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WASHINGTON TRUST BANCORP INC

Form 8-K

April 17, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549  
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FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)  
April 17, 2003

WASHINGTON TRUST BANCORP, INC.  
-----

(Exact Name of Registrant as Specified in Charter)

|   |                             |                                      |
|---|-----------------------------|--------------------------------------|
| Rhode Island                                      | 0-13091                     | 05-0404671                           |
| -----   | -----                       | -----                                |
| (State or Other Jurisdiction<br>of Incorporation) | (Commission<br>File Number) | (IRS Employer<br>Identification No.) |

23 Broad Street, Westerly, Rhode Island 02891  
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(Address of Principal Executive Offices) (Zip Code)

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

Former name or address, if changed from last report: N/A

Item 7. Financial Statements and Exhibits

(c) Exhibit

|             |                                    |
|-------------|------------------------------------|
| Exhibit No. | Exhibit                            |
| 99.1        | Press Release dated April 17, 2003 |

Item 9. Regulation FD Disclosure (Information Furnished in this Item 9 is  
Furnished under Item 12)

In accordance with Securities and Exchange Commission Release No. 33-8126, the following information, which is intended to be furnished under Item 12, "Results of Operations and Financial Condition", is instead being furnished under Item 9, "Regulation FD Disclosure." This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On April 17, 2003, Washington Trust Bancorp, Inc. issued a press release in which it disclosed unaudited financial information related to first quarter

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consolidated earnings. A copy of the press release relating to such announcement, dated April 17, 2003, is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

EXHIBIT INDEX

Exhibit No.           Exhibit  
99.1                    Press Release dated April 17, 2003

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WASHINGTON TRUST BANCORP, INC.

Date: April 17, 2003

By: John C. Warren

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John C. Warren  
Chairman and Chief Executive Officer

Exhibit 99.1  
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[GRAPHIC OF REGISTRANT'S LOGO OMITTED]  
WASHINGTON TRUST BANCORP, INC.  
NASDAQ: WASH

Contact: Elizabeth B. Eckel  
          Senior Vice President, Marketing  
Telephone: (401) 348-1309  
E-mail: ebeckel@washtrust.com  
Date: April 17, 2003  
For Immediate Release

Washington Trust Earnings Increase 26.9%

Westerly, Rhode Island...Washington Trust Bancorp, Inc. (NASDAQ: WASH), parent company of The Washington Trust Company, today reported first quarter 2003 net income of \$4.7 million, an increase of 26.9 percent from the \$3.7 million of net income reported for the first quarter of 2002. This increase was due in part to the acquisition of First Financial Corp. that occurred in the second quarter of 2002. Earnings per diluted share were \$.36 for the quarter ended March 31, 2003, up 16.1 percent from the \$.31 per diluted share for the quarter ended March 31, 2002.

The return on average assets and return on average equity for the three months ended March 31, 2003 were 1.07% and 14.56%, compared to 1.11% and 14.98%, respectively, for the three months ended March 31, 2002.

John C. Warren, Chairman and Chief Executive Officer of Washington Trust Bancorp, Inc., stated, "We are very pleased with our first quarter performance, as it reflects our ability to successfully manage our core business lines in a challenging economy." Warren also commented on the Bank's new 7,300 square foot Warwick branch, scheduled to open at the end of this month, stating, "The Warwick area offers tremendous market opportunities for us in the commercial lending, trust and investment management and retail banking areas."

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Net interest income for the first quarter of 2003 increased by 27.1 percent from the first quarter of 2002 and amounted to \$11.9 million. The increase in net interest income was largely due to the April 2002 acquisition of First Financial Corp. For the quarter, average earning assets increased \$388.1 million, or 30.5%, compared to the same period last year, of which approximately \$178.5 million related to acquisition of First Financial Corp. The increase in net interest income due to earning asset growth was partially offset by a decrease of 10 basis points in the net interest margin from the first quarter of 2002. The net interest margin has been affected by the significant decline in market interest rates and reflects a decline in yields on loans and securities offset somewhat by lower funding costs of interest-bearing deposits and FHLB advances.

