

AMERISERV FINANCIAL INC /PA/

Form 8-K

April 20, 2004

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 20, 2004

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.)

Form 8-K

## Item 12. Results of Operations and Financial Condition

AMERISERV FINANCIAL Inc. (the "Registrant") press release dated April 20, 2004, announcing its earnings for the three (3) month period ended March 31, 2004 is attached hereto as Exhibit 99.1 and incorporated herein by reference

Exhibits

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Exhibit 99.1 Press release dated April 20, 2004, announcing its earnings for the  
three (3) month period ended March 31, 2004.

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 20, 2004

Exhibit 99.1

Jeffrey A. Stopko

April 20, 2004

Senior Vice President &

Chief Financial Officer

(814)-533-5310

AMERISERV FINANCIAL REPORTS FOURTH CONSECUTIVE QUARTER OF PROFITABILITY

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) completed its fourth consecutive quarter of profitability by reporting net income for the first quarter of 2004 of \$226,000 or \$0.02 per diluted share. This represents significant improvement and a sharp turnaround from the net loss of \$795,000 or \$0.06 per share reported in the first quarter of 2003. The following table highlights the Company's financial performance for the quarters ended March 31, 2004 and 2003:

|                                   | First Quarter 2004 | First Quarter 2003 | Change      |
|-----------------------------------|--------------------|--------------------|-------------|
| Net income (loss)                 | \$226,000          | (\$795,000)        | \$1,021,000 |
| Diluted earnings (loss) per share | 0.02               | (0.06)             | 0.08        |

At March 31, 2004, ASRV had total assets of \$1.1 billion and shareholders' equity of \$78 million or \$5.57 per share. The Company is well capitalized for regulatory purposes with an asset leverage ratio at March 31, 2004 of 7.75%, compared to a regulatory minimum of 5.0%.

The Company's net interest income in the first quarter of 2004 decreased by \$435,000 from the prior year first quarter due to a reduced level of earning assets and a nine basis point decline in the net interest margin to 2.39%. Loan portfolio shrinkage experienced during the majority of 2003 was a predominant factor contributing to both the lower level of earning assets and the net interest margin contraction in the first quarter comparisons. However, when compared to more recent quarterly performance, the Company's net interest income and net interest margin have demonstrated favorable trends growing for two consecutive quarters. Specifically, when compared to the third quarter 2003 when the impact of loan refinancings reached their peak on the Company's portfolio, the net interest margin has increased from 2.14% to 2.39%. This improvement reflects modest growth in both loans and deposits and a slow down in premium amortization on the Company's mortgage backed securities since the third quarter of 2003.

The Company's provision for loan losses totaled \$384,000 or 0.31% of total loans in the first quarter of 2004. This represented a decrease of \$1.3 million from the first quarter 2003 provision of \$1.7 million or 1.19% of total loans. Net charge-offs in the first quarter of 2004 totaled \$597,000 or 0.48% of total loans compared to net charge-offs of \$279,000 or 0.20% of total loans in the first quarter of 2003. The higher net charge-offs in the first quarter of 2004 reflect a \$625,000 write-down of a \$4.8 million loan on a personal care facility that was discussed in a previously issued press release. The Company took possession of the facility and transferred the property to other real estate owned in the first quarter of 2004. The Company is currently evaluating bids for the facility and hopes to finalize a sale by the end of the second quarter of 2004. The Company expects to incur no further loss on this property.

The Company's allowance for loan losses totaled \$11.4 million at March 31, 2004 providing 84% coverage of non-performing assets. Non-performing assets totaled \$13.5 million at March 31, 2004, which represented an increase of \$2.1 million from the December 31, 2003 level of \$11.4 million. This increase reflects the beginning of foreclosure proceedings on a \$4.3 million commercial mortgage loan on a hotel within the Company's primary market area. Overall, the allowance for loan losses as a percentage of total loans amounted to 2.26% at March 31, 2004 compared to 2.32% at December 31, 2003, and 2.06% at March 31, 2003.

