

AMERISERV FINANCIAL INC /PA/

Form 8-K

October 18, 2016

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) October 18, 2016

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-4(c))

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Item 2.02 Results of operation and financial condition.

AMERISERV FINANCIAL Inc. (the "Registrant") announced third quarter and first nine months of 2016 results through September 30, 2016. For a more detailed description of the announcement see the press release attached as Exhibit 99.1.

Exhibits

Exhibit 99.1

Press release dated October 18, 2016, announcing the third quarter and first nine months of 2016 results through September 30, 2016.

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/Michael D. Lynch

Michael D. Lynch

SVP & CFO

Date: October 18, 2016

Exhibit 99.1

Information Contacts:

Jeffrey A. Stopko

Michael D. Lynch

July 19, 2016

President & CEO

SVP & CFO

(814)-533-5310

(814)-533-5193

AMERISERV FINANCIAL REPORTS EARNINGS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2016

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) reported net income available to common shareholders of \$1,065,000, or \$0.06 per diluted common share, in the third quarter of 2016. This earnings performance was lower than the third quarter of 2015 where net income available to common shareholders totaled \$1,781,000, or \$0.09 per diluted common share. For the nine month period ended September 30, 2016, the Company reported net income available to common shareholders of \$1,145,000, or \$0.06 per diluted share. This represented a decrease in earnings per share from the first nine months of 2015 where net income available to common shareholders totaled \$4,466,000, or \$0.24 per diluted common share, due largely to an increased provision for loan losses that was recorded in the first quarter of 2016. The following table highlights the Company's financial performance for both the three and nine month periods ended September 30, 2016 and 2015:

| | Third Quarter 2016 | Third Quarter 2015 | Nine Months Ended September 30, 2016 | Nine Months Ended September 30, 2015 |
|------------|-----------------------|-----------------------|---|---|
| Net income | \$1,065,000 | \$1,833,000 | \$1,160,000 | \$4,623,000 |

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| | | | | |
|---|-------------|-------------|-------------|-------------|
| Net income available to common shareholders | \$1,065,000 | \$1,781,000 | \$1,145,000 | \$4,466,000 |
| Diluted earnings per share | \$ 0.06 | \$ 0.09 | \$ 0.06 | \$0.24 |

Jeffrey A. Stopko, President and Chief Executive Officer, commented on the 2016 financial results: AmeriServ Financial Inc. has achieved several positive accomplishments in 2016 which have included the pay-off of \$21 million of SBLF preferred stock, an increase in our common stock cash dividend, and continued solid growth in both loans and deposits. Our balance sheet remains strong with good capital levels, ample liquidity and excellent asset quality. We are well positioned to continue to strategically focus on growing both our community banking and wealth management businesses in a disciplined manner.

The Company's net interest income in the third quarter of 2016 decreased by \$529,000, or 5.9%, from the prior year's third quarter and for the first nine months of 2016 decreased by \$1,219,000, or 4.6%, when compared to the first nine months of 2015. The Company's net interest margin of 3.23% for the first nine months of 2016 was 29 basis points lower than the net interest margin of 3.52% for the first nine months of 2015. There was also a net interest margin decline of 37 basis points between the third quarter of 2016 and the prior year's third quarter. The reduction in net interest income has been significantly impacted by the following three factors: 1.) a significantly lower level of loan prepayment fee income, which decreased by approximately \$400,000 for the third quarter and \$500,000 for the nine month period, 2.) additional interest expense that was associated with the Company's late fourth quarter 2015 issuance of subordinated debt, and 3.) net interest margin compression that results from the prolonged low interest rate environment that exists in the economy and is pressuring community bank net interest margins. These factors more than offset the Company continuing to grow earning assets and control its cost of funds through disciplined deposit pricing. Specifically, the earning asset growth occurred in the loan portfolio as total loans averaged \$888 million in the first nine months of 2016 which is \$35 million, or 4.1%, higher than the \$853 million average for the first nine months of 2015. This loan growth reflects the successful results of the Company's business development efforts, with an emphasis on generating commercial loans and owner occupied commercial real estate loans particularly through its loan production offices. Despite this loan growth experienced between years, loan interest income decreased by \$318,000, or 1.1%, due primarily to the previously mentioned decline in loan prepayment fees. Interest income on investments grew in the third quarter of 2016 and is also slightly higher for the nine month period as the Company benefited from a higher balance of investment securities in 2016. Overall, total interest income decreased by \$312,000, or 1.0%, in the first nine months of 2016.

