

AMERISERV FINANCIAL INC /PA/  
Form 8-K  
April 20, 2010

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, 2010

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.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities

Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange

Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the

Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the

Exchange Act (17 CFR 240.13e-4c))



Form 8-K

Item 2.02 Results of operation and financial condition.

AMERISERV FINANCIAL Inc. (the "Registrant") announced first quarter results through March 31, 2010. For a more detailed description of the announcement see the press release attached as Exhibit #99.1.

Exhibits

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Exhibit 99.1

Press release dated April 20, 2010, announcing the first quarter results through March 31, 2010.

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

Executive Vice President

& CFO

Date: April 20, 2010

Exhibit 99.1

## **AMERISERV FINANCIAL REPORTS EARNINGS FOR THE FIRST QUARTER OF 2010**

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) reported a first quarter 2010 net loss of \$918,000 or \$0.06 per diluted common share. This represents a decrease of \$1.5 million from the first quarter 2009 net income of \$533,000 or \$0.01 per diluted common share but an improvement from the more recently reported fourth quarter 2009 net loss of \$1.7 million or \$0.09 per diluted common share.

Glenn L. Wilson, President and Chief Executive Officer, commented on the 2010 first quarter financial results, AmeriServ Financial reported a loss for the first quarter of 2010 due to an increased provision for loan losses. We continue to carefully monitor our commercial loan portfolio during this difficult economic environment to insure that we provide the needed reserves in a consistent and realistic manner. This review indicated the need for a \$3.1 million contribution to our allowance for loan losses in the first quarter of 2010; although the amount of the quarterly provision has now declined for two consecutive quarters. As a result of our disciplined approach, the allowance for loan losses provided 110% coverage of non-performing loans at March 31, 2010 and represented 3.02% of total loans outstanding. These sound reserve coverage measures combined with our strong capital position and good core retail banking fundamentals provide AmeriServ with excellent flexibility to work through this challenging period and position us well for the eventual economic recovery.

The Company's net interest income in the first quarter of 2010 was comparable with the prior year first quarter as it declined by only \$20,000. The Company's first quarter 2010 net interest margin of 3.78% was six basis points better than the 2009 first quarter margin of 3.72% and three basis points better than the more recent fourth quarter 2009 net interest margin of 3.75%. This relative stability in net interest income and margin performance is reflective of the Company's strong liquidity position and its ability to reduce its funding costs during a period of deposit growth. Specifically, total deposits averaged \$787 million in the first quarter of 2010, an increase of \$72 million or 10.1% over the first quarter 2009. The Company believes that uncertainties in the economy have contributed to growth in money market accounts, certificates of deposit and demand deposits as consumers have looked for safety in well capitalized community banks like AmeriServ Financial. Overall, the decline in interest expense has been comparable with the drop in interest revenue which has been impacted by a \$10 million or 1.4% decrease in total loans outstanding since December 31, 2009.

The Company appropriately strengthened its allowance for loan losses in the first quarter of 2010 in response to ongoing careful monitoring of the commercial loan and commercial real estate portfolios. A weak economic environment caused higher levels of nonperforming loans and classified loans. When determining the provision for loan losses, the Company considers a number of factors some of which include periodic credit reviews, non-performing, delinquency and charge-off trends, concentrations of credit, loan volume trends and broader local and national economic trends. Overall, the Company recorded a \$3.1 million provision for loan losses in the first quarter of 2010 compared to a \$1.8 million provision in the first quarter of 2009, or an increase of \$1.3 million. Actual credit losses realized through charge-offs, however, are running well below the provision level but are higher than the prior year. For the first quarter 2010, net charge-offs amounted to \$1.2 million or 0.69% of total loans compared to net

charge-offs of \$49,000 or 0.03% of total loans for the first quarter 2009. During the first quarter, non-performing assets increased by \$2 million to \$20.3 million or 2.85% of total loans at March 31, 2010. This increase was caused by the transfer of one commercial real estate loan that is secured by newly constructed student housing into non-accrual status as the project has not yet stabilized to support the required principal payments on the loan. In summary, the allowance for loan losses provided 110% coverage of non-performing loans and was 3.02% of total loans at March 31, 2010, compared to 115% of non-performing loans and 2.72% of total loans at December 31, 2009.