The Company's total non-interest income in the first quarter of 2004 increased by \$70,000 from the prior year first quarter due to a combination of several factors. First, the Company realized a \$758,000 loss on the sale of approximately 70% of its mortgage-servicing portfolio in the first quarter of 2003. This significant downsizing of the mortgage-servicing asset reduced the level of interest rate risk and earnings volatility of the Company. There was no such loss experienced in the first quarter of 2004. This positive item, however, was partially offset by fewer gains realized on asset sales in the first quarter of 2004. These included a \$341,000 decrease in gains on investment security sales and a \$133,000 decline in gains realized on the sale of mortgage loans into the secondary market as result of reduced mortgage refinancing activity. This lower level of new mortgage origination activity in the first quarter of 2004 was also the main factor responsible for the \$149,000 decrease in other non-interest income.

The Company's total non-interest expense in the first quarter of 2004 favorably decreased by \$449,000 or 4.4% when compared to the first quarter of 2003. The largest factor causing the decrease was a \$266,000 reduction in the impairment charge on mortgage servicing rights due a significantly smaller mortgage-servicing asset in 2004. The Company also benefited from the non-recurrence in 2004 of a \$199,000 goodwill impairment loss associated with the write-off of all goodwill within the mortgage-banking segment in the first quarter of 2003. Excluding these

impairment related charges, the remaining total non-interest expenses were essentially flat between the first quarter of 2003 and first quarter of 2004 reflecting the Company's continued focus on reducing and containing expenses.

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 20, 2004

(In thousands, except per share and ratio data)

2004

1QTR

PERFORMANCE DATA FOR THE PERIOD:

|            |       |
|------------|-------|
| Net income | \$226 |
|------------|-------|

PERFORMANCE PERCENTAGES (annualized):

|  |       |
|--|-------|
| Return on average equity                             | 1.21% |
| Net interest margin                                  | 2.39  |
| Net charge-offs as a percentage of average loans     | 0.48  |
| Loan loss provision as a percentage of average loans | 0.31  |
| Efficiency ratio                                     | 93.83 |

PER COMMON SHARE:

|   |            |
|---|------------|
| Net income:                                 |            |
| Basic                                       | \$0.02     |
| Average number of common shares outstanding | 13,962,010 |
| Diluted                                     | 0.02       |
| Average number of common shares outstanding | 14,025,836 |

Cash dividends declared 0.00

2003

|  | 1QTR       | 2QTR       | 3QTR       | 4QTR       | YEAR<br>TO DATE |
|--|------------|------------|------------|------------|-----------------|
| <b>PERFORMANCE DATA FOR THE PERIOD:</b>              |            |            |            |            |                 |
| Net income (loss)                                    | \$(795)    | \$915      | \$249      | \$180      | \$549           |
| <b>PERFORMANCE PERCENTAGES<br/>(annualized):</b>     |            |            |            |            |                 |
| Return on average equity                             | (4.17)%    | 4.84%      | 1.35%      | 1.00%      | 0.74%           |
| Net interest margin                                  | 2.48       | 2.41       | 2.14       | 2.21       | 2.31            |
| Net charge-offs as a percentage of average loans     | 0.20       | 0.02       | 0.33       | 0.35       | 0.22            |
| Loan loss provision as a percentage of average loans | 1.19       | 0.40       | 0.30       | 0.31       | 0.56            |
| Efficiency ratio                                     | 94.98      | 84.81      | 94.05      | 95.15      | 91.98           |
| <b>PER COMMON SHARE:</b>                             |            |            |            |            |                 |
| Net income (loss):                                   |            |            |            |            |                 |
| Basic  | \$(0.06)   | \$0.07     | \$0.02     | \$0.01     | \$0.04          |
| Average number of common shares outstanding          | 13,923,010 | 13,935,086 | 13,945,889 | 13,954,044 | 13,939,610      |
| Diluted  | (0.06)     | 0.07       | 0.02       | 0.01       | 0.04            |
| Average number of common shares outstanding          | 13,923,010 | 13,940,460 | 13,954,648 | 13,972,328 | 13,947,895      |
| Cash dividends declared                              | 0.00       | 0.00       | 0.00       | 0.00       | 0.00            |

**NOTES:**

(A)

All quarterly data unaudited.

