

AMERISERV FINANCIAL INC /PA/

Form 8-K

April 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) April 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 April 22, 2003, announcing its earnings for the three (3) month period ended March 31, 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: April 22, 2003

Exhibit 99.1

Jeffrey A. Stopko

April 22, 2003

Senior Vice President &

Chief Financial Officer

(814)-533-5310

AMERISERV FINANCIAL ANNOUNCES FIRST QUARTER 2003

FINANCIAL RESULTS

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) today reported a net loss for the first quarter of 2003 amounting to (\$795,000) or (\$0.06) per diluted share compared to net income of \$626,000 or \$0.05 per diluted share reported in the first quarter of 2002. The Company achieved meaningful progress in its turnaround as the size of the net loss declined sharply when compared to the two most recent quarters. Specifically, the Company reported a net loss of \$4.2 million in the third quarter of 2002 and a net loss of \$2 million in the fourth quarter of 2002. The first quarter 2003 loss was due primarily to an increased provision for loan losses and a loss realized on the sale of a significant portion of its mortgage servicing asset.

At March 31, 2003, ASRV had total assets of \$1.2 billion and shareholders' equity of \$75 million or \$5.41 per share. The Company continues to be considered well capitalized for regulatory purposes with an asset leverage ratio at March 31, 2003 of 6.94%, compared to a regulatory minimum of 5.0%.

The Company's provision for loan losses totaled \$1.7 million or 1.19% of total loans in the first quarter of 2003. This represented an increase of \$1.1 million from the first quarter 2002 provision of \$540,000 or 0.37% of total loans. The first quarter 2003 provision exceeded net charge-offs for the quarter that totaled \$279,000 or 0.20% of total loans. The actions taken to further build the allowance for loan losses in the first quarter of 2003 reflect deterioration in credit quality that was evidenced by a higher level of classified loans and non-performing assets. Non-performing assets increased from \$7.0 million at December 31, 2002 to \$11.7 million at March 31, 2003 due primarily to the transfer of a \$4.8 million commercial mortgage loan into non-accrual status. As discussed in the Company's 2002 Annual Report and Form 10-K, this loan is to a borrower in the personal care industry and 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. As a result of the higher level of non-performing assets, the Company's loan loss reserve coverage of non-performing assets amounted to 98% at March 31, 2003 compared to 144% at December 31, 2002 and 69% at March 31, 2002. The allowance for loan losses as a percentage of total loans, however, increased to 2.06% at March 31, 2003 compared to 1.75% at December 31, 2002 and 1.07% at March 31, 2002.

The Company's net interest income in the first quarter of 2003 increased by \$64,000 from the prior year first quarter due to a 13 basis point improvement in the net interest margin to 2.48%. This increase in the net interest margin was partially offset by a reduced level of earning assets due to loan portfolio shrinkage experienced in the first quarter of 2003. The overall net loan paydowns reflect continuing prepayment pressures caused by the historically low interest rate environment. When analyzing more recent trends, both net interest income and net interest margin displayed stability. Specifically, between the fourth quarter of 2002 and the first quarter of 2003, the Company's net interest income declined by only \$37,000 and the net interest margin improved by one basis point. This demonstrated net interest margin stability is noteworthy given the recent industry trends of net interest margin contraction.

The Company's total non-interest income in the first quarter of 2003 decreased by \$653,000 from the first quarter of 2002 due primarily to a \$758,000 loss realized on the sale of approximately 69% of the Company's mortgage servicing portfolio. Largely as a result of this sale, the value of the Company's mortgage servicing rights declined from \$6.9 million at December 31, 2002 to \$2.2 million at March 31, 2003. This downsizing of the mortgage servicing asset reduces the level of interest rate risk and earnings volatility at the Company and contributes to a more conservatively positioned balance sheet. Non-interest income was also negatively impacted by a \$254,000 drop in revenue from bank owned life insurance due to the receipt of a death benefit for an employee insured under the program in the prior year first quarter. These negative items were partially mitigated by net realized gains from investment security sales and higher deposit service charges. Gains on the sale of investment securities increased by \$641,000 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. These increased gains also helped offset a \$366,000 mortgage servicing impairment charge recorded in the first quarter of 2003. This non-cash impairment charge reflects a decline in the value of the remaining mortgage servicing rights due to increased prepayment speeds resulting from unprecedented mortgage refinancing activity. Specifically, the Mortgage Bankers Association Refinance Index reached in excess of 8000 in March 2003; the highest level ever recorded.