The Company's non-interest income in the first quarter of 2010 decreased by \$261,000 or 7.3% from the prior year's first quarter. The largest item responsible for the quarterly decline was a \$105,000 decrease in trust fees as a result of reductions in the market value of assets managed due to lower values in its specialty real estate funds in 2010. Deposit service charges also dropped by \$101,000 due to fewer overdraft fees. These negative items were partially offset by a \$50,000 increase in investment advisory fees due to improved equity values in the first quarter of 2010.

Total non-interest expense in the first quarter of 2010 increased by \$602,000 or 6.6% when compared to the first quarter of 2009. FDIC deposit insurance expense was the largest factor contributing to the higher non-interest expense as it increased by \$299,000 in the first quarter of 2010 due to an increased basic assessment rate. Professional fees also increased by \$182,000 due to increased legal fees, consulting expenses and recruitment costs in the Trust Company during the first quarter of 2010. Total salaries and benefits expense in the first quarter of 2010 increased by \$107,000 or 2.1% as a result of higher medical insurance costs.

ASRV had total assets of \$961 million and shareholders' equity of \$106 million or a book value of \$4.04 per common share at March 31, 2010. The Company continued to maintain strong capital ratios that exceed the regulatory defined well capitalized status with a risk based capital ratio of 15.52%, an asset leverage ratio of 11.01% and a tangible common equity to tangible assets ratio of 7.70% at March 31, 2010.

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

Nasdaq: ASRV

#### SUPPLEMENTAL FINANCIAL PERFORMANCE DATA

April 20, 2010

(In thousands, except per share and ratio data)

(All quarterly and 2010 data unaudited)

## 1QTR

## PERFORMANCE DATA FOR THE PERIOD:

|  |         |
|--|---------|
| Net income (loss)                                  | \$(918) |
| Net income (loss) available to common shareholders | (1,181) |

## PERFORMANCE PERCENTAGES (annualized):

|  |         |
|--|---------|
| Return on average assets                             | (0.39)% |
| Return on average equity                             | (3.47)  |
| Net interest margin                                  | 3.78    |
| Net charge-offs as a percentage of average loans     | 0.69    |
| Loan loss provision as a percentage of average loans | 1.72    |
| Efficiency ratio                                     | 85.42   |

## PER COMMON SHARE:

|   |          |
|---|----------|
| Net income (loss):                          |          |
| Basic                                       | \$(0.06) |
| Average number of common shares outstanding | 21,224   |
| Diluted                                     | (0.06)   |
| Average number of common shares outstanding | 21,224   |

2009

|   | 1QTR  | 2QTR    | 3QTR      | 4QTR      | YEAR TO DATE |
|---|-------|---------|-----------|-----------|--------------|
| PERFORMANCE DATA FOR THE PERIOD:            |       |         |           |           |              |
| Net income                                  | \$533 | \$(939) | \$(2,810) | \$(1,679) | \$(4,895)    |
| Net income available to common shareholders | 274   | (1,202) | (3,073)   | (1,941)   | (5,942)      |
| PERFORMANCE PERCENTAGES (annualized):       |       |         |           |           |              |
| Return on average assets                    | 0.22% | (0.39)% | (1.15)%   | (0.70)%   | (0.51)%      |



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|  |       |        |        |        |        |
|--|-------|--------|--------|--------|--------|
| Return on average equity                             | 1.90  | (3.29) | (9.83) | (6.01) | (4.33) |
| Net interest margin                                  | 3.72  | 3.66   | 3.57   | 3.75   | 3.72   |
| Net charge-offs as a percentage of average loans     | 0.03  | 0.19   | 0.35   | 1.82   | 0.60   |
| Loan loss provision as a percentage of average loans | 1.02  | 1.81   | 3.42   | 2.05   | 2.09   |
| Efficiency ratio                                     | 78.22 | 82.56  | 84.00  | 92.82  | 84.39  |

PER COMMON SHARE:

Net income:

|   |        |          |          |          |          |
|---|--------|----------|----------|----------|----------|
| Basic                                       | \$0.01 | \$(0.06) | \$(0.15) | \$(0.09) | \$(0.28) |
| Average number of common shares outstanding | 21,137 | 21,151   | 21,178   | 21,219   | 21,172   |
| Diluted                                     | 0.01   | (0.06)   | (0.15)   | (0.09)   | (0.28)   |
| Average number of common shares outstanding | 21,137 | 21,152   | 21,182   | 21,219   | 21,174   |

AMERISERV FINANCIAL, INC.

