

AMERISERV FINANCIAL INC /PA/
Form 8-K
July 22, 2003
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

Current Report Pursuant to Section 13 or 15(d) of the Securities

Act of 1934

Date of Report (Date of earliest event reported) July 22, 2003

AMERISERV FINANCIAL, Inc.

(exact name of registrant as specified in its charter)

Pennsylvania 0-11204 25-1424278

(State or other (commission (I.R.S. Employer

jurisdiction File Number) Identification No.)

of Incorporation)

Main and Franklin Streets, Johnstown, Pa. 15901

(address or principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 814-533-5300

N/A

(Former name or former address, if changed since last report.)

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Item 9. Regulation FD Disclosure

This item is being filed as an Item 12. Results of Operations and Financial Condition. Pursuant to the Securities and Exchange Commission's filing guidance issued on March 27, 2003 regarding Final Rule 33-8216.

AMERISERV FINANCIAL Inc. (the "Registrant") press release dated April 22, 2003, announcing its earnings for the three (3) month period ended March 31, 2003 is attached hereto as Exhibit 99.1 and incorporated herein by reference

Exhibits

Exhibit 99.1

Press release dated July 22, 2003, announcing its earnings for the three (3) and six (6) month periods ended June 30, 2003.

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

AMERISERV FINANCIAL, Inc.

By /s/Jeffrey A. Stopko

Jeffrey A. Stopko

Senior Vice President

& CFO

Date: July 22, 2003

Exhibit 99.1

Jeffrey A. Stopko

July 22, 2003

Senior Vice President &

Chief Financial Officer

(814)-533-5310

AMERISERV FINANCIAL RETURNS TO PROFITABILITY; ANNOUNCES INCREASED SECOND QUARTER 2003 EARNINGS

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) returned to profitability by reporting net income for the second quarter of 2003 of \$915,000 or \$0.07 per diluted share. When compared to net income of \$408,000 or \$0.03 per diluted share reported in the second quarter of 2002, this represents an increase of \$507,000 or over 100%. This financial performance reflects continued progress in the Company's turnaround and the first quarter of profitability after net losses experienced in the three previous quarters. Specifically, the Company reported a net loss of \$4.2 million in the third quarter of 2002, a net loss of \$2 million in the fourth quarter of 2002, and a net loss of \$795,000 in the first quarter of 2003. As a result of the positive second quarter 2003 performance, the Company is also now profitable for the six month period ended June 30, 2003 with net income of \$120,000 or \$0.01 per diluted share. The following table highlights the Company's financial performance for both the three and six month periods ended June 30, 2003 and 2002:

| | Second Quarter 2003 | Second Quarter 2002 | Six Months Ended June 30, 2003 | Six Months Ended June 30, 2002 |
|----------------------------|---------------------------|---------------------------|--------------------------------------|--------------------------------------|
| Net income | \$915,000 | \$408,000 | \$120,000 | \$1,034,000 |
| Diluted earnings per share | 0.07 | 0.03 | 0.01 | 0.08 |

At June 30, 2003, ASRV had total assets of \$1.17 billion and shareholders' equity of \$76 million or \$5.48 per share. The Company continues to be considered well capitalized for regulatory purposes with an asset leverage ratio at June 30, 2003 of 7.10%, compared to a regulatory minimum of 5.0%.

The Company's provision for loan losses totaled \$534,000 or 0.40% of total loans in the second quarter of 2003. This represented a decrease of \$281,000 from the second quarter 2002 provision of \$815,000 or 0.56% of total loans. The second quarter 2003 provision exceeded net charge-offs for the quarter that totaled \$33,000 or 0.02% of total loans, which resulted in the Company further building its allowance for loan losses to \$11.9 million at June 30, 2003. Non-performing assets totaled \$10.2 million or 1.93% of total loans at June 30, 2003. This represented a decrease of \$1.5 million from the March 31, 2003 level of \$11.7 million but an increase of \$3.2 million from the December 31, 2002 total of \$7.0 million. The Company's largest non-performing asset is a \$4.8 million commercial mortgage loan to a borrower in the personal care industry that is supported by an 80% guarantee by the U.S. Department of Agriculture and is secured by a first mortgage on the personal care facility. The Company's loan loss reserve coverage of non-performing assets amounted to 117% at June 30, 2003 compared to 144% at December 31, 2002 and 97% at June 30, 2002. The allowance for loan losses as a percentage of total loans increased to 2.27% at June 30, 2003 compared to 1.75% at December 31, 2002 and 0.92% at June 30, 2002.