The Company's total non-interest expense in the first quarter of 2003 increased by \$185,000 from the first quarter of 2002. Non-interest expenses, exclusive of the mortgage servicing rights impairment charge /credit and a goodwill impairment loss, however, declined by \$503,000 from the first quarter of 2002 and by a more significant \$816,000 from the fourth quarter of 2002 due to the Company's focus on reducing expenses. Salaries and employee benefits dropped by \$356,000 as there were 52 fewer full time equivalent employees when compared to the first quarter of 2002. Other expenses also declined by \$372,000 due to cost cutting in numerous expense categories some of the larger of which included advertising expense and merchant card expense. The Company did recognize a \$199,000 goodwill impairment loss in the first quarter of 2003 due to the write-off of the goodwill associated with the mortgage banking segment.

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)

April 22, 2003

(In thousands, except per share and ratio data)

2003

1QTR

PERFORMANCE DATA FOR THE PERIOD:

| | |
|-------------------|---------|
| Net income (loss) | \$(795) |
|-------------------|---------|

PERFORMANCE PERCENTAGES (annualized):

| | |
|--|---------|
| Return on average equity | (4.17)% |
| Net interest margin | 2.48 |
| Net charge-offs as a percentage of average loans | 0.20 |
| Loan loss provision as a percentage of average loans | 1.19 |

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| | |
|--|-------|
| Net overhead expense as a percentage of tax equivalent net interest income | 91.97 |
| Efficiency ratio | 94.98 |

PER COMMON SHARE:

| | |
|---|------------|
| Net income (loss): | |
| Basic | \$(0.06) |
| Average number of common shares outstanding | 13,923,010 |
| Diluted | (0.06) |
| Average number of common shares outstanding | 13,923,010 |
| Cash dividends declared | 0.00 |

2002

| | 1QTR | 2QTR | 3QTR | 4QTR | YEAR TO DATE |
|----------------------------------|-------|-------|-----------|-----------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | | | |
| Net income (loss) | \$626 | \$408 | \$(4,224) | \$(1,962) | \$(5,152) |

PERFORMANCE PERCENTAGES

(annualized):

| | | | | | |
|--|-------|-------|----------|---------|---------|
| Return on average equity | 3.16% | 2.04% | (20.19)% | (9.80)% | (6.37)% |
| Net interest margin | 2.35 | 2.63 | 2.48 | 2.47 | 2.51 |
| Net charge-offs as a percentage of average loans | 0.06 | 1.09 | 2.08 | 0.17 | 0.85 |
| Loan loss provision as a percentage of average loans | 0.37 | 0.56 | 2.24 | 3.06 | 1.56 |
| Net overhead expense as a percentage of tax equivalent net interest income | | | | | |
| | 80.13 | 82.34 | 147.87 | 78.87 | 97.23 |
| Efficiency ratio | 88.34 | 89.52 | 127.78 | 87.98 | 98.39 |

PER COMMON SHARE:

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Net income (loss): | | | | | |
| Basic | \$0.05 | \$0.03 | \$(0.31) | \$(0.14) | \$(0.37) |
| Average number of common shares outstanding | 13,689,478 | 13,748,179 | 13,799,547 | 13,887,932 | 13,781,878 |
| Diluted | 0.05 | 0.03 | (0.31) | (0.14) | (0.37) |
| Average number of common shares outstanding | 13,712,382 | 13,778,716 | 13,800,897 | 13,889,196 | 13,789,482 |

| | | | | | |
|-------------------------|------|------|------|------|------|
| Cash dividends declared | 0.09 | 0.09 | 0.09 | 0.03 | 0.30 |
|-------------------------|------|------|------|------|------|

NOTES:

(A) All quarterly data unaudited.

