Insurance Company, where he serves as chairperson of the Audit Committee. We believe Mr. Treanor's qualifications to serve on the Board of Directors include his strong background in banking and finance as well as his extensive knowledge of regulatory and governance matters.

John C. Warren, Director since 1996
Mr. Warren, age 67, retired as Chairman and Chief Executive Officer of the Corporation and The Washington Trust Company in April 2010. He had served in that capacity since 1999. He joined Washington Trust as President in 1996. Mr. Warren has nearly 40 years of banking and capital markets experience. Prior to joining Washington Trust, he served as Chief Executive Officer of Sterling Bancshares Corporation for six years. Earlier, he held numerous positions in the fields of investments, asset/liability management and capital markets with Shawmut National Corp. We believe Mr. Warren's qualifications to serve on the Board of Directors include his long experience in banking and finance as well as his successful experience in growth of the Corporation within existing markets and through acquisitions.

None of our director nominees or incumbents serves or has served during the past five years as a director of any other company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or registered as an investment company under the Investment Company Act of 1940, as amended.

The following table sets forth certain information as of February 26, 2013 regarding (i) the beneficial ownership interest in our common stock of the directors and certain executive officers of the Corporation and the Corporation's subsidiary, The Washington Trust Company (the "Bank"), (ii) the beneficial ownership interest of all directors and executive officers of the Corporation, as a group, and (iii) the security holdings of each person, including any group of persons, known by the Corporation to be the beneficial owner of five percent (5%) or more of our common stock outstanding.

	Term Expiring In	Common Stock	Exercisable Options (a)	Vested Restricted Stock Units (b)	Total	Percentage Of Class	
Nominees and Directors:							
Barry G. Hittner, Esq.	2013	7,100	2,000	1,000	10,100	0.06	%
Katherine W. Hoxsie, CPA	2013	133,637	4,000	1,000	138,637	0.84	%
Kathleen E. McKeough	2013	4,620	2,000	1,000	7,620	0.05	%
John C. Warren	2013	50,681	—	1,000	51,681	0.31	%
John J. Bowen	2014	3,000	—	—	3,000	0.02	%
Robert A. DiMuccio, CPA	2014	2,200	—	—	2,200	0.01	%
H. Douglas Randall, III	2014	15,074	4,000	1,000	20,074	0.12	%
John F. Treanor	2014	22,876	—	1,000	23,876	0.14	%
Steven J. Crandall	2015	6,707	4,000	1,000	11,707	0.07	%
Joseph J. MarcAurele	2015	3,000	—	—	3,000	0.02	%
Victor J. Orsinger II, Esq.	2015	12,669	2,000	1,000	15,669	0.09	%
Edwin J. Santos	2015	1,000	—	—	1,000	0.01	%
Patrick J. Shanahan, Jr.	2015	40,976	4,000	1,000	45,976	0.28	%
Certain Executive Officers:							
Stephen M. Bessette		3,242	12,100	—	15,342	0.09	%
Galan G. Daukas		1,270	39,515	—	40,785	0.25	%
David V. Devault		38,671	17,500	—	56,171	0.34	%
Mark K. W. Gim		2,830	9,200	—	12,030	0.07	%
All directors and executive officers as a group (23 persons)		377,302	143,247	9,000	529,549	3.20	%
Beneficial Owners:							
David W. Wallace (c) 680 Steamboat Road, Greenwich, CT 06830		1,968,417	—	—	1,968,417	11.89	%
Jean and David W. Wallace Foundation (d) 680 Steamboat Road, Greenwich, CT 06830		913,000	—	—	913,000	5.51	%
BlackRock, Inc. (e)		901,124	—	—	901,124	5.44	%
T. Rowe Price Associates, Inc. (f)		1,262,030	—	—	1,262,030	7.62	%

(a) Stock options that are or will become exercisable within 60 days of February 26, 2013.

(b) Restricted stock units that are or will become exercisable within 60 days of February 26, 2013.

(c) Based on information set forth in an Amendment No. 14 to a Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2013 and other information provided by Mr. Wallace to the Corporation. Includes 134,000 shares owned by Mr. Wallace's spouse, 913,000 shares held by the Jean and David W. Wallace Foundation, of which Mr. Wallace serves as Trustee, and 44,417 shares held by the Trust Two F/B/O Lindsay Mclean Juge for which Mr. Wallace's spouse serves as trustee.

(d) Based on information set forth in an Amendment No. 14 to a Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2013. These shares are also included in the shares owned by David W.

Wallace as discussed in more detail in footnote (c) above.

(e) Based on information set forth in an Amendment No. 2 to a Schedule 13G/A filed with the Securities and Exchange Commission on February 11, 2013.

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(f) Based on information set forth in an Amendment No. 3 to a Schedule 13G/A filed with the Securities and Exchange Commission on February 11, 2013. These shares are owned by various individuals and institutional investors for which T. Rowe Price Associates, Inc. ("Price Associates") serves as an investment adviser with power to direct investments and/or sole power to vote the shares. For purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be a beneficial owner of such shares; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such shares.

CORPORATE GOVERNANCE

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines, which are available on our website at www.washtrust.com under Investor Relations – Governance Documents. The Guidelines describe our corporate governance practices and address issues such as Board composition and responsibilities, Board leadership structure, the Board's relationship with management and executive succession planning.

Board Leadership Structure

The Board believes that the Corporation's Chief Executive Officer is best positioned to serve as Chairman because he is the director most familiar with the Corporation's business and industry, and most capable of effectively identifying and executing strategy priorities. The Corporation's independent directors bring experience, oversight and expertise from various areas outside the Corporation, while the Chief Executive Officer brings Corporation-specific experience and expertise. The Board recognizes its responsibility to hold management accountable for the execution of strategy once it is developed. The Board believes the combined role of Chairman and Chief Executive Officer, together with an independent Lead Director having the duties described below, is in the best interest of shareholders because it fosters clear accountability and effective decision-making while providing the appropriate balance between strategy development and independent oversight of management.

Lead Director

The Corporation's Corporate Governance Guidelines call for the Chairperson of the Nominating Committee of the Board to serve as Lead Director. The Lead Director has the responsibility of presiding at all executive sessions of the non-employee, independent directors, consulting with the Chairman and Chief Executive Officer on Board and committee meeting agendas, acting as a liaison between management and the non-management directors, including maintaining frequent contact with the Chairman and Chief Executive and advising him on the efficiency of the Board meetings and the facilitation of communication between the non-management directors and management.

Executive Sessions

The Board believes that executive sessions consisting solely of independent directors are part of good governance practices. The Board conducts executive sessions as deemed necessary from time to time and as otherwise required by the NASDAQ Listing Rules.

Director Independence

The Corporation's Board has determined that each of current directors John J. Bowen, Steven J. Crandall, Robert A. DiMuccio, Barry G. Hittner, Katherine W. Hoxsie, Kathleen E. McKeough, Victor J. Orsinger II, H. Douglas Randall, III, Edwin J. Santos, Patrick J. Shanahan, Jr. and John F. Treanor is considered independent under the NASDAQ Listing Rules.

Any interested party who wishes to make their concerns known to the independent directors may avail themselves of the same procedures utilized for shareholder communications with the Corporation's Board, which procedures are described under the heading "Communications With the Board of Directors" on page 52 of this Proxy Statement.

The Board's Role in Risk Oversight

The Board's role in the Corporation's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Corporation, including operational, credit, interest rate, liquidity, fiduciary, legal, regulatory, compensation, strategic and reputational risks. The full Board of the Corporation or the

Bank (or the appropriate Committee in the case of risks that are under the purview of a particular Committee) receives these reports from the appropriate “risk owner” within the organization to enable it to understand and determine the adequacy of our risk identification, risk management and risk mitigation strategies. When a Committee receives a report, the Chairman of the relevant Committee reports on the discussion to the full Board of the Corporation or the Bank at the next Board meeting. This enables the Board and its Committees to coordinate the risk oversight role, particularly with respect to risk interrelationships. As part of its charter, the Audit Committee reviews the effectiveness of the risk assessment and risk management program.

BOARD OF DIRECTORS AND COMMITTEES

Meeting Attendance

The Corporation’s Board of Directors held 13 meetings in 2012. The Board of Directors of the Bank, the members of which included all of the Corporation’s Board members, held 13 meetings in 2012. The independent directors of the Corporation’s Board and the Bank’s Board each met in executive session two times during 2012. During 2012, each member of the Corporation’s Board attended at least 75% of the aggregate number of meetings of the Corporation’s Board, the Bank’s Board and the committees of the Corporation’s Board of which such person was a member. While we do not have a formal policy related to Board member attendance at Annual Meetings of Shareholders, directors are encouraged to attend each Annual Meeting to the extent reasonably practicable. Each of our directors attended the April 24, 2012 Annual Meeting of Shareholders.

Board Committees

The committees of the Corporation’s Board consist of an Executive Committee, a Nominating Committee, an Audit Committee and a Compensation and Human Resources Committee (the “Compensation Committee”).

Executive Committee

Members of the Executive Committee are directors Orsinger (Chairperson), Hittner, Hoxsie, McKeough and MarcAurele. Gary P. Bennett served as a member of the Executive Committee until his retirement from the Board in April 2012. The Executive Committee met one time in 2012. When the Corporation’s Board is not in session, the Executive Committee is entitled to exercise all the powers and duties of the Corporation’s Board.

Nominating Committee

Members of the Nominating Committee are directors Orsinger (Chairperson), Hittner, Hoxsie and McKeough. Gary P. Bennett served as a member of the Nominating Committee until his retirement from the Board in April 2012. No member of the Nominating Committee is an employee of the Corporation and each is considered independent. As needed, the members of the Nominating Committee meet without the presence of employee directors or management. The Nominating Committee met five times in 2012.

The Nominating Committee has a written charter that is available on our website at www.washtrust.com under Investor Relations – Governance Documents. The Nominating Committee’s responsibilities and authorities, which are discussed in detail in its charter, include, among other things:

- Establishing procedures for identifying and evaluating nominees for the Board.
- Establishing procedures to be followed by shareholders in submitting recommendations for director candidates to the Nominating Committee.
- Reviewing and assessing succession plans for the Chief Executive Officer position.
- Developing and recommending to the Corporation’s Board a set of Corporate Governance Guidelines and recommending any changes to such Guidelines.
- Overseeing the evaluation of the Corporation’s Board and management.

Neither the Nominating Committee nor the Board has a policy with regard to the consideration of diversity in identifying director nominees, although both may consider diversity when identifying and evaluating proposed director candidates. At a minimum, each nominee to become a Board member, whether proposed by a shareholder or any other party, must (1) have the highest personal and professional integrity, demonstrate sound judgment and effectively interact with other members of the Corporation's Board to serve the long-term interests of the Corporation and our shareholders; (2) have experience at a strategic or policy-making level in a business, government, not-for-profit or academic organization of high standing; (3) have a record of distinguished accomplishment in his or her field; (4) be well regarded in the community and have a long-term reputation for the highest ethical and moral standards; (5) have sufficient time and availability to devote to the affairs of the Corporation, particularly in light of the number of boards on which the nominee may serve; and (6) to the extent such nominee serves or has previously served on other boards, have a demonstrated history of actively contributing at board meetings.

The Nominating Committee will evaluate all such proposed nominees in the same manner, without regard to the source of the initial recommendation of such proposed nominee. In seeking candidates to consider for nomination to fill a vacancy on the Corporation's Board, the Nominating Committee may solicit recommendations from a variety of sources, including current directors, our Chief Executive Officer and other executive officers. The Nominating Committee may also engage a search firm to identify or evaluate or assist in identifying or evaluating candidates.

The Nominating Committee will consider nominees recommended by shareholders. Shareholders who wish to submit recommendations for candidates to the Nominating Committee must submit their recommendations in writing to the Secretary of the Corporation at 23 Broad Street, Westerly, RI 02891, who will forward all recommendations to the Nominating Committee. For a shareholder recommendation to be considered by the Nominating Committee at the 2014 Annual Meeting of Shareholders, it must be submitted to the Corporation by November 8, 2013. All shareholder recommendations for nominees must include the following information: (1) the name and address of record of the shareholder; (2) a representation that the shareholder is a record holder of our securities, or if the shareholder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b)(2) of the Exchange Act; (3) the name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the proposed nominee; (4) a description of the qualifications and background of the proposed nominee that addresses the minimum qualifications and other criteria for board membership approved by the Corporation's Board; (5) a description of all arrangements or understandings between the shareholder and the proposed nominee; (6) the consent of the proposed nominee to (a) be named in the proxy statement relating to our Annual Meeting of Shareholders, and (b) serve as a director if elected at such Annual Meeting; and (7) any other information regarding the proposed nominee that is required to be included in a proxy statement filed pursuant to the rules of the SEC.