Noninterest income, excluding net realized gains on securities, totaled \$5.8 million for the quarter ended March 31, 2003, up 17.5 percent from the \$4.9 million reported for the first quarter of 2002. The growth in noninterest income was attributable to increases in gains on loan sales and service charges on deposits. For the first quarter of 2003, gains on loan sales amounted to \$1.2 million, an increase of \$722 thousand from the first quarter of 2002. As a result of the decline in interest rates, the Corporation has experienced heavy residential mortgage activity, predominantly refinancing, which increased the amount of loans sold into the secondary market. The Corporation expects this activity to remain strong through the second quarter of 2003, however this level of activity may not be sustainable in future periods. In addition to selling residential mortgage loans, the Corporation began selling the guaranteed portion of SBA loan originations in 2002. Included in gains on loan sales for the first quarter of 2003 are approximately \$100 thousand in gains on sales of SBA loans. For the three months ended March 31, 2003, service charges on deposit accounts amounted to \$1.1 million, up \$273 thousand from the corresponding period in 2002. Growth in deposits and changes in the fee structure of various deposit products were contributing factors in this increase. Revenue from trust and investment management services continues to be the largest component of noninterest income. Trust and investment management income totaled \$2.5 million for the three months ended March 31, 2003 down slightly from the amount reported for the corresponding period in 2002, reflecting the financial market declines. Trust and investment assets under administration amounted to \$1.479 billion at March 31, 2003, compared to \$1.524 billion at December 31, 2002.

The Corporation recognized net realized gains on securities amounting to \$230 thousand and \$291 thousand in the first quarter of 2003 and 2002, respectively. The gains resulted primarily from the sale of certain U.S. government agency and mortgage-backed securities to take advantage of market opportunities and to reposition the securities portfolio.

For the first quarter of 2003, noninterest expenses totaled \$11.0 million, up \$1.8 million from the amount of noninterest expenses reported for first quarter of 2002. This increase was primarily due to normal growth and higher operating costs resulting from the April 2002 acquisition of First Financial Corp. Salaries and benefits, the largest component of total noninterest expense, amounted to \$6.5 million for the three months ended March 31, 2003, compared to the \$5.6 million reported for the first three months of 2002.

--M O R E--

Total assets amounted to \$1.816 billion at March 31, 2003, up \$70.0 million from the December 31, 2002 balance of \$1.746 billion. In the first quarter of 2003, total loans increased \$16.0 million to \$811.1 million at March 31, 2003, led by a \$9.0 million increase in the commercial and commercial real estate portfolio. As of March 31, 2003, residential real estate loans totaled \$285.7 million, up \$4.8 million from the balance at December 31, 2002.

Residential real estate loans were impacted by the refinancing of fixed rate

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residential loans being sold into the secondary market. In the first quarter of 2003, the Corporation purchased a total of \$7.7 million of residential mortgages from other financial institutions. Total securities were \$842.3 million at March 31, 2003, up \$46.5 million from the December 31, 2002 balance. The increase in securities was primarily due to purchases of mortgage-backed securities and U.S. government agency securities. Purchases of securities were funded primarily with Federal Home Loan Bank advances. In the first quarter of 2003, Federal Home Loan Bank advances increased \$64.3 million to \$544.4 million at March 31, 2003. Total deposits at March 31, 2003 amounted to \$1.121 billion, up from the December 31, 2002 balance of \$1.110 billion. Demand deposits rose \$12.1 million, or 7.7 percent, in the first quarter of 2003 and totaled \$169.6 million at March 31, 2003. Time deposits increased \$2.6 million from December 31, 2002 and amounted to \$484.2 million at March 31, 2003. Savings deposits amounted to \$467.0 million at March 31, 2003, down slightly from the \$471.3 million at December 31, 2002.

Asset quality continues to be strong, as measured by the level of nonperforming assets. Nonaccrual loans as a percentage of total loans at March 31, 2003 were .50%, compared to .53% at December 31, 2002. Similarly, nonperforming assets (nonaccrual loans and property acquired through foreclosure) as a percent of total assets at March 31, 2003 amounted to .22%, as compared to .24% at December 31, 2002. The Corporation's allowance for loan losses amounted to \$15,495,000 at March 31, 2003, compared to \$15,487,000 at December 31, 2002.