Total interest expense for the first nine months of 2016 increased by \$907,000, or 18.8%, due to higher levels of both borrowings and deposit interest expense. The Company experienced a \$451,000 increase in the interest cost for borrowings in the first nine months of 2016 with \$389,000 of this increase attributable to the Company's recent subordinated debt issuance. Specifically, the Company issued \$7.65 million of subordinated debt which has a 6.50% fixed interest rate in late December 2015. The proceeds from the subordinated debt issuance, along with other cash on hand, was used to redeem all \$21 million of our outstanding SBLF preferred stock on January 27, 2016. The remainder of the increase in borrowings interest expense was due to a greater utilization of FHLB term advances to extend borrowings for interest rate risk management purposes.

The Company experienced significant growth in deposits between years which is a reflection of the loyalty and stability of our core deposit base that provides a strong foundation from which this growth builds. Management's ability to acquire new core deposit funding from outside of our traditional market areas as well as our ongoing efforts

to offer new loan customers deposit products were the primary reasons for this growth. Specifically, total deposits averaged \$947 million for the first nine months of 2016 which is \$60 million, or 6.8%, higher than the \$887 million average for the first nine months of 2015. The Company is also pleased that a meaningful portion of this deposit growth occurred in non-interest bearing demand deposit accounts. Deposit interest expense through nine months of 2016 increased by \$456,000, or 13.0%, due to the higher balance of deposits along with certain money market accounts repricing upward after the December 2015 Federal Reserve fed funds interest rate increase.

The Company recorded a \$300,000 provision for loan losses in the third quarter of 2016 which matched the provision for loan losses in the third quarter of 2015. For the nine month period in 2016, the Company recorded a \$3,650,000 provision for loan losses compared to a \$750,000 provision for loan losses in the first nine months of 2015. A substantially higher than typical provision and net loan charge-offs were recorded in the first quarter of 2016 and were necessary to resolve the Company's only meaningful direct loan exposure to the energy industry, the specifics of which were discussed in detail in the Company's first quarter results. The provision recorded in the third quarter of 2016 was more typical of what is required to support the continuing growth of the loan portfolio and approximated net loan charge-offs. The Company experienced net loan charge-offs of \$320,000, or 0.14% of total loans, in the third quarter of 2016, compared to net loan charge-offs of \$245,000, or 0.11% of total loans, in the third quarter of 2015. For the nine month periods, there were net loan charge-offs of \$3.8 million, or 0.58%, of total loans in 2016, compared to net loan charge-offs of \$601,000, or 0.09% of total loans, in 2015. Overall, the Company continued to maintain outstanding asset quality in the third quarter of 2016. At September 30, 2016, non-performing assets totaled \$1.9 million, or only 0.21% of total loans. In summary, the allowance for loan losses provided a strong 510% coverage of non-performing loans, and 1.10% of total loans, at September 30, 2016, compared to 158% coverage of non-performing loans, and 1.13% of total loans, at December 31, 2015.

Total non-interest income in the third quarter of 2016 decreased by \$354,000, or 8.8%, from the prior year's third quarter, and for the first nine months of 2016 decreased by \$579,000, or 5.1%, when compared to the first nine months of 2015. Revenue from bank owned life insurance decreased by \$515,000 for the quarter and \$713,000 for the nine month period and was the primary factor contributing to the non-interest income decline as there were no death claims received in 2016 compared to three claims in the first nine months of 2015. Trust and investment advisory fees decreased by \$50,000, or 2.4%, for the quarter and \$42,000, or 0.7%, for the nine months as the loss of certain client accounts through normal attrition more than offset continued successful new business development activities as well as effective management of existing customer accounts in this volatile market environment. Trust assets under administration totaled \$2.0 billion as of September 30, 2016. Partially offsetting these reductions was a greater recognition of gains from investment security sale transactions by \$96,000 for the quarter and \$185,000 for the nine months of 2016 as the Company has sold certain rapidly pre-paying mortgage backed securities in this low interest rate environment. Finally, although revenue from mortgage loan sales and mortgage related fee income is lower through nine months of 2016 by a combined \$60,000, this unfavorable comparison to last year narrowed in the third quarter. Increased refinance activity and a higher level of new mortgage loan originations resulted in higher revenue from mortgage loan sales by \$82,000 and increased fees from residential mortgage lending activity by \$45,000 in the third quarter of 2016.

