

AMERISERV FINANCIAL INC /PA/

Form 8-K

January 27, 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) January 27, 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 January 27, 2004, announcing its earnings for the three (3) and twelve (12) month periods ended December 31, 2003 is attached hereto as Exhibit 99.1 and incorporated herein by reference

Exhibits

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Exhibit 99.1 Press release dated January 27, 2004, announcing its earnings for the  
three (3) and twelve (12) month periods ended December 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: January 27, 2004

Exhibit 99.1

Jeffrey A. Stopko

January 27, 2004

Senior Vice President &

Chief Financial Officer

(814)-533-5310

**AMERISERV FINANCIAL REPORTS THIRD CONSECUTIVE QUARTER OF PROFITABILITY AND  
DRAMATICALLY IMPROVED FINANCIAL RESULTS FOR FULL YEAR 2003**

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) completed its third consecutive quarter of profitability by reporting net income for the fourth quarter of 2003 of \$180,000 or \$0.01 per diluted share. This represents significant improvement and a dramatic turnaround from the net loss of \$2.0 million or \$0.14 per share reported in the fourth quarter of 2002. As a result of the Company's success in achieving three consecutive quarters of profitability, the Company is also profitable for the year ended December 31, 2003 with net income of \$549,000 or \$0.04 per diluted share compared to a net loss of \$5.2 million or \$0.37 per share for the year ended December 31, 2002. The continuation of the turnaround contributed to the improved level of performance in virtually every facet of the operation. The following table highlights the Company's financial performance for both the quarters and years ended December 31, 2003 and 2002:

|                   | Fourth Quarter<br>2003 | Fourth Quarter<br>2002 | Year Ended<br>December 31, 2003 | Year Ended<br>December 31, 2002 |
|-------------------|------------------------|------------------------|---------------------------------|---------------------------------|
| Net income (loss) | \$180,000              | (\$1,962,000)          | \$549,000                       | (\$5,152,000)                   |

Diluted earnings (loss) per share

|      |        |      |        |
|------|--------|------|--------|
| 0.01 | (0.14) | 0.04 | (0.37) |
|------|--------|------|--------|

At December 31, 2003, ASRV had total assets of \$1.15 billion and shareholders' equity of \$72 million or \$5.14 per share. The Company is well capitalized for regulatory purposes with an asset leverage ratio at December 31, 2003 of 7.29%, compared to a regulatory minimum of 5.0%.

The Company's provision for loan losses totaled \$384,000 or 0.31% of total loans in the fourth quarter of 2003. This represented a decrease of \$4.1 million from the fourth quarter 2002 provision of \$4.5 million or 3.06% of total loans.

For the full year 2003, the Company's provision for loan losses totaled \$3.0 million or 0.56% of total loans; a decrease of \$6.3 million from the full year 2002 provision of \$9.3 million or 1.56% of total loans. Net charge-offs also experienced a decline dropping from \$5.1 million or 0.85% of total loans for the full year 2002 to \$1.2 million or 0.22% of total loans in 2003.

The Company's allowance for loan losses totaled \$11.7 million at December 31, 2003 providing 102% coverage of non-performing assets. Non-performing assets totaled \$11.4 million at December 31, 2003, which represented an increase of \$4.4 million from the December 31, 2002 level of \$7.0 million. Comparable with other quarter-ends in 2003, the Company's largest non-performing asset continues to be a \$4.8 million commercial mortgage loan to a borrower in the personal care industry. This loan 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. If the government guaranteed portion of this commercial mortgage were excluded from the non-performing asset totals, the loan loss reserve coverage of non-performing assets would amount to 154% at December 31, 2003. Overall, the allowance for loan losses as a percentage of total loans increased to 2.32% at December 31, 2003 compared to 1.75% at December 31, 2002 due to an increase in the allowance for loan losses and a decline in total loans outstanding.

The Company's net interest income in the fourth quarter of 2003 decreased by \$816,000 from the prior year fourth quarter due to a reduced level of earning assets and a 26 basis point decline in the net interest margin to 2.21%.