Total shareholders' equity amounted to \$131.0 million at March 31, 2003, up from \$128.7 million at December 31, 2002. Book value per share as of March 31, 2003 and December 31, 2002 amounted to \$10.02 and \$9.87, respectively.

Washington Trust Bancorp, Inc. Chairman and Chief Executive Officer, John C. Warren, and David V. Devault, Executive Vice President, Treasurer, and Chief Financial Officer will host a conference call today, Thursday, April 17, at 4:00 p.m. (Eastern Standard Time) to discuss the Corporation's first quarter earnings. Access to the call is available in a listen-only mode via the investor relations "news room" section of Washington Trust's web site at [www.washtrust.com](http://www.washtrust.com). In addition, a webcast replay of the call will be posted via the investor relations "news room" section of Washington Trust's web site at [www.washtrust.com](http://www.washtrust.com), shortly after conclusion of the call.

Washington Trust Bancorp, Inc.'s Annual Meeting of Shareholders will be held at 11:00 a.m. (Eastern Standard Time), Thursday, April 29, 2003 at the Westerly Public Library, Westerly, RI.

Washington Trust Bancorp, Inc. is the parent of The Washington Trust Company, a Rhode Island state-chartered bank founded in 1800. The Bank offers a full range of financial services, including trust and investment management, through its offices in Rhode Island and southeastern Connecticut. Washington Trust Bancorp, Inc.'s common stock trades on The Nasdaq Stock Market (R) under the symbol WASH. Investor information is available on the Corporation's web site: [www.washtrust.com](http://www.washtrust.com).

# # #

This report contains certain statements that may be considered "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Corporation's actual results, performance or achievements could differ materially from those projected in the forward-looking statements as a result, among other factors, of changes in general national or regional economic conditions, changes in interest rates, reductions in the market value of trust and investment assets under management, reductions in deposit levels necessitating increased borrowing to fund loans and investments, changes in the size and nature of the Corporation's competition, changes in loan default and charge-off rates and changes in the assumptions used in making such forward-looking statements.

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Washington Trust Bancorp, Inc. and Subsidiary  
FINANCIAL SUMMARY

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

|   | THREE MONTHS EN  |                  |
|---|------------------|------------------|
|   | MAR. 31,<br>2003 | MAR. 31,<br>2002 |
| <b>OPERATING RESULTS</b>                            |                  |                  |
| -----   |                  |                  |
| Net interest income                                 | \$11,929         | \$9,384          |
| Provision for loan losses                           | 100              | 100              |
| Net realized gains on securities                    | 230              | 291              |
| Other noninterest income                            | 5,803            | 4,937            |
| Noninterest expenses                                | 10,978           | 9,164            |
| Income tax expense                                  | 2,134            | 1,604            |
| Net income  | 4,750            | 3,744            |
| <br>  |                  |                  |
| <b>PER SHARE</b>                                    |                  |                  |
| -----   |                  |                  |
| Basic earnings                                      | \$0.36           | \$0.31           |
| Diluted earnings                                    | \$0.36           | \$0.31           |
| Dividends declared                                  | \$0.15           | \$0.14           |
| <br>  |                  |                  |
| <b>SHARES OUTSTANDING</b>                           |                  |                  |
| -----   |                  |                  |
| Weighted average:                                   |                  |                  |
| Basic   | 13,059.3         | 12,004.9         |
| Diluted   | 13,230.2         | 12,174.6         |
| <br>  |                  |                  |
| <b>AVERAGE BALANCE SHEET</b>                        |                  |                  |
| -----   |                  |                  |
| Assets  | \$1,778,338      | \$1,351,387      |
| <br>  |                  |                  |
| Federal funds sold and other short-term investments | 14,946           | 15,005           |
| Taxable debt securities                             | 764,975          | 590,107          |
| Nontaxable debt securities                          | 17,462           | 19,999           |
| Corporate stocks and Federal Home Loan Bank stock   | 48,025           | 41,981           |
| <br>  |                  |                  |
| Loans:  |                  |                  |
| Commercial  | 389,545          | 260,320          |
| Residential   | 292,276          | 234,395          |
| Consumer  | 133,050          | 110,413          |
| Total loans   | 814,871          | 605,128          |
| <br>  |                  |                  |
| Earning assets                                      | 1,660,279        | 1,272,220        |
| <br>  |                  |                  |
| Deposits:   |                  |                  |
| Demand  | 155,944          | 121,530          |
| Savings   | 459,777          | 313,578          |
| Time  | 481,766          | 381,311          |
| Total deposits                                      | 1,097,487        | 816,419          |
| <br>  |                  |                  |
| Federal Home Loan Bank advances                     | 532,698          | 422,769          |