Total non-interest expense in the third quarter of 2016 increased by \$137,000, or 1.3%, from the prior year's third quarter and for the first nine months of 2016 increased by \$238,000, or 0.8%, when compared to the first nine months of 2015. As noted in our previously disclosed first quarter financial results, non-recurring costs for legal and accounting services were necessary to address a trust operations trading error and are the reasons for the negative comparisons for both the quarter and nine month time periods. Additionally, in the third quarter of 2016, another

\$250,000 of expenses were required to resolve this issue. The impact of the additional expenses were clearly evident in higher levels of total professional fees and other expenses. Professional fees continue to compare unfavorably, increasing by \$124,000, or 10.3%, for the quarter and by \$295,000, or 8.0%, for the nine month time period, while other expenses compare unfavorably, increasing by \$203,000, or 17.1%, for the quarter and by \$322,000, or 9.0%, for the nine months. Partially offsetting these additional expenses were our continued cost control efforts that are demonstrated, both, for the quarter and nine month time period comparisons. Occupancy and equipment related expenses are lower by \$26,000, or 2.4%, for the third quarter and lower by \$259,000, or 7.2%, for the nine months. Salaries and employee benefits were down by \$178,000, or 2.9%, in the third quarter and \$161,000, or 0.9%, in the first nine months of 2016. The favorable comparisons are due to the previously disclosed branch consolidation in the State College market and reduction of staff in the executive office. Finally, the Company recorded an income tax expense of \$474,000, or an effective tax rate of 29.0%, in the first nine months of 2016 which is lower when compared to the income tax expense of \$1,947,000, or an effective tax rate of 29.6%, for the first nine months of 2015. The lower income tax expense and effective tax rate are due to the first quarter 2016 loss recognized by the Company. However, as we have demonstrated in the second and third quarters of 2016 our actions taken for an immediate improvement to more typical and expected profitability levels have proven successful. We anticipate that our earnings momentum will increase in the fourth quarter of the year.

The Company had total assets of \$1.146 billion, shareholders equity of \$100 million, a book value of \$5.29 per common share and a tangible book value of \$4.66 per common share at September 30, 2016. The Company continued to maintain strong capital ratios that exceed the regulatory defined well capitalized status and had a tangible common equity to tangible assets ratio of 7.77% at September 30, 2016.

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

September 30, 2016

(In thousands, except per share and ratio data)

(Unaudited)

2016

| | 1QTR | 2QTR | 3QTR | YEAR TO DATE |
|---|-----------|---------|---------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | | |
| Net income (loss) | \$(1,267) | \$1,362 | \$1,065 | \$1,160 |
| Net income (loss) available to common shareholders | (1,282) | 1,362 | 1,065 | 1,145 |
| PERFORMANCE PERCENTAGES (annualized): | | | | |
| Return on average assets | (0.45)% | 0.48% | 0.37% | 0.14% |
| Return on average equity | (4.86) | 5.60 | 4.27 | 1.54 |
| Net interest margin | 3.30 | 3.23 | 3.15 | 3.23 |
| Net charge-offs as a percentage of average loans | 1.60 | 0.01 | 0.14 | 0.58 |
| Loan loss provision as a percentage of average loans | 1.42 | 0.11 | 0.13 | 0.55 |
| Efficiency ratio | 89.24 | 82.05 | 85.07 | 85.43 |
| PER COMMON SHARE: | | | | |
| Net income (loss): | | | | |
| Basic | \$(0.07) | \$0.07 | \$0.06 | \$0.06 |
| Average number of common shares outstanding | 18,884 | 18,897 | 18,899 | 18,893 |
| Diluted | (0.07) | 0.07 | 0.06 | 0.06 |
| Average number of common shares outstanding | 18,884 | 18,948 | 18,957 | 18,947 |
| Cash dividends declared | \$0.010 | \$0.010 | \$0.015 | \$0.035 |