Shareholder nominations that are not being submitted to the Nominating Committee for consideration may be made at an Annual Meeting of Shareholders in accordance with the procedures set forth in clause (e) of Article Eighth of our Restated Articles of Incorporation, as amended. Specifically, advanced written notice of any nominations must be received by the Secretary not less than 14 days nor more than 60 days prior to any meeting of shareholders called for the election of directors (provided that if fewer than 21 days' notice of the meeting is given to shareholders, notice of the proposed nomination must be received by the Secretary not later than the 10th day following the day on which notice of the meeting was mailed to shareholders).

The Nominating Committee recommended that Barry G. Hittner, Esq., Katherine W. Hoxsie, CPA, Kathleen E. McKeough, and John C. Warren be nominated for election to serve as directors until the 2016 Annual Meeting of Shareholders.

Audit Committee

Members of the Audit Committee are directors Hoxsie (Chairperson), Crandall, DiMuccio, Hittner, McKeough, Santos and Shanahan. No member of the Audit Committee is an employee of the Corporation and each is considered independent under the NASDAQ Listing Rules and Rule 10A-3(b)(1) under the Exchange Act. The Corporation's Board has determined that Ms. Hoxsie and Mr. DiMuccio each qualify as an "audit committee financial expert" under the Exchange Act. The Audit Committee met 12 times in 2012.

The Audit Committee has a written charter that is available on our website at www.washtrust.com under Investor Relations – Governance Documents. The role of the Audit Committee is to oversee (a) the accounting and financial reporting processes of the Corporation and its subsidiaries; (b) the audits of the financial statements of the Corporation and its subsidiaries; (c) and the Corporation and the Bank's internal controls, loan review, risk management, compliance, security, Code of Ethics, credit quality and allowance for loan losses. To that end, the Audit Committee is directly responsible for, among other things, (i) the appointment, retention and oversight, and for determining the compensation, of the Corporation's independent registered public accounting firm, (ii) evaluating the independence of the Corporation's independent registered public accounting firm, (iii) the review and approval of the overall audit plans, including scope and staffing, (iv) oversight of the Corporation's internal audit function, (v) review of the loan review program and loan review results, (vi) oversight of risk management activities, (vii) oversight of the compliance program, (viii) oversight of the security program, and (ix) review of the Code of Ethics and the Corporation's related compliance program.

While the Audit Committee oversees our financial reporting process for the Corporation's Board consistent with the Audit Committee Charter, management has primary responsibility for this process, including our system of internal controls, and for the preparation of our consolidated financial statements in accordance with U.S. generally accepted accounting principles. In addition, our independent registered public accounting firm, and not the Audit Committee, is responsible for auditing those financial statements. The Audit Committee's report on our audited financial statements for the fiscal year ended December 31, 2012 appears elsewhere in this Proxy Statement.

Compensation Committee
Members of the Compensation Committee are directors McKeough (Chairperson), Bowen, Hittner, Orsinger and Shanahan. Gary P. Bennett served as a member of the Compensation Committee until his retirement from the Board in April 2012. No member of the Compensation Committee is an employee of the Corporation and each is considered independent under the currently applicable NASDAQ Listing Rules. The Compensation Committee met eight times in 2012.

The Compensation Committee has a written charter that is available on our website at www.washtrust.com under Investor Relations – Governance Documents. Generally, the Compensation Committee is responsible for executive and director compensation decisions, and reports all actions to the members of the Corporation's Board. The Compensation Committee's responsibilities and authorities, which are discussed in detail in its charter, include, among other things:

- Establishing our compensation philosophy, and reviewing compensation practices to ensure alignment with that philosophy.
- Establishing annual compensation for the Chief Executive Officer and all other executive officers including salary, incentive, and equity compensation.
- Establishing cash incentive plans for all employees, and approving awards under such plans to the Chief Executive Officer and all other executive officers.
- Establishing director compensation.
- Approving equity compensation awards and the terms of such awards to employees and directors.
- Reviewing the impact of our compensation practices in relation to the Corporation's risk management objectives.
- Administering our retirement, benefit, and equity compensation plans, programs, and policies.

A schedule of meetings and preliminary agenda is established at the end of each year for the coming fiscal year. The agenda for Compensation Committee meetings is determined by its Chairperson with the assistance of the Executive Vice President, Human Resources. Compensation Committee meetings are regularly attended by the Chief Executive Officer and other members of the senior management team, although they are not voting members nor are they present during executive session deliberations regarding their own compensation. The Compensation Committee meets regularly in executive session without the presence of employee directors and management. The Compensation Committee met in executive session seven times during 2012.

The Compensation Committee has authority under its charter to select, retain, terminate, and approve the fees of advisers, counsel or other experts or consultants, as it deems appropriate. The Compensation Committee has engaged

Pearl Meyer & Partners, an independent compensation consulting firm, to assist in fulfillment of its duties. The selection of Pearl Meyer & Partners was made by the Compensation Committee after review of, among other things, the Committee’s needs, the qualifications of the firm’s personnel, the firm’s independence, the firm’s resources, past experience with the firm, and a good faith estimate of fees, and was not made pursuant to the recommendation of management. The compensation consultant advises the Compensation Committee with respect to compensation and benefit trends, best practices, market analysis, plan design, and establishing targets for individual compensation awards. The use of an independent compensation consultant provides additional assurance that our executive compensation programs are reasonable and consistent with our philosophy and objectives. The compensation consultant reports directly to the Compensation Committee and attended several meetings during 2012. The Compensation Committee meets with the compensation consultant from time to time in executive session without the presence of employee directors and management. The Compensation Committee does not prohibit its advisers from providing services to management, but such engagement must be requested or approved by the Compensation Committee.

During 2012, Pearl Meyer & Partners received total remuneration of $67,332 for consulting services on behalf of the Compensation Committee related to compensation analysis and planning. We did not engage Pearl Meyer & Partners for any services other than those related to executive and director compensation consulting on behalf of the Compensation Committee during 2012. The Compensation Committee has considered all relevant factors, including the six factors listed in Section 10C-1(b)(4) of the Exchange Act, and determined that no conflict of interest exists with respect to Pearl Meyer & Partners.

The Compensation Committee may delegate authority to fulfill certain administrative duties regarding the compensation and benefit programs to our senior management team. The Compensation Committee solicits the input and recommendations of the Chief Executive Officer for compensation awards to other executives, including the named executive officers. Such awards are further discussed in executive session, with decisions made by the Compensation Committee without the Chief Executive Officer’s involvement.

The Compensation Committee’s report on executive compensation appears elsewhere in this Proxy Statement.

Please note that the information contained on our website is not incorporated by reference in, or considered to be a part of, this Proxy Statement.

EXECUTIVE OFFICERS

The following is a list of all executive officers of the Corporation and the Bank with their titles, ages, and years of service, followed by certain biographical information as of December 31, 2012.

Name	Title	Age	Years of Service
Joseph J. MarcAurele	Chairman, President and Chief Executive Officer of the Corporation and the Bank	61	3
David V. Devault	Senior Executive Vice President, Secretary and Chief Financial Officer of the Corporation and the Bank	58	26
Galan G. Daukas	Executive Vice President of Wealth Management of the Corporation and the Bank	49	7
Mark K. W. Gim	Executive Vice President and Treasurer of the Corporation and the Bank	46	19
Stephen M. Bessette	Executive Vice President – Retail Lending of the Bank	65	16
Kristen L. DiSanto	Executive Vice President – Human Resources of the Bank	43	18
James M. Hagerty	Executive Vice President and Chief Lending Officer of the Bank	55	-
Barbara J. Perino, CPA	Executive Vice President – Operations and Technology of the Bank	51	24
Dennis L. Algiere	Senior Vice President – Chief Compliance Officer and Director of Community Affairs of the Bank	52	17
Elizabeth B. Eckel	Senior Vice President – Marketing of the Bank	52	21
Brenda H. Senak	Senior Vice President – Risk Management of the Bank	60	4

Mr. MarcAurele's biographical information appears on page 3 of this Proxy Statement.

David V. Devault joined the Bank in 1986 as Controller. He was promoted to Vice President and Chief Financial Officer of the Corporation and the Bank in 1987 and to Senior Vice President and Chief Financial Officer of the Corporation and the Bank in 1990. In 1997, he was also elected Treasurer of the Corporation and the Bank. He was named Executive Vice President, Treasurer and Chief Financial Officer of the Corporation and the Bank in 1998. He was appointed to the position of Secretary of the Bank in 2002 and Secretary of the Corporation in 2005. In 2008, his title was changed to Executive Vice President, Chief Financial Officer and Secretary of the Corporation and the Bank. He was promoted to Senior Executive Vice President in 2010.

Galan G. Daukas joined the Corporation and the Bank in 2005 as Executive Vice President of Wealth Management. Prior to joining Washington Trust, he held the position of Chief Operating Officer of The Managers Funds, LLC from 2002 to 2005.

Mark K. W. Gim joined the Bank in 1993 as Financial Planning Officer. He was promoted to Assistant Vice President – Financial Planning of the Bank in 1995, and to Vice President – Financial Planning of the Bank in 1996. In 2000, he was promoted to Senior Vice President – Financial Planning and Asset/Liability Management of the Bank. He was named Executive Vice President and Treasurer of the Corporation and the Bank in 2008.

Stephen M. Bessette joined the Bank in 1997 as Senior Vice President – Retail Lending. He was named Executive Vice President – Retail Lending in 2005.

Kristen L. DiSanto joined the Bank in 1994 and was named Assistant Vice President in 1996 and Vice President in 1998. She was promoted to Senior Vice President – Human Resources in 2009. She was promoted to Executive Vice President – Human Resources in December 2012.

James M. Hagerty joined the Bank in July 2012 as Executive Vice President and Chief Lending Officer. From December 2001 until he joined Washington Trust, he served as Senior Vice President, Rhode Island Market Manager, for Citizens Bank, responsible for middle market and not-for-profit commercial lending.

Barbara J. Perino joined the Bank in 1988 as Financial Accounting Officer. She was named Controller in 1989 and Vice President - Controller in 1992. In 1998, she was promoted to Senior Vice President – Operations and Technology. She was promoted to Executive Vice President in 2010.

Dennis L. Algiere joined the Bank in 1995 as Compliance Officer. He was named Vice President – Compliance in 1996 and was promoted to Senior Vice President – Compliance and Community Affairs in 2001. He was named Senior Vice President – Chief Compliance Officer and Director of Community Affairs in 2003.

Elizabeth B. Eckel joined the Bank in 1991 as Director of Advertising and Public Relations. In 1995, she was named Vice President – Marketing. She was promoted to Senior Vice President – Marketing in 2000.

Brenda H. Senak joined the Bank in 2008 as Senior Vice President – Risk Management. Prior to joining Washington Trust, she held credit risk approval and other risk management executive positions in the Global Wealth and Investment Management Division of Bank of America, including the position of Senior Vice President, Senior Credit Risk Approval Executive from 2006 to 2008.

COMPENSATION RISK ANALYSIS

Annually, the Compensation Committee performs a complete review of the Corporation's short-term and long-term incentive compensation plans to assess and ensure the incentive arrangements do not encourage executives and/or other employees to take excessive risks. The results of this review are presented by the Compensation Committee Chairman to the Board of Directors.

The Compensation Committee takes a three-pronged approach to their review, analyzing governance practices, plan design, and policies and internal controls. The Compensation Committee identifies areas of material risk to the Corporation, including operational, credit, interest rate, liquidity, compliance, strategic and reputational risks. Following the completion of a detailed analysis, the Compensation Committee concluded that all incentive plans appropriately balance risk and reward, and align employee interests with shareholders based on the following observations:

We structure our pay to consist of both fixed (salary) and variable compensation (cash incentive and equity compensation). We believe that the variable elements provide an appropriate percentage of overall compensation to motivate executives to focus on our performance, while the fixed element serves to provide an appropriate and fair compensation level that does not encourage executives to take unnecessary or excessive risks in achievement of goals.

Our compensation program balances short-term and long-term performance, and does not place inappropriate focus on achieving short-term results at the risk of long-term, sustained performance.

Most incentive plans (including the plans covering our executive officers) include a threshold, target and maximum payment. The maximum ensures that payments do not exceed a certain level, keeping compensation mix within acceptable ranges and limiting excessive payments under any one element.

All incentive plan designs are reviewed and approved by the Compensation Committee annually.

Performance targets for the annual performance plan, which covers most executives, are established annually by the Board of Directors. We have internal controls over the measurement and calculation of these performance metrics, which are designed to prevent manipulation of results by any employee, including the executives. Additionally, the Board monitors the corporate performance metrics each month.

The Compensation Committee has the discretion to modify any plan payment upwards or downwards, allowing the Committee to consider the circumstances surrounding corporate and/or individual performance and adjust payments accordingly.

The incentive programs covering named executive officers include a "clawback" provision requiring the executives to reimburse the Corporation for any plan payment that would not have been earned based on restated financial results. The "clawback" provision is intended to discourage executives from manipulating performance results that would assure a payment.

There are appropriate internal controls and oversight of the approval and processing of payments.