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|                      |         |        |
|----------------------|---------|--------|
| Shareholders' equity | 130,506 | 99,952 |
|----------------------|---------|--------|

### KEY RATIOS

-----

|   |        |        |
|---|--------|--------|
| Return on average assets                        | 1.07%  | 1.11%  |
| Return on average equity                        | 14.56% | 14.98% |
| Interest rate spread (taxable equivalent basis) | 2.68%  | 2.63%  |
| Net interest margin (taxable equivalent basis)  | 2.97%  | 3.07%  |

### ALLOWANCE FOR LOAN LOSSES

-----

|                                |          |          |
|--------------------------------|----------|----------|
| Balance at beginning of period | \$15,487 | \$13,593 |
| Provision charged to earnings  | 100      | 100      |
| Net (charge-offs) recoveries   | (92)     | (28)     |
|                                | -----    | -----    |
| Balance at end of period       | \$15,495 | \$13,665 |
|                                | =====    | =====    |

### Washington Trust Bancorp, Inc. and Subsidiary FINANCIAL SUMMARY

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

|  |                  |                  |
|--|------------------|------------------|
|  | MAR. 31,<br>2003 | MAR. 31,<br>2002 |
|  | -----            | -----            |

### PERIOD END BALANCE SHEET

-----

|                                 |             |             |
|---------------------------------|-------------|-------------|
| Assets                          | \$1,815,627 | \$1,362,650 |
| Total securities                | 842,307     | 655,595     |
| Loans:                          |             |             |
| Commercial                      | 391,158     | 259,367     |
| Residential                     | 285,689     | 225,931     |
| Consumer                        | 134,285     | 111,510     |
|                                 | -----       | -----       |
| Total loans                     | 811,132     | 596,808     |
| Deposits:                       |             |             |
| Demand                          | 169,636     | 119,904     |
| Savings                         | 467,027     | 322,729     |
| Time                            | 484,183     | 390,353     |
|                                 | -----       | -----       |
| Total deposits                  | 1,120,846   | 832,986     |
| Federal Home Loan Bank advances | 544,387     | 414,067     |
| Shareholders' equity            | 131,010     | 99,163      |

### SHARE INFORMATION

-----

|                                     |          |          |
|-------------------------------------|----------|----------|
| Shares outstanding at end of period | 13,071.0 | 11,998.9 |
| Book value per share                | \$10.02  | \$8.26   |
| Market value per share              | \$20.21  | \$19.42  |

### CREDIT QUALITY

-----

|                  |         |         |
|------------------|---------|---------|
| Nonaccrual loans | \$4,034 | \$3,191 |
|------------------|---------|---------|

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|   |         |         |
|---|---------|---------|
| Other real estate owned, net                  | 4       | 30      |
| Nonperforming assets to total assets          | 0.22%   | 0.24%   |
| Nonaccrual loans to total loans               | 0.50%   | 0.53%   |
| Allowance for loan losses to nonaccrual loans | 384.11% | 428.24% |
| Allowance for loan losses to total loans      | 1.91%   | 2.29%   |

Washington Trust Bancorp, Inc. and Subsidiary  
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)  
March 31,  
2003

-----  
Assets:

|  |  |             |
|--|--|-------------|
| Cash and due from banks  |  | \$39,084    |
| Federal funds sold and other short-term investments                              |  | 10,550      |
| Mortgage loans held for sale   |  | 11,583      |
| Securities:  |  |             |
| Available for sale, at fair value  |  | 578,260     |
| Held to maturity, at cost; fair value \$271,849<br>in 2003 and \$250,446 in 2002 |  | 264,047     |
| Total securities   |  | 842,307     |
| Federal Home Loan Bank stock, at cost  |  | 28,600      |
| Loans  |  | 811,132     |
| Less allowance for loan losses   |  | 15,495      |
| Net loans  |  | 795,637     |
| Premises and equipment, net  |  | 25,485      |
| Accrued interest receivable  |  | 8,459       |
| Goodwill and other intangibles   |  | 25,083      |
| Other assets   |  | 28,839      |
| Total assets   |  | \$1,815,627 |