2015

| | 1QTR | 2QTR | 3QTR | YEAR TO DATE |
|---|---------|---------|---------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | | |
| Net income | \$1,369 | \$1,421 | \$1,833 | \$4,623 |

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| | | | | |
|---|-------|-------|-------|-------|
| Net income available to common shareholders | 1,316 | 1,369 | 1,781 | 4,466 |
|---|-------|-------|-------|-------|

PERFORMANCE PERCENTAGES

(annualized):

| | | | | |
|--|-------|-------|-------|-------|
| Return on average assets | 0.51% | 0.52% | 0.66% | 0.56% |
| Return on average equity | 4.80 | 4.88 | 6.15 | 5.29 |
| Net interest margin | 3.57 | 3.45 | 3.52 | 3.52 |
| Net charge-offs as a percentage of average loans | 0.09 | 0.08 | 0.11 | 0.09 |
| Loan loss provision as a percentage of | | | | |
| average loans | 0.12 | 0.09 | 0.14 | 0.12 |
| Efficiency ratio | 82.29 | 81.93 | 78.25 | 80.79 |

PER COMMON SHARE:

Net income:

| | | | | |
|---|--------|--------|--------|--------|
| Basic | \$0.07 | \$0.07 | \$0.09 | \$0.24 |
| Average number of common shares outstanding | 18,851 | 18,859 | 18,869 | 18,860 |
| Diluted | 0.07 | 0.07 | 0.09 | 0.24 |
| Average number of common shares outstanding | 18,909 | 18,941 | 18,951 | 18,928 |
| Cash dividends declared | \$0.01 | \$0.01 | \$0.01 | \$0.03 |

AMERISERV FINANCIAL, INC.

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

(Unaudited)

2016

| | 1QTR | 2QTR | 3QTR |
|---|-------------|-------------|-------------|
| FINANCIAL CONDITION DATA AT PERIOD END | | | |
| Assets | \$1,121,701 | \$1,142,492 | \$1,145,655 |
| Short-term investments/overnight funds | 5,556 | 6,836 | 8,279 |
| Investment securities | 139,000 | 145,753 | 145,609 |
| Loans and loans held for sale | 882,410 | 895,513 | 896,301 |
| Allowance for loan losses | 9,520 | 9,746 | 9,726 |
| Goodwill | 11,944 | 11,944 | 11,944 |
| Deposits | 906,773 | 940,931 | 962,736 |
| FHLB borrowings | 88,952 | 72,617 | 56,943 |
| Subordinated debt, net | 7,424 | 7,430 | 7,435 |
| Shareholders equity | 97,589 | 99,232 | 100,044 |
| Non-performing assets | 3,007 | 2,230 | 1,907 |
| Tangible common equity ratio | 7.72 | 7.72 | 7.77 |
| PER COMMON SHARE: | | | |
| Book value (A) | \$5.16 | \$5.25 | \$5.29 |
| Tangible book value (A) | 4.53 | 4.62 | 4.66 |
| Market value | 2.99 | 3.02 | 3.32 |
| Trust assets fair market value (B) | \$1,974,180 | \$1,982,868 | \$2,011,344 |

STATISTICAL DATA AT
PERIOD END:

| | | | |
|--------------------------------|------------|------------|------------|
| Full-time equivalent employees | 317 | 311 | 310 |
| Branch locations | 16 | 16 | 16 |
| Common shares outstanding | 18,894,561 | 18,896,876 | 18,903,472 |

2015

| | 1QTR | 2QTR | 3QTR | 4QTR |
|---|-------------|-------------|-------------|-------------|
| FINANCIAL CONDITION DATA AT PERIOD END | | | | |
| Assets | \$1,103,416 | \$1,112,934 | \$1,110,843 | \$1,148,922 |
| Short-term investments/overnight funds | 10,127 | 9,843 | 14,966 | 25,067 |