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There are robust internal controls and the segregation of duties throughout the Corporation, including areas responsible for making credit and investment decisions.
The Corporation's existing governance and organizational structure already incorporates a substantial risk management component with oversight by the Board, the appointment of a Senior Risk Officer, as well as additional oversight functions performed by the Enterprise Risk Management Committee of senior management as well as various committees of management or the Bank's Board responsible for managing the risks associated with credit granting, interest rate and liquidity, investment portfolio management, fiduciary services and technology. These committees are responsible for forming economic assumptions that are used in planning and budgeting, evaluating all new initiatives and evaluating risk.
Equity compensation consists of performance share units, restricted stock units, and stock options, which vest over three or five years. These grants encourage executives to take a long-term perspective on overall corporate performance, which ultimately influences share price appreciation. Equity compensation helps to motivate long-term performance, balancing the cash incentives in place to motivate short-term performance.
Annually, the Compensation Committee reviews our 25 top paid employees, regardless of position, which provides added context and oversight to payments made under the incentive plans to individuals beyond the senior management levels.

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee (the "Committee") has responsibility for establishing, implementing and continually monitoring adherence with our compensation philosophy. The Committee ensures that the total compensation paid to senior executives is fair, reasonable, competitive, performance-based and aligned with shareholder interests.

Executive Summary

The Corporation had another year of exceptional performance in 2012, highlighted by record earnings and growth along key business lines. We continue to take advantage of marketplace dynamics that favor our unique strengths. We continue to gain market share, attract new clients, and build existing relationships by focusing on service excellence and offering superior retail, business and wealth management products.

Highlights include:
Our profitability increased significantly. We generated a record $35.1 million in net income. We earned $2.13 per diluted share, up $0.31 per share, or 17%, over 2011. Return on equity (ROE) was 11.97% and return on assets (ROA) was 1.16%, compared to 10.61% and 1.02%, respectively, for 2011.
Mortgage loan origination volume reached an all-time high of $782.2 million in 2012, and mortgage banking revenues totaled $14.1 million, up 178% from 2011.
Total loans were $2.3 billion at year end, up $146.8 million, or 7%, from December 31, 2011, led by solid growth of $127.8 million, or 11%, in the commercial loan portfolio.
Asset quality remains strong with nonperforming assets of $25.4 million, or 0.83% of total assets, at December 31, 2012.
Total deposits reached a record $2.3 billion at year end, an increase of $186.3 million from December 31, 2011. There was significant improvement in our deposit mix, reflecting growth in lower cost non-time categories of deposits.
Contributing to our success were the expansion of our branch and mortgage footprint and a growing awareness in an expanding market area of Washington Trust as one of the premier financial institutions in New England.
Despite the challenges of continued volatility in the financial markets, wealth management revenues increased by 4.7% over 2011. Assets under administration totaled $4.2 billion at December 31, 2012.
Performance was also strong in comparison to industry peers. For 2012, our core return on equity, core return on assets, core earnings per share growth, price to book, asset quality (non-performing assets as a

percentage of total assets), dividend yield, non-interest income as a percentage of total revenue, and improvement in net interest margin exceeded the 60th percentile of the group of all publicly-traded banks and thrifts located in New England and the Mid-Atlantic (excluding institutions in Puerto Rico) with assets of $1.5 billion to $6.5 billion (source: SNL Financial, for companies reporting as of February 19, 2013).

All of this contributed to a substantial increase in shareholder value as our stock price closed out the year at $26.31 per share, up 10.3% from the 2011 close, and we increased our shareholder dividend twice during 2012. These excellent results were achieved in a slow-growth economy. Furthermore, we believe the Corporation is well positioned to continue our positive growth momentum into 2013 and beyond.

In recognition of the Corporation's financial performance and the contributions made by the named executive officers in 2012, the following compensation actions were approved by the Committee.

The Committee approved base salary merit increases in 2012 and 2013 in line with market trends.

The Committee approved payments under the Annual Performance Plan based on the plan's formula. Payments were above target as a result of the superior performance in 2012.

The Committee approved a payment under the Wealth Management Business Building Incentive Plan based on the plan's formula. Based on 2012 results, this payment was at 62.5% of the target.

Performance share unit awards were granted to all named executive officers.

The actions and the Committee's decision making process are further explained in the narrative following this summary. We believe these actions underscore that our compensation programs are built on a foundation of compensation best practices, which we believe our shareholders demand, including:

A Clear Pay for Performance Link

- A clear pay for performance link for our Chief Executive Officer, providing 58% of total compensation through performance-based pay vehicles in 2012.
- A clear pay for performance link for our other named executives, providing 47% of total compensation, on average, through performance-based pay vehicles in 2012.
- Short term cash incentives on absolute corporate performance for all named executives.
- Performance-based equity compensation for named executives based on the Corporation's relative performance to a group of all publicly traded banks and thrifts in New England and the Mid-Atlantic with similar asset size. 100% of equity compensation grants to the named executive officers were made in the form of performance share units in 2012.

Best Practices in Corporate Governance

- Evaluation of the executive compensation program through the use of tally sheets and other analyses.
- The promotion of meaningful and significant stock ownership through stock holding and equity retention guidelines for all named executive officers.
- "Clawback" provisions for all of our short-term and long-term incentive compensation programs.
- Reasonable provisions in all new change in control agreements (no tax gross-up payment; double triggers, reasonable multiples, etc), including the agreement covering the Chief Executive Officer.
- Incentive compensation that does not promote excessive risk and supports the Corporation's short-term and long-term financial goals.

Compensation Philosophy and Objectives

Our success is highly dependent on hiring, developing and retaining qualified people who are motivated to perform for the benefit of our shareholders, the community, and customers. The Committee believes that an effective executive compensation program should be designed to reward the achievement of specific annual, long-term and strategic goals, and align executive interests with shareholders, with the ultimate objective of enhancing shareholder value. The goal of our compensation program is to compensate senior leadership in a manner that encourages superior corporate performance, defined as at or above the top third of our peer group.

Our compensation program places emphasis on:
- attracting and retaining the best talent in the financial services industry;
- providing compensation for key executives that is competitive with similarly-sized financial institutions;
- linking pay to performance;
- motivating executives to achieve the goals set in our strategic plan;
- returning a fair value to shareholders; and
- ensuring that compensation supports sound risk management practices.

To that end, the Committee believes that compensation packages provided to executives, including the named executive officers listed in this Proxy Statement, should include both cash and stock-based compensation that reward performance as measured against established goals.

Setting Executive Compensation

Our philosophy is to target total compensation at the 50th percentile of our peer group, with opportunities for upward or downward adjustment based on actual corporate performance on an absolute and relative basis. Our base salaries consider market pay levels and reflect individual roles, performance, experience and leadership contribution. Total compensation varies from year to year based on short-term and long-term performance and/or economic conditions.

After the Committee has established targeted overall compensation for each executive, compensation is allocated among base salary, short-term cash incentive, and long-term equity compensation elements. We believe that our most senior executives should have a significant portion of pay provided through performance-based compensation elements. The chart below outlines our target compensation mix for 2012:

		Performance-Based Compensation Elements	
	Base Salary	Short-Term Cash Incentive	Long-Term Equity Incentive
Mr. MarcAurele	50.0%	22.5%	27.5%
Messrs. Devault, Bessette and Gim	58.8%	17.7%	23.5%
Mr. Daukas	44.6%	37.5%	17.9%

As a result, 41.2% to 55.4% of target compensation for the named executive officers is performance-based and therefore, at-risk to the executives. Because a substantial portion of the compensation is based on corporate, divisional and individual performance results, the actual percentage of compensation delivered under each element will vary annually. We believe that this target mix allows our compensation to vary appropriately based on corporate and individual performance in a manner that is aligned with shareholder interests and represents sound risk management principles.

Benchmarking Compensation

Prior to the beginning of the fiscal year, the Committee consulted with Pearl Meyer & Partners, an independent compensation consulting firm, to assess the competitiveness and effectiveness of our executive compensation program. The compensation consultant provided an analysis of base salary, short-term incentive, long-term incentive and benefit practices of comparable companies in the banking industry. The compensation consultant considered

individual compensation elements as well as the total compensation package, and assessed the relationship of pay to performance.

In performing this analysis, the consultant used a peer group of banking institutions, which was reviewed and approved by the Committee. The peer group included institutions of generally similar asset size, regional location, and to the extent possible, organizations with a wealth management business line. At the time the peer group was selected, the Corporation was positioned at the 52th percentile of the peer group in terms of total assets, with asset size ranging from $1.5 billion to $6.5 billion (approximately one-half to two times the size of the Corporation). All banks were based in the Northeast and MidAtlantic region (excluding New York City). The peer group used in the report presented for consideration of 2012 compensation decisions consisted of the following financial institutions:

Arrow Financial Corporation	Bancorp Rhode Island, Inc.	Berkshire Hills Bancorp, Inc.
Brookline Bancorp, Inc.	Camden National Corporation	Century Bancorp, Inc.
Community Bank System, Inc.	First Commonwealth Financial Corp.	Hudson Valley Holding Corporation
Independent Bank Corp.	Lakeland Bancorp, Inc.	NBT Bancorp Inc.
OceanFirst Financial Corp.	Provident New York Bancorp	S & T Bancorp, Inc.
Sandy Spring Bancorp, Inc.	Tompkins Financial Corporation	Tower Bancorp, Inc
TrustCo Bank Corp NY	Univest Corporation of Pennsylvania	WSFS Financial Corporation

Because a peer group analysis is limited to those positions for which compensation information is disclosed publicly, these studies typically include only the five most highly compensated officers at each company. Therefore, the compensation consultant also relied on published compensation surveys to supplement information for these positions, as well as to provide the basis for analysis for other executives. Surveys used for the 2012 study included the Pearl Meyer & Partners Northeast Banking Compensation Survey, Towers Watson Financial Services Survey Suite, and Mercer U.S. Financial Services Survey Suite. Similar asset and regional scope comparisons were used for the benchmarking analysis.

Tally Sheets and Wealth Accumulation Analyses

Annually, the Committee reviews a presentation of total compensation or "tally sheet," for each executive officer. This detailed analysis of actual and potential compensation includes:

- a summary of total compensation for the current and previous fiscal year;
- actual allocation to each compensation element;
- bonus opportunity and related performance levels needed to achieve threshold, target and maximum payouts;
- the value of perquisites, if applicable;
- potential value of unvested equity grants at various levels of stock performance;
- stock ownership levels;
- overall total compensation ranking within the Corporation;
- ratio of CEO compensation to the median employee; and
- potential post-employment payments.

The Committee uses the tally sheets to evaluate each executive officer's total compensation, as well as the impact of the Corporation's performance on compensation. We believe this analysis is an integral part of our evaluation of the executive compensation program.

The Role of Shareholder Say-on-Pay Votes

The Corporation provides its shareholders with the opportunity to cast an annual advisory vote to approve the compensation of the named executive officers (the "say-on-pay proposal"). At the Annual Meeting of Shareholders held on April 24, 2012, over 95% of the votes cast on the say-on-pay proposal were voted in favor of the proposal. We believe this affirms shareholders' support of our approach to executive compensation, and did not significantly change

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the approach in 2012. The Committee will continue to consider the outcome of the annual say-on-pay proposal when making future compensation decisions for the named executive officers.

Compensation Decisions
The Committee is responsible for executive compensation decisions and reports all actions to the Corporation's Board. In determining compensation for the Chief Executive Officer, the Committee considers the compensation consultant's analysis, compensation survey data, corporate performance, economic conditions, and the assessment of the executive's performance by the independent directors of the Corporation's Board. For all other executives, the Committee considers the compensation consultant's analysis, compensation survey data, corporate and business unit performance, economic conditions, and the Chief Executive Officer's assessment of the executive's performance. The Committee solicits the input and recommendations of the Chief Executive Officer for compensation awards to other executives, including the named executive officers.

Committee Actions Regarding Mr. Bessette's Compensation
In recent years, the Corporation has significantly increased its mortgage banking operation. Mr. Bessette was instrumental in the implementation of that strategy. Through his efforts, we successfully increased our mortgage banking presence in Rhode Island, Connecticut and Massachusetts, providing an expanded mortgage footprint that positions us well in these markets. As a result of these efforts, mortgage origination volume has increased from $181 million in 2007 to $782 million in 2012, and mortgage banking revenues (net gains on loan sales and commissions on loans originated for others) have increased from $1.5 million in 2007 to $14.1 million in 2012. In late 2012, the Committee reviewed Mr. Bessette's compensation package with the assistance of the compensation consultant. In consideration of the significant increase in his role within the organization as well as his business line's contribution to the Corporation's current and future success, the Committee increased his salary to $225,000 for 2013, increased his bonus target to 35% of base salary earnings, and exercised discretion in awarding his 2012 annual bonus. These decisions are described in detail later in this Proxy Statement.

Base Salary
Generally, base salaries are targeted at the 50th percentile of our peer group. In reviewing the Chief Executive Officer's base salary and the base salary recommendations made by the Chief Executive Officer for other executives, the Committee primarily considers:
the compensation consultant's analysis and compensation survey data;
the executive's compensation relative to other executive officers;
recent and expected performance of the executive;
the Corporation's recent and expected overall performance; and
the Corporation's overall budget for base salary increases.