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

(All quarterly and 2010 data unaudited)

2010

1QTR

PERFORMANCE DATA AT PERIOD END

|   |           |
|---|-----------|
| Assets                                      | \$960,817 |
| Short-term investment in money market funds | 2,105     |
| Investment securities                       | 150,073   |
| Loans                                       | 712,929   |
| Allowance for loan losses                   | 21,516    |
| Goodwill                                    | 12,950    |
| Deposits                                    | 802,201   |
| FHLB borrowings                             | 25,296    |
| Shareholders equity                         | 106,393   |
| Non-performing assets                       | 20,322    |

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|                                    |             |
|------------------------------------|-------------|
| Asset leverage ratio               | 11.01%      |
| Tangible common equity ratio       | 7.70        |
| PER COMMON SHARE:                  |             |
| Book value (A)                     | \$4.04      |
| Market value                       | 1.67        |
| Trust assets fair market value (B) | \$1,398,215 |

STATISTICAL DATA AT PERIOD  
END:

|                                |            |
|--------------------------------|------------|
| Full-time equivalent employees | 353        |
| Branch locations               | 18         |
| Common shares outstanding      | 21,223,942 |

2009

|  | 1QTR        | 2QTR        | 3QTR        | 4QTR        |
|--|-------------|-------------|-------------|-------------|
| PERFORMANCE DATA AT<br>PERIOD END              |             |             |             |             |
| Assets   | \$975,062   | \$978,899   | \$959,344   | \$970,026   |
| Short-term investment in money<br>market funds | 10,817      | 7,516       | 6,565       | 3,766       |
| Investment securities                          | 138,853     | 136,119     | 138,715     | 142,883     |
| Loans  | 726,961     | 739,649     | 722,540     | 722,904     |
| Allowance for loan losses                      | 10,661      | 13,606      | 19,255      | 19,685      |
| Goodwill and core deposit<br>intangibles       | 13,498      | 13,498      | 12,950      | 12,950      |
| Deposits                                       | 746,813     | 783,807     | 779,185     | 786,011     |
| FHLB borrowings                                | 90,346      | 57,702      | 44,451      | 51,579      |
| Shareholders equity                            | 114,254     | 112,880     | 110,706     | 107,254     |
| Non-performing assets                          | 5,099       | 14,670      | 23,689      | 18,337      |
| Asset leverage ratio                           | 11.82%      | 11.61%      | 11.41%      | 11.06%      |
| Tangible common equity ratio                   | 8.35        | 8.17        | 8.16        | 7.71        |
| PER COMMON SHARE:                              |             |             |             |             |
| Book value (A)                                 | \$4.44      | \$4.37      | \$4.25      | \$4.09      |
| Market value                                   | 1.67        | 1.85        | 1.80        | 1.67        |
| Trust assets fair market value (B)             | \$1,432,375 | \$1,376,272 | \$1,340,119 | \$1,358,570 |

STATISTICAL DATA AT PERIOD  
END:

|                                |     |     |     |     |
|--------------------------------|-----|-----|-----|-----|
| Full-time equivalent employees | 355 | 352 | 350 | 345 |
|--------------------------------|-----|-----|-----|-----|

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|                           |            |            |            |            |
|---------------------------|------------|------------|------------|------------|
| Branch locations          | 18         | 18         | 18         | 18         |
| Common shares outstanding | 21,144,700 | 21,156,801 | 21,215,115 | 21,221,909 |

NOTES:

(A) Preferred stock received through the Capital Purchase Program is excluded from the book value per common share calculation.

(B) Not recognized on the balance sheet.