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| | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|
| Investment securities | 142,010 | 142,448 | 135,013 | 140,886 |
| Loans and loans held for sale | 853,972 | 866,243 | 868,213 | 883,987 |
| Allowance for loan losses | 9,689 | 9,717 | 9,772 | 9,921 |
| Goodwill | 11,944 | 11,944 | 11,944 | 11,944 |
| Deposits | 892,676 | 862,902 | 869,899 | 903,294 |
| FHLB borrowings | 71,219 | 109,430 | 100,988 | 96,748 |
| Subordinated debt, net | - | - | - | 7,418 |
| Shareholders equity | 116,328 | 117,305 | 119,408 | 118,973 |
| Non-performing assets | 3,046 | 2,565 | 2,294 | 6,297 |
| Tangible common equity ratio | 7.64 | 7.66 | 7.87 | 7.57 |
| PER COMMON SHARE: | | | | |
| Book value (A) | \$5.06 | \$5.11 | \$5.21 | \$5.19 |
| Tangible book value (A) | 4.42 | 4.47 | 4.58 | 4.56 |
| Market value | 2.98 | 3.33 | 3.24 | 3.20 |
| Trust assets fair market value (B) | \$2,033,573 | \$2,012,358 | \$1,935,495 | \$1,974,882 |

STATISTICAL DATA AT
PERIOD END:

| | | | | |
|--------------------------------|------------|------------|------------|------------|
| Full-time equivalent employees | 318 | 318 | 318 | 318 |
| Branch locations | 17 | 17 | 17 | 17 |
| Common shares outstanding | 18,855,021 | 18,861,811 | 18,870,811 | 18,870,811 |

NOTES:

(A)

For 2015, Preferred stock of \$21 million received through the Small Business Lending Fund is excluded from the book value per common share and tangible book value per common share calculations. The Company repaid the US Treasury for the SBLF funds on January 27, 2016.

(B) Not recognized on the consolidated balance sheets.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(Unaudited)

| | 1QTR | 2QTR | 3QTR | YEAR TO DATE |
|----------------------------|---------|---------|---------|-----------------|
| INTEREST INCOME | | | | |
| Interest and fees on loans | \$9,465 | \$9,409 | \$9,462 | \$28,336 |

2016

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| | | | | |
|--|-----------|---------|---------|---------|
| Interest on investments | 957 | 980 | 1,014 | 2,951 |
| Total Interest Income | 10,422 | 10,389 | 10,476 | 31,287 |
| INTEREST EXPENSE | | | | |
| Deposits | 1,254 | 1,330 | 1,391 | 3,975 |
| All borrowings | 610 | 573 | 579 | 1,762 |
| Total Interest Expense | 1,864 | 1,903 | 1,970 | 5,737 |
| NET INTEREST INCOME | 8,558 | 8,486 | 8,506 | 25,550 |
| Provision for loan losses | 3,100 | 250 | 300 | 3,650 |
| NET INTEREST INCOME AFTER | | | | |
| PROVISION FOR LOAN LOSSES | 5,458 | 8,236 | 8,206 | 21,900 |
| NON-INTEREST INCOME | | | | |
| Trust and investment advisory fees | 2,075 | 2,124 | 2,035 | 6,234 |
| Service charges on deposit accounts | 415 | 404 | 433 | 1,252 |
| Net realized gains on loans held for sale | 107 | 185 | 260 | 552 |
| Mortgage related fees | 63 | 98 | 132 | 293 |
| Net realized gains on investment securities | 57 | 60 | 60 | 177 |
| Bank owned life insurance | 167 | 169 | 169 | 505 |
| Other income | 553 | 702 | 572 | 1,827 |
| Total Non-Interest Income | 3,437 | 3,742 | 3,661 | 10,840 |
| NON-INTEREST EXPENSE | | | | |
| Salaries and employee benefits | 6,166 | 5,868 | 5,901 | 17,935 |
| Net occupancy expense | 737 | 690 | 656 | 2,083 |
| Equipment expense | 436 | 409 | 419 | 1,264 |
| Professional fees | 1,465 | 1,192 | 1,330 | 3,987 |
| FDIC deposit insurance expense | 179 | 188 | 189 | 556 |
| Other expenses | 1,728 | 1,692 | 1,861 | 5,281 |
| Total Non-Interest Expense | 10,711 | 10,039 | 10,356 | 31,106 |
| PRETAX INCOME (LOSS) | (1,816) | 1,939 | 1,511 | 1,634 |
| Income tax expense (benefit) | (549) | 577 | 446 | 474 |
| NET INCOME (LOSS) | (1,267) | 1,362 | 1,065 | 1,160 |
| Preferred stock dividends | 15 | - | - | 15 |
| NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS | | | | |
| | \$(1,282) | \$1,362 | \$1,065 | \$1,145 |