The 2012 base salary for Mr. MarcAurele was $480,000. The Committee increased Mr. MarcAurele's salary to $500,000 for 2013. The 2012 base salaries for Messrs. Devault, Daukas, Bessette and Gim were $261,200; $339,200; $191,700 and $189,700, respectively. The Committee increased the salaries of Messrs. Devault, Daukas, Bessette and Gim for 2013 to $269,200; $346,200; $225,000 and $195,400, respectively.

Cash Incentive
The Committee believes that cash incentives are instrumental in motivating and rewarding executives for achievement of corporate and division goals. All of our named executive officers participate in our Annual Performance Plan. In addition, Mr. Daukas participates in our Wealth Management Business Building Incentive Plan, which rewards achievement of growth targets for the wealth management business unit.

Plan terms, including the target bonus levels and relationship of payouts to achievement of financial metrics, were established by the Committee in consultation with the compensation consultant. Annually, the Committee reviews the plans to ensure that they are designed in a manner that continues to motivate employees to achieve our strategic goals.

Cash Incentive Opportunities Under Annual Performance Plan

The Annual Performance Plan provides the opportunity to earn cash awards based on achievements relative to predefined corporate financial goals and individual performance. The target incentive opportunity is a percentage of base salary earnings, and varies by role and level of responsibility. For 2012, the target bonus percentage was 45% for Mr. MarcAurele and 30% for Messrs. Devault, Daukas, Bessette, and Gim. For 2013, the target bonus percentage is 50% for Mr. MarcAurele; 35% for Messrs. Devault and Bessette; and 30% for Messrs. Daukas and Gim. The percentages allocated to the corporate performance component and individual performance component are 70% and 30%, respectively, for the Chief Executive Officer, and 60% and 40%, respectively, for all other executive officers. The maximum payout under the corporate performance component is 150%. During 2012, the Committee increased the maximum payout under the individual performance component from 100% to 150% to better align with market practice, as well as provide consistency on maximum awards between plan components and among cash incentive plans covering executive officers.

Regardless of the actual award determined by the plan parameters, the Committee has the discretion to modify any award, both upwards and downwards. The plan contains a “clawback” provision as further described under the heading “Recoupment (Clawback) Policy” later in this Proxy Statement.

Performance Measures

Corporate performance is based on three financial metrics - net income, fully diluted earnings per share, and return on equity, with each metric receiving equal weighting. At the beginning of each year, the Board establishes performance targets based on our strategic objectives. At the end of each year, the actual performance for each of the financial metrics is measured separately against its target. Corporate performance exceeding a threshold of 80% of the performance target will result in progressively increasing payment levels, ranging from 50% to 150% of the target award as outlined below.

Performance Results	Award Level (as a % of Target)
<80%	0.0%
80.0% to 82.4%	50.0%
82.5% to 87.4%	62.5%
87.5% to 92.4%	75.0%
92.5% to 97.4%	87.5%
97.5% to 102.4%	100.0%
102.5% to 107.4%	112.5%
107.5% to 112.4%	125.0%
112.5% to 117.4%	137.5%
117.5% +	150.0%

Individual performance for the Chief Executive Officer is determined with consideration of matters such as leadership of the senior management team, community involvement and presence, market expansion and enhancement, strategic planning and implementation, corporate governance, risk management, and ability to focus the Corporation on the long-term interests of our shareholders. For the other named executive officers, individual performance is determined with consideration of matters such as leadership, strategic planning, and achievement of business unit operational and/or production goals. In order to qualify for an individual performance award, the weighted average of the financial metrics must be at least 80%. Once that threshold level is achieved, individual performance awards range from 0% to 150% of the target, based on an assessment of employee performance against expectations established at the beginning of each year. The Committee relies upon the assessment of the performance of the Chief Executive Officer by the independent directors of the Corporation’s Board, and considers the Chief Executive Officer’s assessment of the performance of all other senior executives.

2012 Awards

In 2012, the plan targets for the corporate performance metrics were: (i) net income: $32,013,000; (ii) fully diluted earnings per share: $1.95; and (iii) return on equity: 10.92%, with a 100% payout resulting from achievement of

97.5% to 102.4% of these targets. For 2012, the Corporation reported net income of $35,074,000; fully diluted earnings per share of $2.13; and return on equity of 11.97%, which resulted in payouts of 125%, 125%, and 125% respectively, or 125% overall, for the corporate performance component.

Individual performance was assessed based on the criteria described above. The Committee noted the following regarding the individual performance of the named executive officers:

Mr. MarcAurele received a 150% award under the individual performance component due to his strong leadership of the Corporation as evidenced by our outstanding results, including record profitability, solid total shareholder return results and strong peer group performance. In addition, the Committee recognized his efforts in strengthening and expanding the brand within our markets, providing leadership for strategic initiatives and acquiring key talent in order to position the Corporation for future success.

Mr. Devault received a 147.7% award under the individual performance component due to strong job performance, as well as his contributions to the Corporation's overall success. This includes, most notably, strategic guidance regarding key financial aspects of our business, significant contributions in support of effective governance practices, leadership in executing strategic initiatives and his strong contribution to our investor relations efforts.

Mr. Daukas received a 90.2% award under the individual performance component due to solid job performance, including a 4.7% increase in wealth management revenues and continued improvement in the profitability of the wealth management division.

Mr. Bessette received a 150% award under the individual performance component and an additional $47,397 discretionary adjustment due to exceptionally strong job performance. He was instrumental in the continued expansion of our mortgage banking operations, resulting in record mortgage loan origination volume and sales activity. As a result of these efforts, mortgage banking revenues totaled $14.1 million, up 276% from 2011, which was a significant factor in the Corporation's 2012 success.

Mr. Gim received a 120.2% award under the individual performance component due to strong job performance, as well as his contributions to the Corporation's overall success. This includes, most notably, significant involvement in the planning and execution of strategic initiatives and his strong contribution to our investor relations efforts.

Annual Performance Plan awards for the named executive officers are outlined below:

	Corporate Performance Component Award (125%)	Individual Performance Component Award (0-150%)	Discretionary Adjustment by Committee	Total Plan Payment	Percentage of Plan Target	
MarcAurele	$188,886	$97,142	$—	$286,028	132.5	%
Devault	$58,738	$46,262	$—	$105,000	134.1	%
Daukas	$76,291	$36,709	$—	$113,000	111.1	%
Bessette	$43,113	$34,490	$47,397	$125,000	217.5	%
Gim	$42,663	$27,337	$—	$70,000	123.1	%

Wealth Management Business Building Incentive Plan

Mr. Daukas is eligible for an additional bonus payment based upon the performance of the wealth management division. This incentive is intended to drive growth in the wealth management product line, which is an important contributor to our net income. Plan performance is measured in terms of division pre-tax earnings, revenues, and net new assets under management (inclusive of all cash flows excluding investment income and market appreciation). The target payment is $180,000 ($60,000 for each metric), with a range of 0% to 150% based upon actual performance. The plan payment is determined by assessing achievement of each metric individually against its target. Performance exceeding a threshold of 70% of the performance target will result in progressively increasing payment levels, ranging from 25% to 150% of the target award. The plan contains a "clawback" provision as further described under the heading "Recoupment (Clawback) Policy" later in this Proxy Statement.

In 2012, plan targets were: (i) division pre-tax earnings of $10,232,200; (ii) division revenues of $31,137,700; and (iii) net new assets under management of $100,000,000. During 2012, the wealth management division met 98.7% of the pre-tax earnings goal, 95.2% of the revenue goal, and 0.0% of the net new assets under management goal. This performance resulted in a total bonus payment of $112,500 to Mr. Daukas under this plan, which is equal to 62.5% of the plan target.

Long-Term Equity Incentive Compensation
The granting of stock-based incentives is viewed as a desirable long-term incentive compensation strategy because it closely links the interests of management with shareholders, aids in executive retention, and rewards executives for focusing on long-term stock value. Equity grants also provide an opportunity for increased equity ownership and enhanced alignment with shareholder interests.

In determining the form of equity to be granted, the Committee considers many factors including the ability to drive corporate performance; retention and stock ownership; tax and accounting treatment; and the impact on dilution. When granting equity-based incentives to the Chief Executive Officer and other executives, the Committee considers the compensation consultant's analysis, as described earlier. The Committee also considers the Chief Executive Officer's recommendations for other executives, which are based on each officer's level of responsibility and contribution towards achievement of our business plan and objectives.

Generally, equity compensation is granted on an annual basis. Employee grants, including grants to newly hired employees, have historically been made at a regularly-scheduled Committee meeting. All stock option awards are made at the closing price for our common stock on the grant date. All grants are effective either on the date of the Committee meeting or at a specific future date coinciding with a triggering event such as the employee's date of hire. Equity grants to non-employee directors occur annually at the Committee meeting shortly before the date of the Annual Meeting, and are effective on the date of the Annual Meeting for directors continuing service after such date. Equity grants typically become vested after three years of service but may be subject to longer vesting periods for larger awards. Unvested equity grants are typically forfeited upon separation from employment. Employees may become vested in a pro-rata share of equity grants upon retirement or disability, and fully vested in equity grants upon death, subject to the terms of the specific grant. Directors may become fully vested in equity grants in the event of retirement or death, subject to the terms of the specific grant. All equity grants become fully vested in a change in control of the Corporation.

Performance Share Unit Awards in 2012
We are committed to providing a link between pay and performance in the granting of equity compensation to the executive leadership team. Therefore, all long-term equity incentive grants to named executive officers were made in the form of performance share units during 2012. The awards were designed to position total compensation at the 50th percentile with opportunities for upward and downward adjustment based on actual corporate performance compared to an industry comparator group, providing true pay for performance through the leveraging of equity awards.

Selecting and defining the performance measurements for the performance share unit awards was a critical decision for the Committee. Measures needed to reflect our strategic plan and growth strategy, as well as shareholder expectations. In addition, measures had to be within the control and influence of the grantees so that there is a true correlation between actual contribution and reward. After reviewing a number of performance metrics, the Committee decided to base performance on core return on equity ("Core ROE") and core earnings per share growth ("Core EPS Growth"), with the two metrics having equal weighting.

Each executive has an opportunity to earn from 0% to 200% of the target award depending on the Corporation's Core ROE and Core EPS Growth performance relative to an industry comparator group during the performance measurement period, which is January 1, 2012 through December 31, 2014. For the 2012 grant, the industry comparator group includes all publicly-traded banks and thrifts located in New England and the Mid-Atlantic (excluding institutions in Puerto Rico) with assets of $1 billion to $5 billion (based on information published by SNL Financial.) The Corporation must achieve threshold performance at the 25th percentile for each metric in order to qualify for any award. The target award will be earned for performance at the 50th percentile, with a payout range of

50% to 200% of the target award based on a straight line interpolation for performance from 25th percentile to 100th percentile. Dividend equivalents will be paid retroactively in cash once the award is earned and the final shares are actually issued.

2012 awards for the named executive officers are summarized in the table below:

	Minimum	Threshold	Target	Maximum
Relative Performance	0-25th percentile	25th percentile	50th percentile	100th percentile
MarcAurele	—	5,550	11,100	22,200
Devault	—	2,200	4,400	8,800
Daukas	—	2,850	5,700	11,400
Bessette	—	1,600	3,200	6,400
Gim	—	1,600	3,200	6,400

The number of earned shares will be based on the Corporation's performance during the three-year performance period, as described earlier. Except as outlined in the next sentence, the awards are subject to forfeiture in the event of the executive's termination of employment prior to the three-year anniversary of the grant. The awards are subject to acceleration in the event of a change in control, death, retirement or disability prior to the three-year anniversary of the grant, with the number of earned shares based on the Corporation's performance during a shortened performance period. This shortened performance period will include any completed calendar year and year-to-date performance through the last completed calendar quarter preceding the acceleration event, with partial years weighted accordingly. In the event of retirement or disability, the earned shares will be further adjusted for the number of completed months within the 36-month vesting period.

The awards contain a "clawback" provision as further described under the heading "Recoupment (Clawback) Policy" later in this Proxy Statement.

Subsequent Committee Actions in 2013

In January 2013, the Committee awarded performance share units to Messrs. MarcAurele, Devault, Daukas, Bessette and Gim. The awards were structured in the same manner as the performance share unit awards made in 2012, except that the industry comparator group was updated to include institutions with assets ranging from $1.5 billion to $6.5 billion. Each executive has the opportunity to earn from 0% to 200% of the target award depending on the Corporation's performance during the measurement period, which is January 1, 2013 through December 31, 2015. The target awards for Messrs. MarcAurele, Devault, Daukas, Bessette and Gim are 10,675; 4,300; 4,925; 3,600 and 2,775 shares, respectively.

Stock Ownership and Equity Retention Guidelines

The Committee believes that stock ownership is the best method of aligning financial interests with shareholders and focusing executives and directors on long-term stock performance. The Committee has established stock ownership guidelines for executives and directors. Until ownership targets are achieved, equity grant retention guidelines apply.