## AMERISERV FINANCIAL, INC.

## CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(All quarterly and 2010 data unaudited)

2010

|   |          |
|---|----------|
| INTEREST INCOME                             | 1QTR     |
| Interest and fees on loans                  | \$10,020 |
| Total investment portfolio                  | 1,445    |
| Total Interest Income                       | 11,465   |
| INTEREST EXPENSE                            |          |
| Deposits                                    | 2,927    |
| All borrowings                              | 417      |
| Total Interest Expense                      | 3,344    |
| NET INTEREST INCOME                         | 8,121    |
| Provision for loan losses                   | 3,050    |
| NET INTEREST INCOME AFTER PROVISION         |          |
|   | 5,071    |
| FOR LOAN LOSSES                             |          |
| NON-INTEREST INCOME                         |          |
| Trust fees                                  | 1,454    |
| Net realized gains on investment securities | 65       |
| Net realized gains on loans held for sale   | 131      |
| Service charges on deposit accounts         | 572      |
| Investment advisory fees                    | 187      |
| Bank owned life insurance                   | 254      |
| Other income                                | 637      |
| Total Non-interest Income                   | 3,300    |
| NON-INTEREST EXPENSE                        |          |
| Salaries and employee benefits              | 5,199    |
| Net occupancy expense                       | 736      |
| Equipment expense                           | 418      |

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|                                |       |
|--------------------------------|-------|
| Professional fees              | 1,102 |
| FDIC deposit insurance expense | 331   |
| Other expenses                 | 1,978 |
| Total Non-interest Expense     | 9,764 |

|                              |         |
|------------------------------|---------|
| PRETAX INCOME (LOSS)         | (1,393) |
| Income tax expense (benefit) | (475)   |
| NET INCOME (LOSS)            | (918)   |
| Preferred stock dividends    | 263     |

|                                |           |
|--------------------------------|-----------|
| NET INCOME (LOSS) AVAILABLE TO |           |
| COMMON SHAREHOLDERS            | \$(1,181) |

2009

|   | YEAR     |          |          |          |          |
|---|----------|----------|----------|----------|----------|
|   | 1QTR     | 2QTR     | 3QTR     | 4QTR     | TO DATE  |
| INTEREST INCOME                             |          |          |          |          |          |
| Interest and fees on loans                  | \$10,349 | \$10,544 | \$10,247 | \$10,310 | \$41,450 |
| Total investment portfolio                  | 1,586    | 1,511    | 1,451    | 1,457    | 6,005    |
| Total Interest Income                       | 11,935   | 12,055   | 11,698   | 11,767   | 47,455   |
| INTEREST EXPENSE                            |          |          |          |          |          |
| Deposits                                    | 3,255    | 3,405    | 3,316    | 3,134    | 13,110   |
| All borrowings                              | 539      | 479      | 457      | 436      | 1,911    |
| Total Interest Expense                      | 3,794    | 3,884    | 3,773    | 3,570    | 15,021   |
| NET INTEREST INCOME                         | 8,141    | 8,171    | 7,925    | 8,197    | 32,434   |
| Provision for loan losses                   | 1,800    | 3,300    | 6,300    | 3,750    | 15,150   |
| NET INTEREST INCOME AFTER PROVISION         | 6,341    | 4,871    | 1,625    | 4,447    | 17,284   |
| FOR LOAN LOSSES                             |          |          |          |          |          |
| NON-INTEREST INCOME                         |          |          |          |          |          |
| Trust fees                                  | 1,559    | 1,438    | 1,377    | 1,274    | 5,648    |
| Net realized gains on investment securities | 101      | 63       | -        | -        | 164      |
| Net realized gains on loans held for sale   | 118      | 163      | 213      | 157      | 651      |
| Service charges on deposit accounts         | 673      | 710      | 712      | 674      | 2,769    |
| Investment advisory fees                    | 137      | 152      | 176      | 183      | 648      |