When the full year 2003 is compared to 2002, net interest income declined by \$2.7 million also due to a lower level of earning assets and 20 basis point drop in the net interest margin to 2.31%. Loan portfolio shrinkage experienced during 2003 was a predominant factor contributing to both the lower level of earning assets and the net interest margin contraction. The overall net decrease in average loans outstanding on both an annual and quarterly basis reflects significant prepayments caused by the 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 third quarter of 2003 and did report for the first time in six quarters modest growth in total loans between September 30, 2003 and December 31, 2003. This fourth quarter 2003 stabilization of balances in the loan portfolio combined with a slow down in premium amortization on the Company's mortgage backed securities resulted in a seven basis point sequential quarter increase in the net interest margin from 2.14% in the third quarter of 2003 to 2.21% in the fourth quarter of 2003.

The Company's total non-interest income in the fourth quarter of 2003 declined by \$1.2 million from the prior year

fourth quarter due primarily to fewer gains realized on asset sales. These included: a \$300,000 decrease in gains on investment security sales, a \$281,000 decline in gains realized on the sale of mortgage loans into the secondary market, and the non-recurrence of a \$185,000 gain realized on the sale of the merchant card business in the fourth quarter of 2002. The Company's decision to exit the merchant card business also was a factor contributing to the decline in other income. These negative items were partially offset by a \$152,000 or 14.1% increase in trust fees due to successful union related new business development efforts. The items responsible for the quarterly decline also contributed to a \$2.8 million reduction in non-interest income when the full year 2003 is compared to the full year 2002. Additionally, a \$758,000 loss realized on the sale of approximately 69% of the Company's mortgage servicing portfolio in the first quarter of 2003 also had a negative impact on the full year 2003 performance. This significant downsizing of the mortgage-servicing asset reduced the level of interest rate risk and earnings volatility of the Company and contributes to a more conservatively positioned balance sheet at December 31, 2003 when compared to the prior year end.

The Company's total non-interest expense in the fourth quarter of 2003 favorably decreased by \$1.1 million when compared to the prior year fourth quarter due to the Company's continued focus on reducing and containing expenses. For the full year 2003, non-interest expense totaled \$38.3 million, which represented a decline of \$8.1 million or 17.4% from the \$46.4 million non-interest expense level reported for the 2002 year. One of the largest factors causing the decrease was a \$3.3 million reduction in impairment charges on mortgage servicing rights due to the sale of a significant portion of the mortgage-servicing asset in the first quarter of 2003. The value of the Company's mortgage servicing rights has declined from \$6.9 million at December 31, 2002 to \$1.7 million at December 31, 2003. The Company also recorded in the third quarter of 2002 a \$920,000 restructuring charge associated with implementing its earnings improvement program. There was no such charge in 2003. The Company is realizing the benefits of the earnings improvement program and its ongoing focus on reducing expenses as evidenced by salaries and employee benefits dropping by \$1.7 million or 8.1% for the full year 2003. On average there were 32 fewer full-time equivalent employees in 2003 when compared to the full year 2002. Other expenses also declined by \$2.4 million due to cost cutting in numerous expense categories, some of the larger of which included advertising expense, merchant card expense, business development expense and education 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)

January 27, 2004

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(In thousands, except per share and ratio data)

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 (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            |

2002

|  | 1QTR  | 2QTR  | 3QTR      | 4QTR      | YEAR<br>TO DATE |
|--|-------|-------|-----------|-----------|-----------------|
| <b>PERFORMANCE DATA FOR THE PERIOD:</b>          |       |       |           |           |                 |
| Net income (loss)                                | \$626 | \$408 | \$(4,224) | \$(1,962) | \$(5,152)       |
| <b>PERFORMANCE PERCENTAGES (annualized):</b>     |       |       |           |           |                 |
| 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            |
|  | 0.37  | 0.56  | 2.24      | 3.06      | 1.56            |

Loan loss provision as a percentage of average loans

|                  |       |       |        |       |       |
|------------------|-------|-------|--------|-------|-------|
| 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 | 13,799,547 | 13,887,932 | 13,781,878 |
| 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        | 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                   | 75,364      | 76,384      | 72,688      | 71,770      |
| 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                  | 6.94%       | 7.10%       | 7.19%       | 7.29%       |
| PER COMMON SHARE:                     |             |             |             |             |



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|                            |        |        |        |        |
|----------------------------|--------|--------|--------|--------|
| Book value (A)             | \$5.41 | \$5.48 | \$5.21 | \$5.14 |
| Market value               | 3.50   | 3.80   | 4.17   | 5.00   |
| Market price to book value | 64.69% | 69.35% | 80.03% | 97.24% |

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 |

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 - fair market value      | 1,248,545   | 1,234,372   | 1,079,204   | 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 negative impact of \$0.07 on book value per share at December 31, 2003.