The Chief Executive Officer is expected to own shares with an approximate value of two times base salary. Other named executive officers are expected to own shares with an approximate value of one times base salary. Until this ownership level is achieved, 50% of all vested equity grants should be retained, after the deduction for any shares surrendered to satisfy the tax liability for that grant or used to fund the purchase price of a stock option. Mr. Devault is the only named executive officer who has attained his ownership target. All other named executive officers are adhering to the retention guidelines.

Directors are expected to own 3,000 shares. Based on the December 31, 2012, fair market value, this ownership requirement is equivalent to 3.9 times the annual board retainer. Until this ownership level is achieved, 100% of all vested equity grants should be retained. All directors have attained the ownership target except Messrs. DiMuccio and Santos, who are adhering to the retention guidelines.

Anti-Hedging Policy

The Corporation's Insider Trading Policy prohibits directors, officers or employees from engaging in hedging transactions with respect to the Corporation's securities.

Recoupment (Clawback) Policy

In order to further align management's interests with the interests of shareholders and support good governance practices, all incentive awards and performance share unit awards made to the named executive officers include a recoupment or "clawback" provision. In the event the Corporation is required to prepare an accounting restatement due to the material noncompliance with any financial reporting requirement under the Federal securities laws, the executive is required to reimburse the Corporation for any amount that would not have been earned based on the restated financial results.

Retirement and Other Benefits

Pension Plan

The Bank offers a tax-qualified defined benefit Pension Plan for the benefit of most employees. The Committee reviewed the Bank's retirement program, benefit trends, and best practices, and made a strategic decision to shift retirement benefits from the Pension Plan to the 401(k) Plan. Effective October 1, 2007, the Pension Plan was amended to freeze plan entry to new hires and rehires. Existing employees hired prior to October 1, 2007, including Messrs. Devault, Daukas, Bessette and Gim, continue to accrue benefits under the Pension Plan. Mr. MarcAurele was hired after October 1, 2007, and therefore, is not eligible to participate in the Pension Plan.

The annual pension benefit for an employee retiring at normal retirement age is the sum of (1) 1.2% of average annual pension compensation plus (2) 0.65% of average annual pension compensation in excess of the Social Security covered compensation level, multiplied by the number of years of service limited to 35 years. Pension compensation consists of base salary plus payments pursuant to the Annual Performance Plan, the Wealth Management Business Building Incentive Plan, and other cash-based payments, subject to IRS qualified plan limits ($250,000 in 2012). In 2012, the Social Security covered compensation level was $67,200 for a participant retiring at age 65.

Pension benefits are available at normal retirement age, typically age 65. Participants may commence reduced benefits as early as age 55 with ten years of service. Messrs. Devault and Bessette are the only named executive officers who currently meet the age and service requirements to commence pension benefits.

The Pension Plan was amended in 2005 to eliminate a special early retirement benefit available to participants who had combined age and years of benefit service of 85 or more (the "Magic 85 Provision"). The plan amendment provided that the Magic 85 Provision would still be available to qualifying grandfathered employees retiring from active service on or after age 60. Under the Magic 85 Provision, the pension benefit of qualifying participants is not subject to reduction for early benefit commencement. Additionally, qualifying participants are eligible for a temporary payment through age 62, which is equal to the participant's estimated Social Security benefit at age 62. Mr. Devault is the only named executive officer who is expected to qualify for the Magic 85 Provision.

Supplemental Pension Plan

The Bank also offers a Supplemental Pension Plan, which provides for payments of certain amounts that would have been received under the Pension Plan in the absence of IRS limits. This plan covers substantially all employees who are impacted by IRS limits under the Pension Plan. Benefits payable under the Supplemental Pension Plan are an unfunded obligation of Washington Trust.

401(k) Plan

The Bank maintains a 401(k) Plan that covers substantially all employees. The 401(k) Plan is an essential part of the retirement package needed to attract and retain employees in the banking industry. The 401(k) Plan provides for deferral of up to the lesser of 25% of plan compensation or the annual dollar limit prescribed by the Internal Revenue Code (the “Code”).

Effective January 1, 2008, the 401(k) Plan was amended to promote shared responsibility for retirement through personal savings, as well as to serve as the primary retirement plan for employees who were hired or rehired after September 30, 2007. Plan provisions include automatic enrollment at 3% of plan compensation, and annual automatic increase by 1% to a maximum of 6%. The Bank matches 100% of each participant's first 1% of voluntary salary deferrals and 50% of each participant's next 4% of salary deferrals up to a maximum match of 3%. Additionally, certain eligible employees who are hired or rehired after September 30, 2007, and, therefore, are excluded from participation in the Pension Plan, are eligible for a non-elective employer contribution of 4% of plan compensation. Mr. MarcAurele was hired after September 30, 2007, and is therefore, eligible for this non-elective employer contribution. Employees hired after September 30, 2007, are subject to two-year cliff vesting of employer contributions.

Deferred Compensation Plan
We provide a nonqualified Deferred Compensation Plan that permits key employees, including the named executive officers, to defer salary and bonus with the opportunity for supplemental retirement and tax benefits. Directors are also eligible to participate through the deferral of retainer and meeting fees. The plan also provides for credits of certain amounts that would have been matched by the Bank under the 401(k) Plan, but for the deferral under the Deferred Compensation Plan and IRS limitations on annual compensation under qualified plans. Further, Mr. MarcAurele is eligible for an additional employer contribution of 5% of salary annually in lieu of participation in the Supplemental Pension Plan. Directors are not eligible for employer contributions. Employees hired after September 30, 2007, are subject to two-year cliff vesting of employer contributions.

Deferrals are credited with earnings/losses based upon the participant's selection of investment measurement options. The investment measurements include publicly-traded mutual funds. Because these investment measurements are publicly traded securities, we do not consider any of the earnings credited under the Deferred Compensation Plan to be "above market". The investment measurements are described further under the heading "Nonqualified Deferred Compensation" later in this Proxy Statement. Benefits payable under this plan are an unfunded obligation of the Bank.

Welfare Benefits
In order to attract and retain employees, we provide certain welfare benefit plans to our employees, which include medical and dental insurance benefits. The named executive officers participate in the medical and dental insurance plans under the same terms as our other full-time employees. All full-time employees, including the named executive officers, are offered cash-in-lieu of medical and dental coverage that would otherwise have been provided.

We provide two times base salary in life and accidental death and dismemberment insurance for our full-time employees, including the named executive officers. This is provided through a combination of group life insurance contracts and split dollar arrangements under bank-owned life insurance policies. The life insurance benefit provided to the named executive officers does not exceed the benefit levels offered to other full-time employees.

We also provide disability insurance to our full-time employees including the named executive officers, which provides up to 60% of base salary income replacement after six months of qualified disability. In order to obtain a competitive group rate, the group disability policy limited covered base salary to $289,404 in 2012. This group plan limit does not fully cover the base salaries of Messrs. MarcAurele and Daukas. In order to provide a benefit that is commensurate with the benefits provided to other full-time employees, we have purchased a supplemental disability insurance policy for Mr. MarcAurele and we reimburse Mr. Daukas for a pro-rata share of his personal disability insurance policy.

Perquisites and Other Benefits

We provide named executive officers with perquisites and other benefits that the Committee believes are reasonable and consistent with our overall compensation program. Perquisites include transportation benefits and country club memberships, as appropriate for business purposes. Annually, the Committee reviews the perquisites and other benefits provided to named executive officers. In addition, on an annual basis, the Compensation Committee Chairperson reviews the expense reports of the named executive officers to ensure that all reimbursements are reasonable and appropriate. On February 11, 2013, this review was completed with respect to 2012 expense reimbursements and no exceptions were noted.

Deductibility of Executive Compensation
As part of its role, the Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Code, which provides that we may not deduct compensation of more than $1,000,000 that is paid to certain individuals. Compensation that qualifies as performance-based compensation is not subject to the deduction limit imposed by Section 162(m). Where circumstances warrant, we plan to structure our cash and equity incentive compensation to our executives in a manner that would qualify such compensation as performance-based compensation. During 2012, no employee received taxable compensation in excess of $1,000,000, and, therefore, all such compensation was fully deductible for federal income tax purposes.

Change in Control Agreements
We have entered into change in control agreements with certain key employees, including the named executive officers. The change in control agreements are designed to promote stability and continuity of senior management. The Committee believes that the interests of shareholders will be best served if the interests of senior management are aligned with them. The Committee further believes that providing change in control benefits should eliminate, or at least reduce, the reluctance of senior management to pursue potential change in control transactions that may be in the best interests of shareholders.

The change in control agreements require a six-month delay in payments to a ‘specified employee’ within the meaning of Section 409A(a)(2)(B)(i) of the Code. If a six-month delay is required, we have agreed, upon the executive’s termination of employment, to make an irrevocable contribution to a grantor trust on behalf of the executive in the amount of the severance, plus interest at the short-term applicable federal rate.

Change in Control Agreements After January 1, 2009
In 2009, the Committee revised the form of change in control agreement to be more representative of current practices in executive compensation. It was agreed that all existing agreements will remain in force, and the revised agreement (“Post-2009 Change in Control Agreement”) will be used for new executives and newly eligible existing employees.

The Corporation has entered into a Post-2009 Change in Control Agreement with Messrs. MarcAurele and Gim. In the event of a change in control, the named executive officers would be eligible for (a) a severance payment equal to a multiple of the sum of base salary in effect at the time of termination plus the average bonus paid within the three-year period prior to the change in control; and (b) benefit continuation for a period of additional months of medical and dental insurance coverage. Should the payments under the Post-2009 Change in Control Agreements exceed the limit imposed by Section 280G of the Code, benefits would be reduced until the executive is no longer subject to excise tax. The terms vary for each executive, as set forth in the following table.

	Multiple of Base and Bonus	Length of Benefit Continuation
MarcAurele	3	36 months
Gim	2	24 months

Payments under the Post-2009 Change in Control Agreements would be triggered if:
in the event of a change in control (as defined in the Post-2009 Change in Control Agreements) of the Corporation or the Bank, (a) the Corporation or the Bank terminates the executive for reasons other than for Cause (as defined in the Post-2009 Change in Control Agreements) or death or disability of the executive within 12 months after such change in control; or (b) within 12 months of a change in control, the executive resigns for Good Reason (as defined in the Post-2009 Change in Control Agreements), which includes a substantial adverse change in the nature or scope of the executive’s responsibilities and duties, a material reduction in the executive’s salary, relocation, or a failure of the

Corporation or the Bank to obtain an effective agreement from any successor to assume the Post-2009 Change in Control Agreements; or the executive is terminated by the Corporation or the Bank for any reason other than Cause, death or disability during the period of time after the Corporation and/or the Bank enters into a definitive agreement to consummate a transaction involving a change in control and before the transaction is consummated so long as a change in control actually occurs.

Post-2009 Change in Control Agreements require the executive to provide a general release of claims to receive payment under the agreement, refine the definition of “Change in Control” and provide an opportunity for the Corporation to remedy a “Good Reason” triggering event.

Change in Control Agreements Entered into Prior to 2009

The Corporation has change in control agreements (“Pre-2009 Change in Control Agreements”) with Messrs. Devault, Daukas and Bessette that were entered into prior to 2009. In the event of a change in control, the named executive officers would be eligible for (a) a severance payment equal to two times the sum of base salary in effect at the time of termination plus the highest bonus paid in the two-year period prior to the change in control; (b) benefit continuation for a period of 24 additional months of medical, dental and life insurance coverage, as well as 24 additional months of benefit accrual under the Corporation’s or Bank’s supplemental retirement plans; and (c) payment to cover the impact of the 20% excise tax imposed by Section 280G of the Code in the event the named executive officer becomes subject to such excise tax.

Payments under the Pre-2009 Change in Control Agreements would be triggered if:

in the event of a change in control (as defined in the Pre-2009 Change in Control Agreements) of the Corporation or the Bank, (a) the Corporation or the Bank terminates the executive for reasons other than for Cause (as defined in the Pre-2009 Change in Control Agreements) or death or disability of the executive within 13 months after such change in control; or (b) within 12 months of a change in control, the executive resigns for Good Reason (as defined in the Pre-2009 Change in Control Agreements), which includes a substantial adverse change in the nature or scope of the executive’s responsibilities and duties, a reduction in the executive’s salary and benefits, relocation, a failure of the Corporation or the Bank to pay deferred compensation when due, or a failure of the Corporation or the Bank to obtain an effective agreement from any successor to assume the Pre-2009 Change in Control Agreements; or

the executive resigns for any reason during the 13th month after the change in control; or

the executive is terminated by the Corporation or the Bank for any reason other than Cause, death or disability during the period of time after the Corporation and/or the Bank enters into a definitive agreement to consummate a transaction involving a change in control and before the transaction is consummated so long as a change in control actually occurs.