-----  
Liabilities:

|  |  |           |
|--|--|-----------|
| Deposits:                              |  |           |
| Demand                                 |  | \$169,636 |
| Savings                                |  | 467,027   |
| Time                                   |  | 484,183   |
| Total deposits                         |  | 1,120,846 |
| Dividends payable                      |  | 1,962     |
| Federal Home Loan Bank advances        |  | 544,387   |
| Other borrowings                       |  | 1,926     |
| Accrued expenses and other liabilities |  | 15,496    |
| Total liabilities                      |  | 1,684,617 |

Shareholders' Equity:

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|   |             |
|---|-------------|
| Common stock of \$0.625 par value; authorized 30 million shares;<br>issued 13,086,795 shares in 2003 and 2002 | 818         |
| Paid-in capital   | 28,411      |
| Retained earnings   | 93,505      |
| Unamortized employee restricted stock   | (20)        |
| Accumulated other comprehensive income  | 8,602       |
| Treasury stock, at cost; 15,788 shares in 2003 and 44,361 in 2002   | (306)       |
| <hr/>   |             |
| Total shareholders' equity  | 131,010     |
| <hr/>   |             |
| Total liabilities and shareholders' equity  | \$1,815,627 |
| <hr/>   |             |

Washington Trust Bancorp, Inc. and Subsidiary  
CONSOLIDATED STATEMENTS OF INCOME

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

|   |          |
|---|----------|
| Three months ended March 31,                                    | 2003     |
| <hr/>   |          |
| Interest income:  |          |
| Interest and fees on loans                                      | \$12,646 |
| Interest on securities  | 8,555    |
| Dividends on corporate stock and Federal Home Loan Bank stock   | 487      |
| Interest on federal funds sold and other short-term investments | 37       |
| <hr/>   |          |
| Total interest income   | 21,725   |
| <hr/>   |          |
| Interest expense:   |          |
| Savings deposits  | 950      |
| Time deposits   | 3,934    |
| Federal Home Loan Bank advances                                 | 4,893    |
| Other   | 19       |
| <hr/>   |          |
| Total interest expense  | 9,796    |
| <hr/>   |          |
| Net interest income   | 11,929   |
| Provision for loan losses                                       | 100      |
| <hr/>   |          |
| Net interest income after provision for loan losses             | 11,829   |
| <hr/>   |          |
| Noninterest income:   |          |
| Trust and investment management                                 | 2,533    |
| Service charges on deposit accounts                             | 1,100    |
| Merchant processing fees  | 457      |
| Net gains on loan sales   | 1,238    |
| Income from bank-owned life insurance                           | 284      |
| Net realized gains on securities                                | 230      |
| Other income  | 191      |
| <hr/>   |          |
| Total noninterest income  | 6,033    |
| <hr/>   |          |
| Noninterest expense:  |          |
| Salaries and employee benefits                                  | 6,534    |
| Net occupancy   | 762      |
| Equipment   | 837      |



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|   |          |
|---|----------|
| Merchant processing costs                     | 362      |
| Legal, audit and professional fees            | 305      |
| Advertising and promotion                     | 270      |
| Outsourced services                           | 371      |
| Amortization of intangibles                   | 180      |
| Other   | 1,357    |
| -----   |          |
| Total noninterest expense                     | 10,978   |
| -----   |          |
| Income before income taxes                    | 6,884    |
| Income tax expense                            | 2,134    |
| -----   |          |
| Net income                                    | \$4,750  |
| =====   |          |
| Weighted average shares outstanding - basic   | 13,059.3 |
| Weighted average shares outstanding - diluted | 13,230.2 |
| Per share information:                        |          |
| Basic earnings per share                      | \$0.36   |
| Diluted earnings per share                    | \$0.36   |
| Cash dividends declared per share             | \$0.15   |