The Company's net interest income in the second quarter of 2003 decreased by \$873,000 from the prior year second quarter due to a reduced level of earning assets and a decline in the net interest margin to 2.41%. Loan portfolio shrinkage experienced in the first half of 2003 was the predominant factor contributing to both the lower level of earning assets and the net interest margin contraction. The overall net decrease in loans reflects continuing prepayment pressures caused by the historically low interest rate environment and the Company's internal focus on improving asset quality. The Company completed the restructuring of its lending division during the second quarter of 2003 and is now better positioned to generate increased new loan production in the second half of the year. When analyzing more recent quarterly trends, both the net interest income and net interest margin declines were not as severe. Specifically, between the first and second quarter of 2003, the Company's net interest income declined by \$213,000 and the net interest margin dropped by seven basis points.

The Company's total non-interest income in the second quarter of 2003 was slightly better than the prior year second quarter as it increased by \$71,000 or 1.4%. Items that favorably impacted second quarter 2003 performance were net realized gains from investment security sales, higher deposit service charges, and increased gains on residential mortgage loan sales into the secondary market. Gains on the sale of investment securities increased by \$106,000 as the Company took advantage of the volatility in the market to shorten the investment portfolio duration and also capture profits on certain securities that had risks of accelerated prepayment in today's low interest rate environment. A similar increase occurred in deposit service charges due to higher levels of overdraft fees and checking service charges. These positive items more than offset a decline in other income resulting from the Company's decision to exit the merchant card business in the fourth quarter of 2002.

The Company's total non-interest expense in the second quarter of 2003 decreased by \$1.3 million or 11.5% from the second quarter of 2002 due to the Company's continued focus on reducing and containing expenses. This decline was the primary factor responsible for the Company's increased earnings. Salaries and employee benefits dropped by \$411,000 as on average there were 42 fewer full-time equivalent employees when compared to the second quarter of 2002. Other expenses also declined by \$481,000 due to cost cutting in numerous expense categories, some of the larger of which included advertising expense and merchant card expense. The dramatic downsizing of the mortgage servicing asset in the first quarter of 2003 reduced the impact of lower mortgage rates on the Company's performance. Specifically, the Company's impairment charge on mortgage servicing rights amounted to \$254,000 in the second quarter of 2003; a reduction of \$533,000 when compared to the \$787,000 impairment charge recognized in the second quarter of 2002. As a result of the sale of 69% of the Company's mortgage servicing portfolio and the impairment charges recognized during the first half of 2003, the value of the Company's mortgage servicing rights declined from

\$6.9 million at December 31, 2002 to \$1.8 million at June 30, 2003.

AmeriServ Financial, Inc., is the parent of AmeriServ Financial Bank and AmeriServ Trust & Financial Services in Johnstown, AmeriServ Associates of State College, and AmeriServ Life Insurance Company.

This news release may contain forward-looking statements that involve risks and uncertainties, including the risks detailed in the Company's Annual Report and Form 10-K to the Securities and Exchange Commission as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially.

Nasdaq NMS: ASRV

SUPPLEMENTAL FINANCIAL PERFORMANCE DATA (A)

July 22, 2003

(In thousands, except per share and ratio data)

2003

| | 1QTR | 2QTR | YEAR TO DATE |
|---|------------|------------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | |
| Net income (loss) | \$(795) | \$915 | \$120 |
| PERFORMANCE PERCENTAGES (annualized): | | | |
| Return on average equity | (4.17)% | 4.84% | 0.32% |
| Net interest margin | 2.48 | 2.41 | 2.45 |
| Net charge-offs as a percentage of average loans | 0.20 | 0.02 | 0.11 |
| Loan loss provision as a percentage of average loans | 1.19 | 0.40 | 0.80 |
| Net overhead expense as a percentage of tax equivalent net interest income | 91.97 | 73.61 | 82.54 |
| Efficiency ratio | 94.98 | 84.81 | 89.69 |
| PER COMMON SHARE: | | | |
| Net income (loss): | | | |
| Basic | \$(0.06) | \$0.07 | \$0.01 |
| Average number of common shares outstanding | 13,923,010 | 13,935,086 | 13,929,082 |
| Diluted | (0.06) | 0.07 | 0.01 |