Further analysis of payments triggered by a change in control is provided under the heading “Potential Post-Employment Payments” later in this Proxy Statement.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis report beginning on page 14 of this Proxy Statement with management. Based on that review and discussion, the Compensation Committee recommended to the Corporation’s Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

The foregoing report has been furnished by the members of the Compensation Committee:

Kathleen E. McKeough (Chairperson)	John J. Bowen	Barry G. Hittner, Esq.
Victor J. Orsinger II, Esq.	Patrick J. Shanahan, Jr.	

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows, for the fiscal years ended December 31, 2012, December 31, 2011 and December 31, 2010, the compensation of the person who served as Chief Executive Officer of the Corporation, Chief Financial Officer of the Corporation, and each of the three most highly compensated executive officers of the Corporation and/or the Bank, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation exceeded $100,000 in each year. The presentation below includes compensation for Mr. Gim only for the fiscal year ended December 31, 2012, the only year in the last three fiscal years in which he was a named executive officer.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($) (a)	Stock Awards ($) (b)	Option Awards ($) (c)	Non-Equity Incentive Plan Compensation ($) (d)	Change in Pension Value & Nonqualified Deferred Compensation Earnings ($) (e)	All Other Compensation ($) (f)	Total ($)
Joseph J. MarcAurele	2012	479,712	—	393,773 (g)	—	286,028	—	88,981	1,248,494
	2011	464,712	432	306,896 (h)	—	239,568	—	87,180	1,098,788
Chairman, President and Chief Executive Officer of the Corporation and the Bank	2010	432,692	4,176	249,315 (i)	—	245,824	—	454,045 (j)	1,386,052
David V. Devault Senior	2012	261,052	—	156,090 (g)	—	105,000 (k)	466,906	7,998	997,046
	2011	253,144	4,579	121,677 (h)	—	85,421 (k)	337,554	7,815	810,190
Executive Vice President, Secretary and Chief Financial Officer of the Corporation and the Bank	2010	234,892	8,677	36,792	35,835	86,323	201,614	7,236	611,369
Galan G. Daukas	2012	339,071	—	202,208 (g)	—	225,500	198,697	28,335	993,811
	2011	332,375	—	159,599 (h)	—	262,000	131,892	138,412	1,024,278
Executive Vice President, Wealth Management of the Corporation and the Bank	2010	325,908	229	49,056	49,037	247,271	52,425	28,133	752,059
Stephen M. Bessette	2012	191,610	47,397	113,520 (g)	—	77,603 (l)	192,682	5,882	628,694
	2011	186,721	16,993	89,766 (h)	—	63,007 (l)	156,984	5,733	519,204
Executive Vice President, Retail Lending of the Bank	2010	172,431	16,632	52,560	—	63,368 (l)	93,937	5,298	404,226

Mark K.W. Gim Executive Vice President & Treasurer of the Corporation and the Bank	2012	189,610	—	113,520	(g)	—	70,000	130,407	5,821	509,358

(a) Except as noted, bonus payments were accrued in the year indicated and paid in the succeeding fiscal year. Thus, the 2012 bonus was paid in fiscal 2013, the 2011 bonus was paid in fiscal 2012 and the 2010 bonus was paid in fiscal

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2011. Bonus payments in 2012 include a discretionary award to Mr. Bessette discussed in the Compensation Discussion and Analysis earlier in this Proxy Statement.

(b) Amount listed reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for restricted stock, restricted stock unit awards, and performance share unit awards in the year indicated. For 2012, assumptions related to the financial reporting of restricted stock, restricted stock units, and performance shares units are presented in Footnote 16 to the Consolidated Financial Statements presented in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (the “2012 Form 10-K”).

(c) Amount listed reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for stock option awards in the year indicated. For 2012, assumptions related to the financial reporting of stock options are presented in Footnote 16 to the Consolidated Financial Statements presented in the 2012 Form 10-K.

(d) Amount listed reflects payments under the Annual Performance Plan and Wealth Management Business Building Incentive Plan as outlined earlier in this Proxy Statement. Bonus payments were accrued in the year indicated and paid in the succeeding fiscal year. Thus, the 2012 bonus was paid in fiscal 2013, the 2011 bonus was paid in fiscal 2012, and the 2010 bonus was paid in fiscal 2011.

(e) Amount reflects aggregate change in the value of accumulated benefits under the Pension Plan and Supplemental Pension Plan between December 31 of the year indicated and December 31 of the prior year. The amount represents the increase due to an additional year of service; increases in average annual compensation; the increase due to a reduction in the discounting period; and the increase or decrease due to changes in assumptions. Assumptions for 2012 are described in footnotes to the Pension Benefits table included later in this Proxy Statement. Amounts are based upon the earliest retirement age at which the individual can receive unreduced benefits, which for Mr. Devault is age 60 and for all others is age 65 or current age if greater. The present value calculations assume payment in the normal form, which is a life annuity under the Pension Plan and Supplemental Pension Plan.

(f) The following table shows the components of this column for 2012:

Named Executive Officer	Life and Disability Insurance Premiums ($)		Employer Contribution Under the 401(k) Plan ($)	Employer Credits Under Deferred Compensation Plan ($)	Country Club Membership ($)	Auto and Parking Allowance ($)	Non-cash Items ($) (1)	Total ($)
MarcAurele	11,815	(2)	17,500	40,066	10,000	9,600	—	88,981
Devault	167		7,500	331	—	—	—	7,998
Daukas	663	(2)	7,500	2,672	9,000	8,400	100	28,335
Bessette	134		5,173	575	—	—	—	5,882
Gim	133		5,238	450	—	—	—	5,821

(1) Reflects the value of non-cash items received under the Corporation’s volunteerism program.

(2) Amounts listed for Messrs. MarcAurele and Daukas include disability insurance premiums of $11,648 and $496, respectively. All other amounts reflect life insurance premiums.

(g) Reflects the fair value of the performance share award based on the grant date probable outcome assumption of relative performance at the 75th percentile; the maximum value of this award assuming performance at the highest level for Messrs. MarcAurele, Devault, Daukas, Bessette and Gim is $525,030; $208,120; $269,610; $151,360; and $151,360, respectively.

(h) Reflects the fair value of the performance share award based on the grant date probable outcome assumption of relative performance at the 60th percentile; the maximum value of this award assuming performance at the highest level for Messrs. MarcAurele, Devault, Daukas and Bessette is $511,486; $202,796; $266,012; and $149,610, respectively.

(i) Reflects the fair value of the performance share award based on the grant date probable outcome assumption of relative performance at the 66th percentile; the maximum value of this award assuming performance at the highest level is $377,750.

(j)

The Corporation periodically purchases bank-owned life insurance (“BOLI”) policies on the lives of certain employees, including the named executive officers. The purchase of BOLI policies results in an income-earning asset that provides tax-free income to the Corporation. BOLI policies are purchased through a one-time lifetime premium. In 2010, a BOLI policy was purchased on Mr. MarcAurele for a one-time lifetime premium of $377,315, and such premium is included in All Other Compensation. The BOLI policy, in combination with a group insurance policy, is used to provide the

Corporation's standard employee life insurance benefit. Upon the executive's separation from employment, the executive releases any claim to benefits under the BOLI policy.

(k) Amounts include deferrals under the Deferred Compensation Plan of $5,000 from the 2012 payment deferred in 2013 and $5,000 from the 2011 payment deferred in 2012.

(l) Amounts include deferrals under the Deferred Compensation Plan of $18,750 from the 2012 payment deferred in 2013; $10,000 from the 2011 payment deferred in 2012 and $10,000 from the 2010 payment deferred in 2011.

Grants of Plan-Based Awards

The following table contains information concerning grants of plan-based awards under our cash and equity incentive plans to the named executive officers during the year ended December 31, 2012.

GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($)	Target ($)	Maximum ($)		Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)		All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value Of Stock And Option Awards	
MarcAurele	12/12/11	$107,935	$215,870	$323,805	(a)									
	01/17/12					5,550	11,100	22,200	(b)	—	—	—	$393,773	(c)
Devault	12/12/11	$39,158	$78,316	$117,474	(a)									
	01/17/12					2,200	4,400	8,800	(b)	—	—	—	$156,090	(c)
Daukas	12/12/11	$50,861	$101,721	$152,582	(a)									
	12/12/11	$45,000	$180,000	$270,000	(d)									
	01/17/12					2,850	5,700	11,400	(b)	—	—	—	$202,208	(c)
Bessette	12/12/11	$28,742	$57,483	$86,225	(a)									
	01/17/12					1,600	3,200	6,400	(b)	—	—	—	$113,520	(c)
Gim	12/12/11	$28,442	$56,883	$85,325	(a)									
	01/17/12					1,600	3,200	6,400	(b)	—	—	—	$113,520	(c)

(a) Reflects the 2012 threshold, target and maximum award available under the Annual Performance Plan. The Annual Performance Plan is based upon achievement of both corporate and individual goals. Threshold awards assume corporate performance at 80% of plan (resulting in a 50% payout on the corporate performance component) and individual performance at 50%. This plan is described in detail in the Compensation Discussion and Analysis earlier in this Proxy Statement. Actual awards are reflected in the Summary Compensation Table. The grant date represents the date that the terms were approved by the Compensation Committee for the 2012 awards.

(b) Reflects the threshold, target and maximum number of shares available under the performance share unit award granted on January 17, 2012. This grant is described in detail in the Compensation Discussion and Analysis earlier in this Proxy Statement.

(c) For purposes of this table, we have assumed that relative performance will be at the 75th percentile, resulting in a 150% award. The actual number of shares that will be earned will depend on the Corporation's relative performance during the performance measurement period and, therefore, actual amounts may be different.

(d) Reflects the 2012 threshold, target and maximum award available under the Wealth Management Business Building Incentive Plan. This plan is described in detail in the Compensation Discussion and Analysis earlier in this Proxy Statement. Actual awards are reflected in the Summary Compensation Table. The grant date represents the date that the terms were approved by the Compensation Committee for the 2012 award.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information with respect to the named executive officers concerning unexercised stock option awards and unvested stock awards as of December 31, 2012.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

	Option Awards						Stock Awards					
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable		Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)		Market Value of Shares or Units of Stock That Have Not Vested ($) (a)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (a)
Joseph J. MarcAurele	—	21,000	(b)	—	$17.91	9/21/2019						
							7,000	(c)	$184,170			
							18,500	(d)	$486,735			
										23,658	(e)	$622,442
										22,200	(f)	$584,082
David V. Devault	6,200	—		—	$26.81	6/13/2015						
	6,200	—		—	$28.16	12/12/2015						
	5,100	—		—	$24.12	6/16/2018						
	—	5,700	(g)	—	$17.52	6/1/2020						
							2,100	(h)	$55,251			
										9,380	(e)	$246,788
										8,800	(f)	$231,528
Galan G. Daukas	20,000	—		—	$27.62	8/30/2015						
	12,315	—		—	$28.16	12/12/2015						
	7,200	—		—	$24.12	6/16/2018						
	—	7,800	(g)	—	$17.52	6/1/2020						
							2,800	(h)	$73,668			
										12,304	(e)	$323,718
										11,400	(f)	$299,934
Stephen M. Bessette	4,500	—		—	$20.00	5/12/2013						
	3,800				$26.81	6/13/2015						
	3,800				$28.16	12/12/2015						
							3,000	(h)	$78,930			
										6,920	(e)	$182,065
										6,400	(f)	$168,384
Mark K.W. Gim	3,100				$26.81	6/13/2015						
	3,100				$28.16	12/12/2015						
	3,000				$24.12	6/16/2018						
		4,100	(g)		$17.52	6/1/2020						

1,500	(h)	$39,465				
				6,846	(e)	$180,118
				6,400	(f)	$168,384

(a) Based upon December 31, 2012 fair market value of $26.31.
(b) This nonqualified stock option grant vests on September 21, 2014.
(c) This restricted stock unit grant vests on September 21, 2014.
(d) Amount represents a target grant of 12,500 performance share units that will be earned based on the Corporation's relative performance during the performance measurement period which ended December 31, 2012 and was further subject to a time-based vesting period which ended on January 20, 2013. For purposes of this table, we have assumed that the Corporation's relative performance will be at the percentile ranking of 74.0, resulting in 148% of the target award being earned. Final performance results may be different.

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(e) The actual number of shares that will be earned under this award will depend on the Corporation's relative performance during the performance measurement period which ends December 31, 2013. We have assumed that the Corporation's relative performance during the performance measurement period will be at the percentile ranking of 77.6, resulting in 155.2% award. As the instructions indicate, when performance is assumed to have exceeded the threshold, this table shall be based on the next higher performance measure that exceeds that assumed performance level. Based on those instructions, for the purposes of this table, we have included the maximum number of shares that can be awarded. Actual results may be different.

(f) The actual number of shares that will be earned under this award will depend on the Corporation's relative performance during the performance measurement period which ends December 31, 2014. We have assumed that the Corporation's relative performance during the performance measurement period will be at the percentile ranking of 80.1, resulting in 160.2% award. As the instructions indicate, when performance is assumed to have exceeded the threshold, this table shall be based on the next higher performance measure that exceeds that assumed performance level. Based on those instructions, for the purposes of this table, we have included the maximum number of shares that can be awarded. Actual results may be different.

