Name

Professor

Course

Date

There are no unusual issues, and therefore I decided to use the Uniform Bank Performance Report. AmeriServ Financial bank is a company based in Johnston in America. The company operates as a community bank providing the merchants and the individuals of Pennsylvania with banking products and services. People who conduct businesses obtain their credit facilities from this bank to help them run the business smoothly. Saving and checking accounts are available. Finally, it provides mobile making as well as online banking to their customers. The loans provided by Ameriserv Financial bank are relatively more competitive as compared to the average national rates. The affordability rating of the bank is about 3.20 out of 5. It makes the company a good lender as compared to other banks. The company serves almost the whole of southwestern portion controlling at least 20 branches targeting individuals and local businesses. It's a 24-hour operating organization with twenty automated teller machines.

	Bank		Peer Group	
	2016	2017	2017	2016
Return on Equity	3.34	4.42	9.16	9.45
Equity Multiplier	11.15	11.64	9.44	9.45
Return on Assets	0.30	0.38	0.97	1.0

Return on equity is defined as the amount of net income that is usually generated by each book value dollar of shareholder equity. Net income is merely the difference between the revenue received and the expenses incurred during the generation of revenue. Equity is the difference between assets and liabilities of a person. At the same time, it can also be positive if the value of assets is higher than that of liabilities. Returns on equity are obtained by dividing the amount of net income with that of equity. The following formula illustrates how one can earn returns on equity.

Returns on equity = $\frac{Net\ Income}{Equity}$

Returns on equity changes from one year to another. The data obtained from the bank as well as those of the competitor indicates an increase in equity on returns. The changes are brought as a result of fluctuating net income and equity. If net income is increasing at a high rate than the rate at which equity is increasing, then the returns on equity increases. The reverse is true.

The bank's standing relative to that of the peer group in returns on equity shows that the peer group has more return on equity than Amerserv bank. It's because the peer group has higher returns on net income than the bank. It can also be as a result of the net income declining at a lower rate than compared to that of the bank. Since the peer group has higher returns on equity, We can conclude that the bank is facing stiff competition on the provision of services. The bank should, therefore, interact with their customers well to understand their desires in services.

	2016	2017	2017	2016
Returns on Assets	0.30	0.38	0.97	1.0
Asset Utilization	4.28	5.22	6.28	4.61
Profit Margin	7.01	7.28	15.45	21.69

Returns on Asset represent the amount of money or net income that is generated by each book value dollar of assets. It is determined by the profit margin and the utilization of asset. Asset utilization is the generation of revenue given a certain amount of assets, while the profit margin is the effectiveness resulting from the management of expenses. Returns on assets for the bank, as well as those of PG, increases yearly. Despite an increase in returns on Assets, the bank's standing is low as compared to that of the peer group.

	Bank data	Peer Group Data

	2016	2017	2017	2016
Asset utilization	4.28	5.22	6.28	4.61
II/TA	3.72	3.84	3.90	3.74
Yield on EA	4.02	4.15	4.13	3.97
EA/TA	92.60	92.42	94.34	94.09
Non II/TA	0.55	0.51	0.86	0.85
GL/TA	0.01	0.87	1.52	0.02

Asset utilization ratios are usually calculated and used to determine the total income that is generated for each dollar of an asset that the bank owns. For instance, with an asset utilization ratio of 4.5%, a bank generated $4.5 for every dollar of an asset that is kept by the bank. Asset utilization is an example of financial ratio that is used by various investors who are willing to take a risk so that they can earn more. It helps them to determine the businesses that they can register themselves. It also helps business leaders determine whether certain strategies are working. Asset utilization ratios play a very vital role in institutions in that it measures how efficient an institution is using its assets to create or earn money. Bank's receivable turnover usually defined as its credit sales divided by the value of the accounts receivable from the clients, shows whether the business is in a position to convert its goods and services income that is available for other purposes. Asset utilization is determined by the summation of the ratio of interest on the total asset, the ratio of non-interest to total asset, and total asset and the ratio gains/losses to total assets .As a result of the changes in the total assets concerning other components, it results in the changes in the asset utilization.

In terms, of asset utilization, the bank has a lower value than that of the peer group though increasing. It shows that both are utilizing the available resources to achieve efficiency.

	Bank		Peer group	
	2016	2017	2017	2016
Profit Margin	7.01	7.28	15.45	21.69
Total Expense Ratio	3.97	3.98	3.84	3.68
Interest Expense	2.95	2.79	2.73	2.74
Int. Exp.to IBL	0.73	0.84	0.56	0.48
IBL to TA	73.64	74.07	76.74	77.45
Non.interest				
Expense	2.95	2.79	2.73	2.74.
Personnel	1.62	1.54	1.53	1.53
Occupancy	0.37	0.33	0.33	0.34
Other.Oper. Exp	0.96	0.92	0.84	0.85
Provision for loan	0.35	0.07	0.12	0.12
Losses Taxes	0.13	0.50	0.56	0.45

A bank's net profit margin is defined as the percentage of revenue that is remaining or left in the account after all the taxes, expenses and interest paid have been deducted from a bank's total revenue. Net profit margin is essential to an organization as it helps shareholders to see how the company has been good in converting incomes into profits available to be shared among the shareholders. Despite the bank having lower profit margin than that of the peer group, the profit margin is seen to be increasing as that of the peer group decreases. The decline in the profit margin of the peer group bank can be as a result of the bank incurring a lot of expenses during provision of their services.

	Bank		Peer Group	
	2016	2017	2017	2016
Net interest	3.43	3.70	3.68	3.58
Margin Int.Inc				
To EA	4.02	4.15	4.13	3.97
Burden to TA	2.40	2.28	1.87	1.89
Non Int Exp to TA	2.95	2.79	2.73	2.74
Non Int Inc To TA	0.55	0.51	0.86	0.85

Interest margin is not affected by the amount of income earned from fees and service charges. It's only affected by the forces of demand and supply of loanable funds. The Federal Reserve has the responsibility of the interest rates. Therefore, it regulates the reserve requirements in banks. The net interest margin is important as it helps the company to measure its efficiency in daily operations.

The net interest margin of the bank, as well as that of the peer group, increases from one year to the next. Comparing the bank and its peer group, the net interest margin of the bank is slightly lower than that of the peer group.

In summary, returns on equity keep on fluctuating as a result of the changes in the net income and the differences in the amount of money hold in the bank by the shareholders. Secondly is the changes in profit margins caused by the differences on the returns on revenue and the expenses incurred by the bank and its peer group in generating revenue finally some financing activities that are tied to core operations are likely to impose an impact on ROE.

Therefore, I would like to recommend that to increase the ratio between the net income and that of equity the banks need to minimize the expenses and stop financing other activities that are not beneficial. Finally, they should concentrate on maximizing the output. This would help in regulating the amount of net income. They need to build trust with the clients and build trust that will encourage more people to open up accounts with them. For them to compete effectively, they need to observe their competitor and try to apply the knowledge acquired to help improve the services provided (Rezaee, 2004)

Work cited

Rezaee, Z. *Financial institutions, Valuations, Mergers, and Acquisitions: The Fair Value Approach*. John Wiley & Sons, 20046 921