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| | | | |
|---|------------|------------|------------|
| Average number of common shares outstanding | 13,923,010 | 13,940,460 | 13,933,861 |
| Cash dividends declared | 0.00 | 0.00 | 0.00 |

2002

| | 1QTR | 2QTR | YEAR TO DATE |
|---|------------|------------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | |
| Net income | \$626 | \$408 | \$1,034 |
| PERFORMANCE PERCENTAGES (annualized): | | | |
| Return on average equity | 3.16% | 2.04% | 2.59% |
| Net interest margin | 2.35 | 2.63 | 2.49 |
| Net charge-offs as a percentage of average loans | 0.06 | 1.09 | 0.58 |
| Loan loss provision as a percentage of average loans | 0.37 | 0.56 | 0.47 |
| Net overhead expense as a percentage of tax equivalent net interest income | 80.13 | 82.34 | 81.29 |
| Efficiency ratio | 88.34 | 89.52 | 88.96 |
| PER COMMON SHARE: | | | |
| Net income: | | | |
| Basic | \$0.05 | \$0.03 | \$0.08 |
| Average number of common shares outstanding | 13,689,478 | 13,748,179 | 13,718,990 |
| Diluted | 0.05 | 0.03 | 0.08 |
| Average number of common shares outstanding | 13,712,382 | 13,778,716 | 13,745,459 |
| Cash dividends declared | 0.09 | 0.09 | 0.18 |

NOTES:

(A)

All quarterly data unaudited.

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(In thousands, except per share, statistical, and ratio data)

2003

| | 1QTR | 2QTR |
|---------------------------------------|-------------|-------------|
| PERFORMANCE DATA AT PERIOD END | | |
| Assets | \$1,190,360 | \$1,167,610 |
| Investment securities | 546,427 | 544,967 |
| Loans | 555,335 | 525,591 |
| Allowance for loan losses | 11,415 | 11,916 |
| Goodwill and core deposit intangibles | 15,337 | 14,979 |
| Mortgage servicing rights | 2,214 | 1,784 |
| Deposits | 669,103 | 661,932 |
| Stockholders equity | 75,364 | 76,384 |
| Trust assets | 1,091,391 | 1,146,695 |
| Non-performing assets | 11,687 | 10,163 |
| Asset leverage ratio | 6.94% | 7.10% |
| PER COMMON SHARE: | | |
| Book value (A) | \$5.41 | \$5.48 |
| Market value | 3.50 | 3.80 |
| Market price to book value | 64.69% | 69.35% |

STATISTICAL DATA AT PERIOD END:

| | | |
|--------------------------------|------------|------------|
| Full-time equivalent employees | 416 | 427 |
| Branch locations | 23 | 23 |
| Common shares outstanding | 13,929,324 | 13,940,999 |

2002

| | 1QTR | 2QTR | 3QTR | 4QTR |
|---------------------------------------|-------------|-------------|-------------|-------------|
| PERFORMANCE DATA AT PERIOD END | | | | |
| Assets | \$1,213,764 | \$1,202,086 | \$1,182,678 | \$1,175,550 |
| Investment securities | 532,349 | 493,322 | 491,861 | 505,778 |
| Loans | 587,624 | 600,778 | 594,285 | 572,977 |
| Allowance for loan losses | 6,286 | 5,518 | 5,757 | 10,035 |
| Goodwill and core deposit intangibles | 16,968 | 16,610 | 16,252 | 15,894 |
| Mortgage servicing rights | 8,315 | 7,566 | 5,146 | 6,917 |
| Deposits | 680,435 | 705,662 | 674,573 | 669,929 |

| | | | | |
|----------------------------|-----------|-----------|-----------|-----------|
| Stockholders equity | 78,051 | 82,491 | 79,711 | 77,756 |
| Trust assets | 1,198,480 | 1,190,834 | 1,082,311 | 1,057,816 |
| Non-performing assets | 9,105 | 5,668 | 5,407 | 6,964 |
| Asset leverage ratio | 7.54% | 7.46% | 7.00% | 6.84% |
| PER COMMON SHARE: | | | | |
| Book value (A) | \$5.69 | \$6.00 | \$5.77 | \$5.59 |
| Market value | 4.96 | 4.58 | 2.45 | 2.85 |
| Market price to book value | 87.17% | 76.37% | 42.45% | 50.98% |