AMERISERV FINANCIAL, INC.

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

2003

| | 1QTR |
|---------------------------------------|-------------|
| PERFORMANCE DATA AT PERIOD END | |
| Assets | \$1,190,360 |
| Investment securities | 546,427 |
| Loans | 555,335 |
| Allowance for loan losses | 11,415 |
| Goodwill and core deposit intangibles | 15,337 |
| Mortgage servicing rights | 2,214 |
| Deposits | 669,103 |
| Stockholders' equity | 75,364 |
| Trust assets | 1,091,391 |
| Non-performing assets | 11,687 |
| Asset leverage ratio | 6.94% |
| PER COMMON SHARE: | |
| Book value (A) | \$5.41 |
| Market value | 3.50 |
| Market price to book value | 64.69% |
| STATISTICAL DATA AT PERIOD END: | |
| Full-time equivalent employees | 416 |
| Branch locations | 23 |
| Common shares outstanding | 13,929,324 |

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 March 31, 2003.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(Quarterly data unaudited)

2003

| | |
|---|---------|
| INTEREST INCOME | 1QTR |
| Interest and fees on loans | \$9,083 |
| Total investment portfolio | 5,660 |
| Total Interest Income | 14,743 |
| INTEREST EXPENSE | |
| Deposits | 3,140 |
| All other funding sources | 4,956 |
| Total Interest Expense | 8,096 |
| NET INTEREST INCOME | 6,647 |
| Provision for loan losses | 1,659 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 4,988 |
| NON-INTEREST INCOME | |
| Trust fees | 1,253 |
| Net realized gains on investment securities available for sale | 1,278 |
| Net realized gains on loans and loans held for sale | 173 |
| Service charges on deposit accounts | 767 |
| Net mortgage servicing fees | 71 |
| Gain (loss) on sale of mortgage servicing | (758) |
| Bank owned life insurance | 298 |
| Other income | 913 |
| Total Non-interest Income | 3,995 |
| NON-INTEREST EXPENSE | |
| Salaries and employee benefits | 4,789 |
| Net occupancy expense | 752 |
| Equipment expense | 817 |
| Professional fees | 903 |
| FDIC deposit insurance expense | 28 |
| Amortization of core deposit intangibles | 358 |
| Impairment charge (credit)for mortgage servicing rights | 366 |
| Goodwill impairment loss | 199 |

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| | |
|--------------------------------------|---------|
| Other expenses | 1,908 |
| Total Non-interest Expense | 10,120 |
| | |
| INCOME (LOSS) BEFORE INCOME TAXES | (1,137) |
| Provision (benefit) for income taxes | (342) |
| NET INCOME (LOSS) | \$(795) |

2002

| | 1QTR | 2QTR | 3QTR | 4QTR | YEAR TO DATE |
|---|----------|----------|----------|---------|--------------------|
| INTEREST INCOME | | | | | |
| Interest and fees on loans | \$10,562 | \$10,434 | \$10,191 | \$9,835 | \$41,022 |
| Total investment portfolio | 6,698 | 6,637 | 6,011 | 5,647 | 24,993 |
| Total Interest Income | 17,260 | 17,071 | 16,202 | 15,482 | 66,015 |
| | | | | | |
| INTEREST EXPENSE | | | | | |
| Deposits | 4,288 | 4,215 | 4,015 | 3,535 | 16,053 |
| All other funding sources | 6,389 | 5,549 | 5,393 | 5,263 | 22,594 |
| Total Interest Expense | 10,677 | 9,764 | 9,408 | 8,798 | 38,647 |
| | | | | | |
| NET INTEREST INCOME | 6,583 | 7,307 | 6,794 | 6,684 | 27,368 |
| Provision for loan losses | 540 | 815 | 3,380 | 4,530 | 9,265 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 6,043 | 6,492 | 3,414 | 2,154 | 18,103 |
| | | | | | |
| NON-INTEREST INCOME | | | | | |
| Trust fees | 1,279 | 1,235 | 1,077 | 1,081 | 4,672 |
| Net realized gains on investment securities available for sale | 637 | 1,314 | 1,356 | 987 | 4,294 |
| Net realized gains on loans and loans held for sale | 124 | 141 | 160 | 354 | 779 |
| Service charges on deposit accounts | 674 | 694 | 732 | 806 | 2,906 |
| Net mortgage servicing fees | 92 | 123 | 97 | 101 | 413 |
| Bank owned life insurance | 554 | 317 | 309 | 311 | 1,491 |
| Other income | 1,288 | 1,200 | 1,198 | 1,446 | 5,132 |
| Total Non-interest Income | 4,648 | 5,024 | 4,929 | 5,086 | 19,687 |

