

Letter to Shareholders



Dear Shareholders:



The best way to describe the year 2002 is to say that it was a time when we embraced opportunities and met the challenges of a unique year. It was a year in which interest rates were at 40-year lows, the unstable geopolitical environment depressed both the economy and the financial markets, and the corporate world was often in turmoil. Yet, powered by the elements that comprise our community banking strategy — strong management, growth, market leadership, and a balanced earnings stream — we achieved record earnings.

In April, we completed a significant strategic acquisition expanding our Rhode Island market area. We acquired First Financial Corp. (First Bank and Trust), with branches in key market locations, including Cranston and Providence, Rhode Island. That addition has already been a success.

In late 2002, we broke ground for our sixteenth branch office located in Warwick, a major city in central Rhode Island. Scheduled to open in the spring of 2003, the 7,300+ square foot branch will house commercial lending, asset management, trust services, and mortgage banking specialists, as well as offering full-service retail banking services.

The growth potential for us is important when you consider that the Providence and Kent County markets, where our new branches are located, have more than six times the number of households and businesses as the Washington County market. While we face a greater number of competitors in these areas, we enter them equipped with an excellent reputation for both service quality and banking expertise.

Challenged by a difficult economy, all areas of the Bank worked to contribute to the bottom line in 2002. Our commercial lending area — already established as one of the top commercial lenders in Washington County — benefited from our First Bank and Trust acquisition by adding new clients and establishing a presence as a statewide lender. As a result, commercial loans now comprise almost fifty percent of our total loan portfolio.

Phoenix Investment Management and our Trust and Investment Services area expanded their client bases and worked hard to preserve their clients' wealth in the turbulent 2002 market. Both areas continue to serve as key contributors to noninterest income.

Faced with a low interest rate environment, we aggressively pursued refinancing opportunities, the resale market and construction financing, booking a record number of mortgage loans in 2002. We also offered a competitive home equity line rate and saw exceptional growth in that line of business. As a result of the First Bank acquisition and strong advertising, we experienced terrific core deposit growth and exceeded \$1 billion in deposits for the first time in the Corporation's history.

At our Annual Meeting on April 23, 2002, we bid a fond farewell to former Washington Trust Bancorp, Inc. Chairman and CEO Joseph J. Kirby, as he retired from the Board of Directors. Joe has spent 39 years with Washington Trust and will continue with us as a member of the Directors' Advisory Council. At the Meeting last April, we also welcomed Patrick J. Shanahan, Jr., retired Chairman, President and CEO of the former First Financial Corp., as a new member of our Board of Directors. Pat has extensive experience in the banking industry and public company ownership and is a great addition to our board.

For more than 200 years, Washington Trust has been guided by boards of directors and management teams who have served as leaders in their respective fields and in the local communities we serve. Our current Board is no different. In addition to Jack Treanor and myself, it includes 14 non-employee directors, each of whom brings a wealth of talent and diversity to our Corporation. We have always taken corporate governance seriously. Each of our major board committees is chaired by independent board members, including our Audit Committee which is composed solely of outside directors. In addition, for many years, the independent directors have chosen a Lead Director to chair the Board on any issues appropriately handled only by the independent directors. Your Corporation matters to us.

The financial results posted on these pages reflect our commitment to the vision to be the Best Community Bank and Trust Company in New England. We continue our progress toward fulfillment of that vision and accomplishment of our mission, which is to provide our shareholders with the highest possible value. We thank you for your ongoing support and look forward to continuing our relationship with you in the years to come.

Sincerely,

John C. Warren
Chairman and Chief Executive Officer

John F. Treanor
President and Chief Operating Officer