STATISTICAL DATA AT PERIOD END:

| | | | | |
|--------------------------------|------------|------------|------------|------------|
| Full-time equivalent employees | 468 | 464 | 445 | 422 |
| Branch locations | 24 | 24 | 24 | 23 |
| Common shares outstanding | 13,709,329 | 13,754,342 | 13,811,595 | 13,898,302 |

NOTES:

(A) Other comprehensive income had a positive impact of \$0.30 on book value per share at June 30, 2003.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(Quarterly data unaudited)

2003

| | YEAR | | |
|----------------------------|---------|---------|------------|
| | 1QTR | 2QTR | TO DATE |
| INTEREST INCOME | | | |
| Interest and fees on loans | \$9,083 | \$8,595 | \$17,678 |
| Total investment portfolio | 5,660 | 5,631 | 11,291 |
| Total Interest Income | 14,743 | 14,226 | 28,969 |
| INTEREST EXPENSE | | | |
| Deposits | 3,140 | 2,965 | 6,105 |
| All other funding sources | 4,956 | 4,827 | 9,783 |

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| | | | |
|--|---------|-------|--------|
| Total Interest Expense | 8,096 | 7,792 | 15,888 |
| NET INTEREST INCOME | 6,647 | 6,434 | 13,081 |
| Provision for loan losses | 1,659 | 534 | 2,193 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 4,988 | 5,900 | 10,888 |
| NON-INTEREST INCOME | | | |
| Trust fees | 1,253 | 1,253 | 2,506 |
| Net realized gains on investment securities | | | |
| available for sale | 1,278 | 1,420 | 2,698 |
| Net realized gains on loans and loans held for sale | 173 | 221 | 394 |
| Service charges on deposit accounts | 767 | 800 | 1,567 |
| Net mortgage servicing fees | 71 | 77 | 148 |
| Gain (loss) on sale of mortgage servicing | (758) | - | (758) |
| Bank owned life insurance | 298 | 307 | 605 |
| Other income | 913 | 1,017 | 1,930 |
| Total Non-interest Income | 3,995 | 5,095 | 9,090 |
| NON-INTEREST EXPENSE | | | |
| Salaries and employee benefits | 4,789 | 4,717 | 9,506 |
| Net occupancy expense | 752 | 701 | 1,453 |
| Equipment expense | 817 | 750 | 1,567 |
| Professional fees | 903 | 1,058 | 1,961 |
| FDIC deposit insurance expense | 28 | 26 | 54 |
| Amortization of core deposit intangibles | 358 | 358 | 716 |
| Impairment charge (credit)for mortgage servicing | 366 | 254 | 620 |
| rights | | | |
| Goodwill impairment loss | 199 | - | 199 |
| Other expenses | 1,908 | 1,922 | 3,830 |
| Total Non-interest Expense | 10,120 | 9,786 | 19,906 |
| INCOME (LOSS) BEFORE INCOME TAXES | (1,137) | 1,209 | 72 |
| Provision (benefit) for income taxes | (342) | 294 | (48) |
| NET INCOME (LOSS) | \$(795) | \$915 | \$120 |

2002

| | | | YEAR |
|--|----------|----------|------------|
| INTEREST INCOME | 1QTR | 2QTR | TO DATE |
| Interest and fees on loans | \$10,562 | \$10,434 | \$20,996 |
| Total investment portfolio | 6,698 | 6,637 | 13,335 |
| Total Interest Income | 17,260 | 17,071 | 34,331 |
| INTEREST EXPENSE | | | |
| Deposits | 4,288 | 4,215 | 8,503 |
| All other funding sources | 6,389 | 5,549 | 11,938 |
| Total Interest Expense | 10,677 | 9,764 | 20,441 |
| NET INTEREST INCOME | 6,583 | 7,307 | 13,890 |
| Provision for loan losses | 540 | 815 | 1,355 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 6,043 | 6,492 | 12,535 |
| NON-INTEREST INCOME | | | |
| Trust fees | 1,279 | 1,235 | 2,514 |
| Net realized gains on investment securities | | | |
| available for sale | 637 | 1,314 | 1,951 |
| Net realized gains on loans and loans held for sale | 124 | 141 | 265 |
| Service charges on deposit accounts | 674 | 694 | 1,368 |
| Net mortgage servicing fees | 92 | 123 | 215 |
| Bank owned life insurance | 554 | 317 | 871 |
| Other income | 1,288 | 1,200 | 2,488 |
| Total Non-interest Income | 4,648 | 5,024 | 9,672 |
| NON-INTEREST EXPENSE | | | |
| Salaries and employee benefits | 5,145 | 5,128 | 10,273 |
| Net occupancy expense | 739 | 750 | 1,489 |
| Equipment expense | 783 | 768 | 1,551 |
| Professional fees | 750 | 847 | 1,597 |
| FDIC deposit insurance expense | 29 | 29 | 58 |
| Amortization of core deposit intangibles | 358 | 358 | 716 |
| Impairment charge for mortgage servicing rights | (123) | 787 | 664 |