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|   |       |           |           |           |           |
|---|-------|-----------|-----------|-----------|-----------|
| Bank owned life insurance                             | 250   | 254       | 258       | 446       | 1,208     |
| Other income  | 723   | 711       | 718       | 688       | 2,840     |
| Total Non-interest Income                             | 3,561 | 3,491     | 3,454     | 3,422     | 13,928    |
| NON-INTEREST EXPENSE                                  |       |           |           |           |           |
| Salaries and employee benefits                        | 5,092 | 4,983     | 5,114     | 5,337     | 20,526    |
| Net occupancy expense                                 | 722   | 641       | 602       | 667       | 2,632     |
| Equipment expense                                     | 415   | 442       | 398       | 437       | 1,692     |
| Professional fees                                     | 920   | 873       | 1,050     | 1,189     | 4,032     |
| FDIC deposit insurance expense                        | 32    | 691       | 311       | 636       | 1,670     |
| Amortization of core deposit intangibles              | 108   | -         | -         | -         | 108       |
| Other expenses  | 1,873 | 2,006     | 2,091     | 2,527     | 8,497     |
| Total Non-interest Expense                            | 9,162 | 9,636     | 9,566     | 10,793    | 39,157    |
| PRETAX INCOME (LOSS)                                  | 740   | (1,274)   | (4,487)   | (2,924)   | (7,945)   |
| Income tax expense (benefit)                          | 207   | (335)     | (1,677)   | (1,245)   | (3,050)   |
| NET INCOME (LOSS)                                     | 533   | (939)     | (2,810)   | (1,679)   | (4,895)   |
| Preferred stock dividends                             | 259   | 263       | 263       | 262       | 1,047     |
| NET INCOME (LOSS) AVAILABLE TO<br>COMMON SHAREHOLDERS | \$274 | \$(1,202) | \$(3,073) | \$(1,941) | \$(5,942) |

AMERISERV FINANCIAL, INC.

Nasdaq: ASRV

Average Balance Sheet Data (In thousands)

(All quarterly and 2010 data unaudited)

2010

2009

|                          |           |           |
|--------------------------|-----------|-----------|
|                          | 1QTR      | 1QTR      |
| Interest earning assets: | \$717,247 | \$714,253 |

|   |           |           |
|---|-----------|-----------|
| Loans and loans held for sale, net of unearned income |           |           |
| Deposits with banks                                   | 1,711     | 3,158     |
| Short-term investment in money market funds           | 4,545     | 10,112    |
| Federal funds   | 2,394     | 55        |
| Total investment securities                           | 148,399   | 148,465   |
| <br>  |           |           |
| Total interest earning assets                         | 874,296   | 876,043   |
| <br>  |           |           |
| Non-interest earning assets:                          |           |           |
| Cash and due from banks                               | 15,433    | 15,488    |
| Premises and equipment                                | 9,449     | 9,446     |
| Other assets  | 79,643    | 71,004    |
| Allowance for loan losses                             | (20,793)  | (9,144)   |
| <br>  |           |           |
| Total assets  | \$958,028 | \$962,837 |
| <br>  |           |           |
| Interest bearing liabilities:                         |           |           |
| Interest bearing deposits:                            |           |           |
| Interest bearing demand                               | \$57,365  | \$62,355  |
| Savings   | 75,287    | 71,759    |
| Money market  | 151,162   | 141,442   |
| Other time  | 386,343   | 326,221   |
| Total interest bearing deposits                       | 670,157   | 601,777   |
| Borrowings:   |           |           |
| Federal funds purchased, securities sold under        |           |           |
| agreements to repurchase, and other short-term        | 5,490     | 94,901    |
| borrowings  |           |           |
| Advanced from Federal Home Loan Bank                  | 32,494    | 13,853    |
| Guaranteed junior subordinated deferrable interest    | 13,085    | 13,085    |
| debentures  |           |           |
| Total interest bearing liabilities                    | 721,226   | 723,616   |
| <br>  |           |           |
| Non-interest bearing liabilities:                     |           |           |
| Demand deposits                                       | 116,954   | 113,298   |
| Other liabilities                                     | 12,620    | 12,265    |

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|   |           |           |
|---|-----------|-----------|
| Shareholders equity                       | 107,228   | 113,658   |
| Total liabilities and shareholders equity | \$958,028 | \$962,837 |