AMERISERV FINANCIAL, INC.

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

2004

## 1QTR

PERFORMANCE DATA AT PERIOD  
END

|                                       |             |
|---------------------------------------|-------------|
| Assets                                | \$1,099,564 |
| Investment securities                 | 504,980     |
| Loans                                 | 503,404     |
| Allowance for loan losses             | 11,379      |
| Goodwill and core deposit intangibles | 13,905      |
| Mortgage servicing rights             | 1,493       |
| Deposits                              | 656,348     |
| Stockholders' equity                  | 77,721      |
| Trust assets - fair market value      | 1,256,064   |
| Non-performing assets                 | 13,482      |
| Asset leverage ratio                  | 7.75%       |

## PER COMMON SHARE:

|                            |         |
|----------------------------|---------|
| Book value (A)             | \$5.57  |
| Market value               | 6.10    |
| Market price to book value | 109.52% |

## STATISTICAL DATA AT PERIOD END:

|                                |            |
|--------------------------------|------------|
| Full-time equivalent employees | 415        |
| Branch locations               | 23         |
| Common shares outstanding      | 13,965,737 |

2003

## 1QTR

## 2QTR

## 3QTR

## 4QTR

PERFORMANCE DATA AT PERIOD  
END

|                                       |             |             |             |             |
|---------------------------------------|-------------|-------------|-------------|-------------|
| Assets                                | \$1,190,360 | \$1,167,610 | \$1,160,915 | \$1,147,886 |
| Investment securities                 | 546,427     | 544,967     | 577,374     | 552,662     |
| Loans                                 | 555,335     | 525,591     | 496,951     | 503,387     |
| Allowance for loan losses             | 11,415      | 11,916      | 11,872      | 11,682      |
| Goodwill and core deposit intangibles | 15,337      | 14,979      | 14,621      | 14,263      |
| Mortgage servicing rights             | 2,214       | 1,784       | 1,859       | 1,718       |
| Deposits                              | 669,103     | 661,932     | 648,844     | 654,597     |
| Stockholders' equity                  | 77,864      | 78,884      | 75,188      | 74,270      |
| Trust assets - fair market value      | 1,091,391   | 1,146,695   | 1,107,022   | 1,145,660   |



|                            |        |        |        |        |
|----------------------------|--------|--------|--------|--------|
| Non-performing assets      | 11,687 | 10,163 | 11,227 | 11,411 |
| Asset leverage ratio       | 7.23%  | 7.39%  | 7.48%  | 7.58%  |
| PER COMMON SHARE:          |        |        |        |        |
| Book value (A)             | \$5.59 | \$5.66 | \$5.39 | \$5.32 |
| Market value               | 3.50   | 3.80   | 4.17   | 5.00   |
| Market price to book value | 62.61% | 67.14% | 77.37% | 93.98% |

## STATISTICAL DATA AT PERIOD END:

|                                |            |            |            |            |
|--------------------------------|------------|------------|------------|------------|
| Full-time equivalent employees | 416        | 427        | 422        | 413        |
| Branch locations               | 23         | 23         | 23         | 23         |
| Common shares outstanding      | 13,929,324 | 13,940,999 | 13,949,383 | 13,957,599 |

## NOTES:

(A) Other comprehensive income had a positive impact of \$0.16 on book value per share at March 31, 2004.