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| | | | |
|--|-------|--------|---------|
| Wholesale mortgage production exit costs | (26) | (14) | (40) |
| Other expenses | 2,280 | 2,403 | 4,683 |
| Total Non-interest Expense | 9,935 | 11,056 | 20,991 |
| | | | |
| INCOME BEFORE INCOME TAXES | 756 | 460 | 1,216 |
| Provision for income taxes | 130 | 52 | 182 |
| NET INCOME | \$626 | \$408 | \$1,034 |

AMERISERV FINANCIAL, INC.

Nasdaq NMS: ASRV

Average Balance Sheet Data (In thousands)

(Quarterly Data Unaudited)

Note: 2002 data appears before 2003.

2002

2003

| | 2QTR | SIX MONTHS | 2QTR | SIX MONTHS |
|---|-------------|---------------|-------------|---------------|
| Interest earning assets: | | | | |
| Loans and loans held for sale, net of unearned income | \$584,090 | \$584,258 | \$525,935 | \$541,528 |
| Deposits with banks | 16,544 | 17,511 | 4,002 | 5,621 |
| Federal funds sold | 277 | 990 | 35 | 18 |
| Total investment securities | 502,245 | 500,043 | 531,834 | 514,836 |
| | | | | |
| Total interest earning assets | 1,103,156 | 1,102,802 | 1,061,806 | 1,062,003 |
| | | | | |
| Non-interest earning assets: | | | | |
| Cash and due from banks | 22,683 | 22,348 | 21,533 | 22,545 |
| Premises and equipment | 13,219 | 13,343 | 12,123 | 12,300 |
| Other assets | 67,554 | 68,045 | 69,670 | 70,453 |
| Allowance for loan losses | (6,246) | (6,174) | (11,703) | (10,988) |
| | | | | |
| Total assets | \$1,200,366 | \$1,200,364 | \$1,153,429 | \$1,156,313 |

Interest bearing liabilities:

Interest bearing deposits:

| | | | | |
|---------------------------------|----------|----------|----------|----------|
| Interest bearing demand | \$49,680 | \$49,118 | \$52,491 | \$51,520 |
| Savings | 102,287 | 98,602 | 103,238 | 102,678 |
| Money market | 131,349 | 133,117 | 124,827 | 126,529 |
| Other time | 303,327 | 303,266 | 284,879 | 287,046 |
| Total interest bearing deposits | 586,643 | 584,103 | 565,435 | 567,773 |

Borrowings:

Federal funds purchased, securities sold under agreements to repurchase, and other short-term borrowings

| | | | | |
|---|-----------|-----------|---------|---------|
| | 48,603 | 34,924 | 102,264 | 97,958 |
| Advanced from Federal Home Loan Bank | 333,488 | 351,226 | 264,861 | 266,509 |
| Guaranteed junior subordinated deferrable interest debentures | 34,500 | 34,500 | 34,500 | 34,500 |
| Total interest bearing liabilities | 1,003,234 | 1,004,753 | 967,060 | 966,740 |

Non-interest bearing liabilities:

| | | | | |
|---|-------------|-------------|-------------|-------------|
| Demand deposits | 107,429 | 105,031 | 104,057 | 105,952 |
| Other liabilities | 9,238 | 10,150 | 6,473 | 7,082 |
| Stockholders equity | 80,465 | 80,430 | 75,839 | 76,539 |
| Total liabilities and stockholders equity | \$1,200,366 | \$1,200,364 | \$1,153,429 | \$1,156,313 |