NON-INTEREST EXPENSE

| | | | | | |
|--|-------|--------|-----------|-----------|-----------|
| Salaries and employee benefits | 5,145 | 5,128 | 5,342 | 4,982 | 20,597 |
| Net occupancy expense | 739 | 750 | 682 | 689 | 2,860 |
| Equipment expense | 783 | 768 | 741 | 752 | 3,044 |
| Professional fees | 750 | 847 | 1,057 | 1,189 | 3,843 |
| FDIC deposit insurance expense | 29 | 29 | 28 | 30 | 116 |
| Amortization of core deposit intangibles | 358 | 358 | 358 | 358 | 1,432 |
| Impairment (credit) charge for mortgage servicing rights | (123) | 787 | 3,034 | - | 3,698 |
| Wholesale mortgage production exit costs | (26) | (14) | - | - | (40) |
| Restructuring costs | - | - | 920 | - | 920 |
| Other expenses | 2,280 | 2,403 | 2,843 | 2,371 | 9,897 |
| Total Non-interest Expense | 9,935 | 11,056 | 15,005 | 10,371 | 46,367 |
| INCOME (LOSS) BEFORE INCOME TAXES | 756 | 460 | (6,662) | (3,131) | (8,577) |
| Provision (benefit) for income taxes | 130 | 52 | (2,438) | (1,169) | (3,425) |
| NET INCOME (LOSS) | \$626 | \$408 | \$(4,224) | \$(1,962) | \$(5,152) |

AMERISERV FINANCIAL, INC.

Nasdaq NMS: ASRV

Average Balance Sheet Data (In thousands)

(Quarterly Data Unaudited)

Note: 2002 data appears before 2003.

| | 2002 THREE MONTHS | 2003 THREE MONTHS |
|---|-------------------------|-------------------------|
| Interest earning assets: | | |
| Loans and loans held for sale, net of unearned income | \$584,426 | \$557,123 |
| Deposits with banks | 18,478 | 7,240 |
| Federal funds sold | 1,703 | - |

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| | | |
|--|-------------|-------------|
| Total investment securities | 497,841 | 497,836 |
| Total interest earning assets | 1,102,448 | 1,062,199 |
| Non-interest earning assets: | | |
| Cash and due from banks | 22,014 | 23,557 |
| Premises and equipment | 13,467 | 12,477 |
| Other assets | 68,534 | 71,235 |
| Allowance for loan losses | (6,101) | (10,272) |
| Total assets | \$1,200,362 | \$1,159,196 |
| Interest bearing liabilities: | | |
| Interest bearing deposits: | | |
| Interest bearing demand | \$48,557 | \$50,550 |
| Savings | 94,916 | 102,116 |
| Money market | 134,884 | 128,232 |
| Other time | 303,206 | 289,213 |
| Total interest bearing deposits | 581,563 | 570,111 |
| Borrowings: | | |
| Federal funds purchased, securities sold under agreements to repurchase, and other short-term borrowings | 21,244 | 93,652 |
| Advanced from Federal Home Loan Bank | 368,966 | 268,156 |
| Guaranteed junior subordinated deferrable interest debentures | 34,500 | 34,500 |
| Long-term debt | - | - |
| Total interest bearing liabilities | 1,006,273 | 966,419 |
| Non-interest bearing liabilities: | | |
| Demand deposits | 102,632 | 107,847 |
| Other liabilities | 11,062 | 7,692 |
| Stockholders equity | 80,395 | 77,238 |
| Total liabilities and stockholders equity | \$1,200,362 | \$1,159,196 |