## AMERISERV FINANCIAL, INC.

## CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(Quarterly data unaudited)

2004

|                            |         |
|----------------------------|---------|
| INTEREST INCOME            | 1QTR    |
| Interest and fees on loans | \$7,691 |
| Total investment portfolio | 5,228   |
| Total Interest Income      | 12,919  |
| INTEREST EXPENSE           |         |
| Deposits                   | 2,543   |
| All other funding sources  | 4,164   |
| Total Interest Expense     | 6,707   |
| NET INTEREST INCOME        | 6,212   |

|  |       |
|--|-------|
| Provision for loan losses                              | 384   |
| NET INTEREST INCOME AFTER<br>PROVISION FOR LOAN LOSSES | 5,828 |
| NON-INTEREST INCOME                                    |       |
| Trust fees   | 1,267 |
| Net realized gains on investment securities            |       |
| available for sale                                     | 937   |
| Net realized gains on loans and loans held for<br>sale | 40    |
| Service charges on deposit accounts                    | 730   |
| Net mortgage servicing fees                            | 52    |
| Bank owned life insurance                              | 275   |
| Other income   | 764   |
| Total Non-interest Income                              | 4,065 |
| NON-INTEREST EXPENSE                                   |       |
| Salaries and employee benefits                         | 4,915 |
| Net occupancy expense                                  | 757   |
| Equipment expense                                      | 704   |
| Professional fees                                      | 804   |
| FDIC deposit insurance expense                         | 72    |
| Amortization of core deposit intangibles               | 358   |
| Impairment charge for mortgage servicing               |       |
| Rights   | 100   |
| Other expenses   | 1,961 |
| Total Non-interest Expense                             | 9,671 |
| INCOME BEFORE INCOME TAXES                             | 222   |
| Provision (benefit) for income taxes                   | (4)   |
| NET INCOME   | \$226 |

2003

|                 | 1QTR | 2QTR | 3QTR | 4QTR | YEAR<br>TO<br>DATE |
|-----------------|------|------|------|------|--------------------|
| INTEREST INCOME |      |      |      |      |                    |

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|  |         |         |         |         |          |
|--|---------|---------|---------|---------|----------|
| Interest and fees on loans                             | \$9,083 | \$8,595 | \$8,044 | \$7,585 | \$33,307 |
| Total investment portfolio                             | 5,660   | 5,631   | 5,035   | 5,372   | 21,698   |
| Total Interest Income                                  | 14,743  | 14,226  | 13,079  | 12,957  | 55,005   |
| INTEREST EXPENSE                                       |         |         |         |         |          |
| Deposits   | 3,140   | 2,965   | 2,765   | 2,633   | 11,503   |
| All other funding sources                              | 4,956   | 4,827   | 4,618   | 4,456   | 18,857   |
| Total Interest Expense                                 | 8,096   | 7,792   | 7,383   | 7,089   | 30,360   |
| NET INTEREST INCOME                                    | 6,647   | 6,434   | 5,696   | 5,868   | 24,645   |
| Provision for loan losses                              | 1,659   | 534     | 384     | 384     | 2,961    |
| NET INTEREST INCOME AFTER<br>PROVISION FOR LOAN LOSSES | 4,988   | 5,900   | 5,312   | 5,484   | 21,684   |
| NON-INTEREST INCOME                                    |         |         |         |         |          |
| Trust fees   | 1,253   | 1,253   | 1,254   | 1,233   | 4,993    |
| Net realized gains on investment securities            |         |         |         |         |          |
| available for sale                                     | 1,278   | 1,420   | 402     | 687     | 3,787    |
| Net realized gains on loans and loans held for<br>sale | 173     | 221     | 165     | 73      | 632      |
| Service charges on deposit accounts                    | 767     | 800     | 812     | 801     | 3,180    |
| Net mortgage servicing fees                            | 71      | 77      | 55      | 46      | 249      |
| Gain (loss) on sale of mortgage servicing              | (758)   | -       | -       | -       | (758)    |
| Bank owned life insurance                              | 298     | 307     | 305     | 304     | 1,214    |
| Other income   | 913     | 1,017   | 989     | 713     | 3,632    |
| Total Non-interest Income                              | 3,995   | 5,095   | 3,982   | 3,857   | 16,929   |
| NON-INTEREST EXPENSE                                   |         |         |         |         |          |
| Salaries and employee benefits                         | 4,789   | 4,717   | 4,729   | 4,688   | 18,923   |
| Net occupancy expense                                  | 752     | 701     | 682     | 681     | 2,816    |
| Equipment expense                                      | 817     | 750     | 692     | 692     | 2,951    |
| Professional fees                                      | 903     | 1,058   | 951     | 906     | 3,818    |
| FDIC deposit insurance expense                         | 28      | 26      | 75      | 72      | 201      |
| Amortization of core deposit intangibles               | 358     | 358     | 358     | 358     | 1,432    |
| Impairment charge (credit) for mortgage<br>servicing   | 366     | 254     | (230)   | -       | 390      |
| rights   |         |         |         |         |          |
| Goodwill impairment loss                               | 199     | -       | -       | -       | 199      |
| Other expenses   | 1,908   | 1,922   | 1,855   | 1,862   | 7,547    |
| Total Non-interest Expense                             | 10,120  | 9,786   | 9,112   | 9,259   | 38,277   |