## AMERISERV FINANCIAL, INC.

## CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(Quarterly data unaudited)

2003

|  | 1QTR    | 2QTR    | 3QTR    | 4QTR    | YEAR<br>TO<br>DATE |
|--|---------|---------|---------|---------|--------------------|
| <b>INTEREST INCOME</b>   |         |         |         |         |                    |
| 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             |
| <b>INTEREST EXPENSE</b>  |         |         |         |         |                    |
| 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             |
| <b>NET INTEREST INCOME</b>                                     | 6,647   | 6,434   | 5,696   | 5,868   | 24,645             |
| Provision for loan losses                                      | 1,659   | 534     | 384     | 384     | 2,961              |
| <b>NET INTEREST INCOME AFTER<br/>PROVISION FOR LOAN LOSSES</b> | 4,988   | 5,900   | 5,312   | 5,484   | 21,684             |
| <b>NON-INTEREST INCOME</b>                                     |         |         |         |         |                    |
| 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 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 servicing rights | 366     | 254   | (230) | -     | 390    |
| 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  |

2002

|  | 1QTR     | 2QTR     | 3QTR     | 4QTR    | YEAR<br>TO<br>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<br>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 charge (credit) 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)

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Note: 2002 data appears before 2003.

2002

2003

|  | 4QTR        | TWELVE<br>MONTHS | 4QTR        | TWELVE<br>MONTHS |
|--|-------------|------------------|-------------|------------------|
| Interest earning assets:   |             |                  |             |                  |
| Loans and loans held for sale, net of unearned income  | \$582,327   | \$585,646        | \$484,296   | \$516,250        |
| Deposits with banks  | 9,034       | 14,859           | 4,753       | 5,294            |
| Federal funds sold   | 63          | 542              | -           | 29               |
| Total investment securities  | 484,810     | 492,146          | 573,608     | 542,189          |
| <br>   |             |                  |             |                  |
| Total interest earning assets  | 1,076,234   | 1,093,193        | 1,062,657   | 1,063,762        |
| Non-interest earning assets:   |             |                  |             |                  |
| Cash and due from banks  | 24,148      | 22,700           | 22,387      | 22,371           |
| Premises and equipment   | 12,913      | 13,165           | 11,374      | 11,950           |
| Other assets   | 66,041      | 67,359           | 60,997      | 66,005           |
| Allowance for loan losses  | (6,113)     | (5,997)          | (11,866)    | (11,431)         |
| <br>   |             |                  |             |                  |
| Total assets   | \$1,173,223 | \$1,190,420      | \$1,145,549 | \$1,152,657      |
| Interest bearing liabilities:  |             |                  |             |                  |
| Interest bearing deposits:   |             |                  |             |                  |
| Interest bearing demand  | \$50,853    | \$49,681         | \$51,881    | \$51,872         |
| Savings  | 101,179     | 100,454          | 103,390     | 103,450          |
| Money market   | 127,482     | 129,902          | 119,787     | 123,845          |
| Other time   | 295,163     | 300,683          | 278,618     | 282,838          |
| Total interest bearing deposits  | 574,677     | 580,720          | 553,676     | 562,005          |
| Borrowings:  |             |                  |             |                  |
| Federal funds purchased, securities sold under<br>agreements to repurchase, and other short-term<br>borrowings |             |                  |             |                  |
|  | 86,440      | 56,633           | 126,600     | 105,780          |
| Advanced from Federal Home Loan Bank   | 283,131     | 322,557          | 250,408     | 265,184          |
| Guaranteed junior subordinated deferrable interest<br>debentures   |             |                  |             |                  |
|  | 34,500      | 34,500           | 34,500      | 34,500           |
| Total interest bearing liabilities   | 978,748     | 994,410          | 965,184     | 967,469          |

Non-interest bearing liabilities:

|   |             |             |             |             |
|---|-------------|-------------|-------------|-------------|
| Demand deposits                           | 106,507     | 105,830     | 103,038     | 104,330     |
| Other liabilities                         | 8,520       | 9,356       | 5,634       | 6,461       |
| Stockholders equity                       | 79,448      | 80,824      | 71,693      | 74,397      |
| Total liabilities and stockholders equity | \$1,173,223 | \$1,190,420 | \$1,145,549 | \$1,152,657 |