(g) This nonqualified stock option grant vests on June 1, 2013.

(h) This restricted stock unit grant vests on June 1, 2013.

Option Exercises and Stock Vested

The following table sets forth information with respect to the named executive officers concerning the exercise of stock options and stock awards that vested during the year ended December 31, 2012.

OPTION EXERCISES AND STOCK VESTED

	Option Awards			Stock Awards	
Named Executive Officer	Number of Shares Acquired on Exercise (#)		Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Joseph J. MarcAurele	—		—	—	—
David V. Devault	17,140	(a)	$81,217	—	—
Galan G. Daukas	—		—	—	—
Stephen M. Bessette	4,345	(a)	$18,831	—	—
Mark K.W. Gim	5,378	(a)	$27,606	—	—

(a) Amounts represent the number of options exercised. Taking into consideration shares exchanged for option exercise price and tax withholding, Messrs. Devault, Bessette and Gim acquired net amounts of 2,949, 1,975 and 3,588 shares, respectively.

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Pension Benefits

The following table sets forth information with respect to the pension benefits of the named executive officers. Information about the Pension Plan and Supplemental Pension Plan can be found under the heading "Compensation Discussion and Analysis - Retirement and Other Benefits" earlier in this Proxy Statement. Mr. MarcAurele is not eligible to participate in these retirement plans, and is therefore excluded from the presentation below.

PENSION BENEFITS

Named Executive Officer	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($) (a)	Payments During Last Fiscal Year ($)
David V. Devault	Pension Plan (b)	26.2	$1,317,679	—
	Supplemental Pension Plan	26.2	$637,877	—
Galan G. Daukas	Pension Plan	7.3	$185,878	—
	Supplemental Pension Plan	7.3	$349,240	—
Stephen M. Bessette	Pension Plan	15.8	$723,097	—
	Supplemental Pension Plan	15.8	$105,570	—
Mark K.W. Gim	Pension Plan	19.3	$359,256	—
	Supplemental Pension Plan	19.3	$33,545	—

(a) Present value of accumulated benefits under the Pension Plan and Supplemental Pension Plan as of December 31, 2012, determined using mortality assumptions based on the Pension Protection Act 2012 tables with no mortality assumption prior to benefit commencement and other assumptions consistent with those presented in Footnote 15 to the Consolidated Financial Statements presented in the 2012 Form 10-K, except that retirement age is based upon the earliest retirement age at which the named executive officer can receive unreduced benefits. For Mr. Devault, this represents retirement under the Magic 85 Provision at age 60. For all other named executive officers, this represents normal retirement at age 65 or retirement at current age if greater. Present value is expressed as a lump-sum; however, the plans do not provide for payment of benefits in a lump-sum, but rather are payable only in the form of an annuity with monthly benefit payments. The present value calculations assume payment in the normal form, which is a life annuity under the Pension Plan and Supplemental Pension Plan.

(b) Mr. Devault's Pension Plan benefit includes a temporary payment provided under the Magic 85 Provision that is payable between ages 60 and 62. The Magic 85 Provision, including this special payment, is discussed in detail earlier in this Proxy Statement.

In the event of a change in control, certain named executive officers would receive additional years of credited service under the Supplemental Pension Plan as described under the heading "Compensation Discussion and Analysis - Change in Control Agreements" earlier in this Proxy Statement.

Deferred Compensation Plan

We provide executives with the opportunity to defer up to 25% of regular base salary earnings and 100% of annual bonus earnings into the Deferred Compensation Plan. This plan also provides certain employer contributions, as described earlier in this Proxy Statement.

Contributions are credited with earnings/losses based upon the executive's selection of publicly-traded mutual funds and our common stock. Investment elections can be changed at any time, except with respect to our common stock as described later in the section. The following table summarizes the annual rate of return for the year ended December 31, 2012, for the investment options.

Washington Trust Bancorp, Inc. Common Stock	14.45	%	Wells Fargo Advantage Precious Metals Fund	(7.74	)%
American Century Equity Income A Fund	11.23	%	PIMCO Low Duration A Fund	5.80	%
Principal Investors LargeCap S&P 500 Index R5 Fund	15.51	%	PIMCO Total Return A Fund	9.93	%
Principal Investors LargeCap Growth I R5 Fund	16.23	%	PIMCO Real Return A Fund	8.82	%
Janus Perkins Mid Cap Value S Fund	9.99	%	Russell LifePoints® In Retirement R3 Fund	9.69	%
Principal Investors MidCap S&P 400 Index R5 Fund	17.43	%	Russell LifePoints® 2015 Strategy R3 Fund	10.29	%
Goldman Sachs Growth Opportunities A Fund	19.08	%	Russell LifePoints® 2020 Strategy R3 Fund	11.25	%
Heartland Value Plus Fund	11.38	%	Russell LifePoints® 2025 Strategy R3 Fund	12.45	%
Principal Investors SmallCap S&P 600 Index R5 Fund	15.89	%	Russell LifePoints® 2030 Strategy R3 Fund	13.34	%
Eagle Small Cap Growth A Fund (b)	14.19	%	Russell LifePoints® 2035 Strategy R3 Fund	14.54	%
Principal Real Estate Inv Real Estate Sec R5 Fund	16.89	%	Russell LifePoints® 2040 Strategy R3 Fund	14.57	%
American Funds Europacific Growth R3 Fund	18.89	%	Russell LifePoints® 2045 Strategy R3 Fund	14.62	%
Invesco Developing Markets A Fund	19.52	%	Russell LifePoints® 2050 Strategy R3 Fund	14.56	%
Principal Investor Money Market R5 Fund (a)	—	%	Russell LifePoints® 2055 Strategy R3 Fund	14.45	%
Principal Investor Money Market Inst Fund (b)	—	%			

(a) Fund was available for selection as an investment benchmark from January 1, 2012 through March 23, 2012.
(b) Fund was available for selection as an investment benchmark from March 24, 2012 through December 31, 2012.

As of October 15, 2007, our common stock was no longer available as a new benchmark investment. Further, employees and directors who had selected our common stock as a benchmark investment (the "Bancorp Stock Fund") were allowed to transfer from that fund during a transition period that ended on March 14, 2009. Employees and directors are no longer allowed to make transfers from the Bancorp Stock Fund, and any distributions will be made in whole shares of our common stock to the extent of the benchmark investment election in the Bancorp Stock Fund.

The following table outlines employee and employer contributions to the Deferred Compensation Plan, earnings on plan balances during the year and the aggregate amount of all plan obligations as of December 31, 2012.

NONQUALIFIED DEFERRED COMPENSATION

Named Executive Officer	Executive Contributions in Last FY ($) (a)	Registrant Contributions in Last FY ($) (b)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($) (c)	Aggregate Balance at Last FYE ($) (d)
Joseph J. MarcAurele	—	40,066	8,778	—	126,463
David V. Devault	10,000	331	865	—	16,415
Galan G. Daukas	—	2,672	14,251	—	101,156
Stephen M. Bessette	29,161	575	40,710	—	293,381
Mark K.W. Gim	15,000	450	26,586	20,066	194,858

(a) Reflects deferrals of salary and bonus payments that were accrued under the Deferred Compensation Plan during 2012. Salary amounts are disclosed in the Summary Compensation Table under the year 2012. Bonus amounts are disclosed in the Summary Compensation Table under the year 2011 for Messrs. Devault and Bessette.

(b) Represents credits for amounts that would have been contributed by the Bank under the 401(k) Plan as described earlier in this Proxy Statement. Mr. MarcAurele's credit also includes a contribution of 5% of his salary or $23,986 which is described earlier in this Proxy Statement. These amounts are disclosed in the Summary Compensation Table, under All Other Compensation in 2012.

(c) Reflects the third of four annual installments related to an in-service distribution to Mr. Gim from his education sub-account under the Deferred Compensation Plan.

(d) Includes employee and employer contributions that have been reflected in the Summary Compensation Table in this Proxy Statement and previous proxy statements as outlined in the following table.

Named Executive Officer	2012 ($)	Previous Years ($)	Total ($)
Joseph J. MarcAurele	40,066	73,388	113,454
David V. Devault	10,331	5,244	15,575
Galan G. Daukas	2,672	72,204	74,876
Stephen M. Bessette	29,736	64,492	94,228
Mark K.W. Gim	15,450	—	15,450

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Upon election to defer income, the individual must also elect distribution timing and form of payment. In-service distributions may be in a lump sum payable in a specific year or in four annual installments commencing in the year a named student reaches age 18. Accounts may also be distributed commencing in the year following retirement in a lump sum or annual installments over five or ten years. Retirement is defined as separation from employment after age 65 or after age 55 with 10 or more years of service for executives, and for directors as termination of directorship after age 55. In the event of pre-retirement separation, accounts become payable in a lump sum in the following year, regardless of distribution election. Employer contributions are always payable in a lump sum in the year following separation. Distributions are paid in cash except that distributions from the Bancorp Stock Fund must be in the form of our common stock.

The Deferred Compensation Plan has been restated to comply with Section 409A of the Code, which imposed new rules on deferred compensation programs. These rules generally apply to amounts deferred after December 31, 2004 and related earnings ("post-409A accounts"). Amounts deferred prior to January 1, 2005 and related earnings ("grandfathered balances") are subject to the rules applicable prior to the effective date of Section 409A. Participants may change distribution timing and form on grandfathered balances, provided a full calendar year passes between the year in which the change was requested and the new distribution date. Distribution elections on post-409A accounts may only be changed if (a) the new election is made at least 12 months before the first scheduled payment; (b) the distribution or first installment is delayed at least five years from the originally scheduled payment date; and (c) the new election is not effective until at least 12 months have elapsed. Participants can receive an early distribution of grandfathered balances, less a withdrawal penalty equal to 10% of the participant's total grandfathered balance. In the event of an unforeseeable emergency, executives and directors may receive a distribution from grandfathered balances and/or post-409A accounts, to the extent necessary to meet the emergency and resulting income tax and penalties, subject to certain limitations outlined in the plan.

Potential Post-Employment Payments

The named executive officers are entitled to certain compensation in the event of termination of such executive's employment. This section discusses these post-employment payments, assuming separation from employment on December 31, 2012.

Severance Pay and Benefit Continuation

We do not have an employment contract with any named executive officer. Therefore, no severance benefit is payable and there is no continuation of benefit coverage in the event of a named executive officer's voluntary or involuntary termination, retirement, disability, or death. Severance and benefit continuation are available in the event of a change in control as discussed in the Potential Post-Employment Payments table presented later in this section.

Vested Equity Awards

Vested stock option grants are outlined in the Outstanding Equity Awards at Fiscal Year End table earlier in this Proxy Statement. A named executive officer may exercise his vested stock options at any time through his separation from employment date. The right to exercise vested stock options is forfeited following his separation from employment for all reasons other than retirement and death.

In the event of the death of the named executive officer, the right to exercise vested stock option grants would transfer to the named executive officer's estate and would expire on the three-year anniversary of the date of death. In the event of retirement, the named executive officer would have the right to exercise vested nonqualified stock options for three years following retirement and vested incentive stock options for 90 days following retirement. Messrs. Devault and Bessette are the only named executive officers who were eligible to retire on December 31, 2012.

Information regarding the effect on unvested equity grants in a separation from employment is discussed in the Potential Post-Employment Payments table and accompanying footnotes presented later in this section.

Retirement Benefits Payable
In the event of any separation from employment on December 31, 2012, Messrs. Devault and Bessette would be entitled to their vested benefit in the Pension Plan and Supplemental Pension Plan (collectively, the "Defined Benefit Retirement Plans"), as applicable. Mr. Devault would forfeit his right to the benefit of the Magic 85 Provision under the Pension Plan. Mr. MarcAurele is not eligible to participate in the Defined Benefit Retirement Plans.

Retirement benefits are not enhanced in the event of any named executive officer's voluntary or involuntary termination, retirement, disability or death on December 31, 2012.

In the event of a change in control, an enhanced benefit in the form of additional years of benefit service is available under the Pre-2009 Change in Control Agreements as described earlier. The value of this enhancement is outlined in the Potential Post-Employment Payments table presented later in this section.

The following table outlines the annual benefits available under the Defined Benefit Retirement Plans, assuming separation from service on December 31, 2012 under various termination scenarios:

		Annual Benefit Payable under Defined Benefit Retirement Plans(a)			
Named Executive Officer	Retirement Plan	Voluntary or Involuntary Termination ($)	Retirement ($) (b)	Death Benefit Payable to Surviving Spouse ($) (c)	Change in Control ($) (d)
David V. Devault	Pension Plan	62,844	62,844	28,280	62,844
	Supplemental Pension Plan	22,669	22,669	10,201	29,205
Galan G. Daukas	Pension Plan	27,682	—	12,457	27,682
	Supplemental Pension Plan	50,477	—	22,715	71,794
Stephen M. Bessette	Pension Plan	57,583	57,583	25,912	57,583
	Supplemental Pension Plan	8,316	8,316	3,742	16,641
Mark K.W. Gim	Pension Plan	59,122	—	26,605	59,122
	Supplemental Pension Plan	5,342	—	2,404	5,342

(a) Unless otherwise noted, amount reflects annual benefit payable in the normal form on December 31, 2012 for Messrs. Devault and Bessette and at age 65 for all other executives. The normal form is a life annuity under the Pension Plan and Supplemental Pension Plan.