|                                      |         |       |       |       |       |
|--------------------------------------|---------|-------|-------|-------|-------|
| INCOME (LOSS) BEFORE INCOME TAXES    | (1,137) | 1,209 | 182   | 82    | 336   |
| Provision (benefit) for income taxes | (342)   | 294   | (67)  | (98)  | (213) |
| NET INCOME (LOSS)                    | \$(795) | \$915 | \$249 | \$180 | \$549 |

AMERISERV FINANCIAL, INC.

Nasdaq NMS: ASRV

Average Balance Sheet Data (In thousands)

(Quarterly Data Unaudited)

Note: 2003 data appears before 2004.

2003

2004

|   | 1QTR        | 1QTR        |
|---|-------------|-------------|
| Interest earning assets:                              |             |             |
| Loans and loans held for sale, net of unearned income | \$557,123   | \$495,728   |
| Deposits with banks                                   | 7,240       | 4,574       |
| Federal funds sold                                    | -           | 226         |
| Total investment securities                           | 497,836     | 541,761     |
| Total interest earning assets                         | 1,062,199   | 1,042,289   |
| Non-interest earning assets:                          |             |             |
| Cash and due from banks                               | 23,557      | 22,113      |
| Premises and equipment                                | 12,477      | 10,983      |
| Other assets  | 71,235      | 66,455      |
| Allowance for loan losses                             | (10,272)    | (11,457)    |
| Total assets  | \$1,159,196 | \$1,130,383 |

Interest bearing liabilities:

Interest bearing deposits:

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|  |             |             |
|--|-------------|-------------|
| Interest bearing demand  | \$50,550    | \$51,838    |
| Savings  | 102,116     | 105,228     |
| Money market   | 128,232     | 120,430     |
| Other time   | 289,213     | 274,241     |
| Total interest bearing deposits  | 570,111     | 551,737     |
| Borrowings:  |             |             |
| Federal funds purchased, securities sold under agreements to repurchase, and other short-term borrowings |             |             |
|  | 93,652      | 128,403     |
| Advanced from Federal Home Loan Bank   | 268,156     | 226,812     |
| Guaranteed junior subordinated deferrable interest debentures *  |             |             |
|  | 34,500      | 35,567      |
| Total interest bearing liabilities   | 966,419     | 942,519     |
| Non-interest bearing liabilities:  |             |             |
| Demand deposits  | 107,847     | 106,344     |
| Other liabilities  | 5,192       | 6,379       |
| Stockholders equity  | 79,738      | 75,141      |
| Total liabilities and stockholders equity  | \$1,159,196 | \$1,130,383 |

\* - The first quarter 2004 reflects the adoption of FIN46R and the deconsolidation of the capital trust subsidiary.