(b) We consider retirement as separation from service after age 65 or after age 55 with ten years of service. Messrs. Devault and Bessette are the only named executive officers who were eligible to retire on December 31, 2012.

(c) Amount reflects annual pre-retirement death benefit equal to 50% of the qualified 50% joint and survivor annuity. Benefit is payable to the surviving spouse from the executive's 65th birthday unless the executive is retirement-eligible in which case it is payable immediately, and adjusted for early or late commencement of benefits.

(d) Assumes change in control and immediate termination under a triggering event as described under the heading "Compensation Discussion and Analysis - Change in Control Agreements" earlier in this Proxy Statement.

Deferred Compensation Plan

Obligations under the Deferred Compensation Plan generally would become payable in a lump sum in the January following the separation from employment, subject to the six-month delay imposed under Section 409A of the Code. A separation from service for Messrs. Devault and Bessette would be deemed a retirement and any plan balance would be paid according to the executive's distribution election under the plan. The aggregate balance of the obligations under this plan is detailed in the Nonqualified Deferred Compensation table earlier in this Proxy Statement. Plan balances represent accrued liabilities for amounts earned and are not enhanced for any voluntary or involuntary termination.

The following table presents potential post-employment payments assuming separation from service on December 31, 2012, under various termination scenarios.

POTENTIAL POST EMPLOYMENT PAYMENTS

Named Executive Officer	Type of Payment	Involuntary or Voluntary Termination ($)	Retirement ($) (a)	Death ($)	Permanent Disability ($)	Change in Control ($) (b)
MarcAurele	Severance (c)	—	—	—	—	1,790,000
	Intrinsic Value of Accelerated Equity (d)(e)	—	—	1,897,513	999,067	1,897,513
	Value of Increased Retirement Benefits	—	—	—	—	—
	Health Benefits (f)	—	—	—	—	30,417
	Cutback (g)	—	—	—	—	(1,747,982)
	Total	—	—	1,897,513	999,067	1,969,948
Devault	Severance (c)	—	—	—	—	712,400
	Intrinsic Value of Accelerated Equity (d)(e)	—	280,212	502,198	189,502	502,198
	Value of Increased Retirement Benefits (h)	—	—	—	—	100,505
	Health Benefits (f)	—	—	—	—	26,541
	Gross Up (i)	—	—	—	—	475,528
	Total	—	280,212	502,198	189,502	1,817,172
Daukas	Severance (c)	—	—	—	—	1,173,400
	Intrinsic Value of Accelerated Equity (d)(e)	—	—	659,635	247,647	659,635
	Value of Increased Retirement Benefits (h)	—	—	—	—	147,487
	Health Benefits (f)	—	—	—	—	26,541
	Gross Up (i)	—	—	—	—	656,168
	Total	—	—	659,635	247,647	2,663,231
Bessette	Severance (c)	—	—	—	—	543,400
	Intrinsic Value of Accelerated Equity (d)(e)	—	207,173	369,672	139,214	369,672
	Value of Increased Retirement Benefits (h)	—	—	—	—	105,672
	Health Benefits (f)	—	—	—	—	19,766
	Gross Up (i)	—	—	—	—	388,677
	Total	—	207,173	369,672	139,214	1,427,187
Gim	Severance (c)	—	—	—	—	456,067

Intrinsic Value of Accelerated Equity (d)(e)	—	—	364,616	138,174	364,616
Value of Increased Retirement Benefits	—	—	—	—	—
Health Benefits (f)	—	—	—	—	26,193
Cutback (g)	—	—	—	—	(224,726)
Total	—	—	364,616	138,174	622,150

(a) We consider retirement as separation from service after age 65 or after age 55 with ten years of service. Messrs. Devault and Bessette are the only named executive officers who were eligible to retire on December 31, 2012.

(b) Assumes change in control and immediate termination under a triggering event as described under the heading "Compensation Discussion and Analysis - Change in Control Agreements" earlier in this Proxy Statement.

(c) Severance payments are based on a multiple of the salary in effect at December 31, 2012, plus bonus including payments under the Annual Performance Plan, Wealth Management Business Building Incentive Plan and discretionary bonuses, as applicable. Multiples are described under the heading "Compensation Discussion and Analysis - Change in Control Agreements" earlier in this Proxy Statement. For Mr. MarcAurele and Gim, the bonus-related severance payment is based on the average of the bonuses paid during the three years prior to 2012. For Messrs. Devault, Daukas and Bessette, bonus-related severance payments are based on the highest bonus paid during the two years prior to 2012.

(d) Reflects the value of accelerated equity based upon market closing price of $26.31 on December 31, 2012, as well as the value of dividend equivalents that would become payable under the performance share unit award grant. Unvested equity grants are outlined in the Outstanding Equity Awards at Fiscal Year End table earlier in this Proxy Statement. All unvested awards would be forfeited upon voluntary or involuntary termination, and would become fully vested upon a change in control or death. All unvested awards for Messrs. Devault and Bessette would be vested on a pro-rated basis upon retirement. All performance share unit awards would be vested on a pro-rated basis upon permanent disability.

(e) For purposes of this table, we have assumed that the Corporation's relative performance during the performance measurement period for Mr. MarcAurele's 2010 award was at a percentile ranking of 74.0, resulting in a 148% award; for all 2011 awards was at a percentile ranking of 77.6, resulting in a 155.2% award; and for all 2012 awards was at a percentile ranking of 80.1, resulting in a 160.2% award, which were our performance assumptions as of December 31, 2012. Actual results may be different.

(f) Reflects the value of health benefits based on actual 2013 premiums, increased by 8% for years 2 and 3, as applicable.

(g) Reflects the amount of the mandatory cutback of amounts that exceed the limits imposed by Section 280G of the Code as described under the heading "Compensation Discussion and Analysis - Change in Control Agreements" earlier in this Proxy Statement.

(h) Reflects the increase in retirement benefits resulting from the additional months of benefit accrual provided for the Supplemental Pension Plan under the Change in Control Agreements.

(i) Reflects the amount of the additional payment to cover the impact of the 20% excise tax imposed by Section 280G of the Code.

Director Compensation

Our director compensation philosophy is to provide competitive, fair and reasonable compensation to non-employee directors in order to attract the expertise and leadership necessary to provide strong corporate governance and maximize long-term shareholder value. Further, we believe director compensation should be aligned with the long-term interests of shareholders by creating and encouraging stock ownership.

The Committee, with the assistance of the compensation consultant, reviews director compensation annually to ensure that it is appropriate, competitive and effective. This process focuses on pay elements; compensation levels and mix; board and committee expertise, structure and roles; and best practices of comparable companies in the banking industry.

Cash Compensation Paid to Board Members

Non-employee members of our Board receive an annual cash retainer of $20,000. Additional annual cash retainers are provided based on the director's role as outlined below:

Role	Additional Annual Retainer
Lead Director	$5,000
Nominating Committee Chairperson	$5,000
Audit Committee Chairperson	$8,000
Compensation Committee Chairperson	$5,000

All members of the Corporation's Board are also members of the Bank's Board. Members of the Bank's Board do not receive an additional retainer for their involvement in the Bank's Board, except Mr. Hittner, the chairperson of the Bank's Trust Committee, who receives an additional annual retainer of $4,000. All retainers are paid in quarterly installments.

Non-employee directors also receive compensation for their attendance at meetings as outlined below:

Meeting	Meeting Fee	Fee for Attending Telephonically
Meetings of the Corporation's Board (a)	$1,000	$900
Meetings of the Bank's Board (a)	$1,000	$900
Audit Committee Meetings	$900	$800
All Other Committee Meetings	$800	$700

(a) For meetings of the Corporation's Board and the Bank's Board held on the same day, as is the general practice, non-employee directors were paid for only one meeting.

Equity Compensation

In order to align Board interests with shareholders, non-employee directors typically receive an annual equity grant. In determining the form of equity to be granted, the Compensation Committee considers many factors including corporate performance, tax and accounting treatment and the impact on dilution.

In April 2012, the Compensation Committee granted 1,000 restricted stock units to each non-employee director who continued to serve as our director after the 2012 Annual Meeting of Shareholders. This grant, which included dividend equivalent rights, vests upon the earliest of (a) the three-year anniversary of the grant; (b) change in control of the Corporation; (c) the death of the director; or (d) retirement from the Corporation's Board after attainment of age 70.

Retirement Plans

Directors are not eligible to participate in any defined benefit plan maintained by the Corporation or the Bank. Directors are eligible to defer 100% of retainers and meeting fees into the Deferred Compensation Plan. Directors are not eligible for Corporation contributions. Provisions regarding types of accounts, investment measurements, form and timing of payments, and distributions that apply to employees also apply to directors. Retirement for directors is defined in the Deferred Compensation Plan as termination of directorship after attainment of age 55.

Welfare Benefit Plans

Directors are not eligible for medical, dental, life or disability insurance at our expense. Directors may obtain coverage under the Bank's group medical and dental insurance plans at their own expense.

Director Summary Compensation Table

Directors who are employees receive no additional compensation for Board service. Compensation received by the employee directors as employees of the Corporation is shown in the Summary Compensation Table earlier in this Proxy Statement.

The following table summarizes the compensation paid to non-employee directors for the fiscal year ended December 31, 2012.

DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash ($) (a)	Stock Awards ($) (b)	Total ($)(c)
Gary P. Bennett (d)	17,067	—	17,067
John J. Bowen	40,400	23,650	64,050
Steven J. Crandall	51,200	23,650	74,850
Robert A. DiMuccio	43,900	23,650	67,550
Barry G. Hittner	65,000	23,650	88,650
Katherine W. Hoxsie	63,200	23,650	86,850
Kathleen E. McKeough	79,400	23,650	103,050
Victor J. Orsinger, II	54,300	23,650	77,950
H. Douglas Randall, III	58,200	23,650	81,850
Edwin J. Santos	34,533	23,650	58,183
Patrick J. Shanahan, Jr.	67,500	23,650	91,150
John F. Treanor	56,700	23,650	80,350
John C. Warren	54,700	23,650	78,350

(a) Total reflects fees and retainers earned. During 2012, Directors Hoxsie and Randall deferred $6,320 and $58,200, respectively into the Deferred Compensation Plan.

(b) Amount listed reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for restricted stock unit awards on April 24, 2012. Assumptions related to the financial reporting of restricted stock units are presented in Footnote 16 to the Consolidated Financial Statements presented in the 2012 Form 10-K.

(c) There are no Option Awards, Non-Equity Incentive Plan Compensation, Other Income, Change in Pension Value, or Nonqualified Deferred Compensation Plan Earnings required to be disclosed in this table.

(d) Mr. Bennett retired from the Corporation's Board on April 24, 2012.

The following table sets forth information with respect to the directors concerning outstanding stock option awards and unvested stock awards as of December 31, 2012.

Name	Grant Date	Option Expiration Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Unexercisable (#)	Option Exercise Price ($)	Number of Shares or Units of Stock That Have Not Vested (#)	
Gary P. Bennett	4/24/2004	4/27/2014	2,000	—	$27.56	—	
John J. Bowen	4/26/2011					1,000	(a)
	4/24/2012					1,000	(b)
Steven J. Crandall	4/29/2003	4/29/2013	2,000	—	$20.62		
	4/27/2004	4/27/2014	2,000	—	$27.56		
	4/27/2010					1,000	(c)
	4/26/2011					1,000	(a)
	4/24/2012					1,000	(b)
Robert A. DiMuccio, CPA	4/26/2011					1,000	(a)
	4/24/2012					1,000	(b)
Barry G. Hittner, Esq.	4/27/2004	4/27/2014	2,000	—	$27.56		
	4/27/2010					1,000	(c)
	4/26/2011					1,000	(a)
	4/24/2012					1,000	(b)
Katherine W. Hoxsie, CPA	4/29/2003	4/29/2013	2,000	—	$20.62		
	4/27/2004	4/27/2014	2,000	—	$27.56		
	4/27/2010					1,000	(c)
	4/26/2011					1,000	(a)
	4/24/2012					1,000	(b)
Kathleen E. McKeough	4/27/2004	4/27/2014	2,000	—	$27.56		
	4/27/2010					1,000	(c)
	4/26/2011					1,000	(a)
	4/24/2012					1,000	(b)
Victor J. Orsinger II, Esq.	4/29/2003	4/29/2013	2,000	—	$20.62		
	4/27/2004	4/27/2014	2,000	—	$27.56		
	4/27/2010					1,000	(c)
	4/26/2011					1,000	(a)
	4/24/2012					1,000	(b)
H. Douglas Randall, III	4/29/2003	4/29/2013	2,000	—	$20.62		
	4/27/2004	4/27/2014	2,000				