2015

| | 1QTR | 2QTR | 3QTR | YEAR TO DATE |
|--|--------------|--------------|--------------|-----------------|
| INTEREST INCOME | | | | |
| Interest and fees on loans | \$9,456 | \$9,480 | \$9,718 | \$28,654 |
| Interest on investments | 1,067 | 929 | 949 | 2,945 |
| Total Interest Income | 10,523 | 10,409 | 10,667 | 31,599 |
| INTEREST EXPENSE | | | | |
| Deposits | 1,174 | 1,171 | 1,174 | 3,519 |
| All borrowings | 415 | 438 | 458 | 1,311 |
| Total Interest Expense | 1,589 | 1,609 | 1,632 | 4,830 |
| NET INTEREST INCOME | 8,934 | 8,800 | 9,035 | 26,769 |
| Provision for loan losses | 250 | 200 | 300 | 750 |
| NET INTEREST INCOME AFTER | | | | |
| PROVISION FOR LOAN LOSSES | 8,684 | 8,600 | 8,735 | 26,019 |
| NON-INTEREST INCOME | | | | |
| Trust and investment advisory fees | 2,056 | 2,135 | 2,085 | 6,276 |
| Service charges on deposit accounts | 419 | 429 | 441 | 1,289 |
| Net realized gains on loans held for sale | 191 | 225 | 178 | 594 |
| Mortgage related fees | 115 | 109 | 87 | 311 |
| Net realized gains (losses) on investment securities | - | 28 | (36) | (8) |
| Bank owned life insurance | 363 | 171 | 684 | 1,218 |

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| | | | | |
|--|---------|---------|---------|---------|
| Other income | 568 | 595 | 576 | 1,739 |
| Total Non-Interest Income | 3,712 | 3,692 | 4,015 | 11,419 |
| NON-INTEREST EXPENSE | | | | |
| Salaries and employee benefits | 6,073 | 5,944 | 6,079 | 18,096 |
| Net occupancy expense | 841 | 718 | 692 | 2,251 |
| Equipment expense | 466 | 480 | 409 | 1,355 |
| Professional fees | 1,211 | 1,275 | 1,206 | 3,692 |
| FDIC deposit insurance expense | 167 | 164 | 174 | 505 |
| Other expenses | 1,652 | 1,658 | 1,659 | 4,969 |
| Total Non-Interest Expense | 10,410 | 10,239 | 10,219 | 30,868 |
| PRETAX INCOME | | | | |
| | 1,986 | 2,053 | 2,531 | 6,570 |
| Income tax expense | 617 | 632 | 698 | 1,947 |
| NET INCOME | 1,369 | 1,421 | 1,833 | 4,623 |
| Preferred stock dividends | 53 | 52 | 52 | 157 |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | | | | |
| | \$1,316 | \$1,369 | \$1,781 | \$4,466 |

AMERISERV FINANCIAL, INC.

NASDAQ: ASRV

Average Balance Sheet Data (In thousands)

(Unaudited)

2016

2015

| | 3QTR | NINE MONTHS | 3QTR | NINE MONTHS |
|---|-------------|----------------|-------------|----------------|
| Interest earning assets: | | | | |
| Loans and loans held for sale, net of unearned income | \$893,143 | \$887,681 | \$858,752 | \$852,553 |
| Short-term investment in money market funds | 20,797 | 12,987 | 9,496 | 10,228 |
| Deposits with banks | 1,065 | 1,871 | 1,235 | 1,235 |
| Total investment securities | 148,608 | 145,192 | 144,958 | 146,348 |
| Total interest earning assets | 1,063,613 | 1,047,731 | 1,014,441 | 1,010,364 |
| Non-interest earning assets: | | | | |
| Cash and due from banks | 21,675 | 19,883 | 16,362 | 17,241 |
| Premises and equipment | 11,887 | 11,982 | 12,508 | 12,729 |
| Other assets | 68,660 | 68,351 | 69,021 | 69,732 |
| Allowance for loan losses | (9,794) | (9,777) | (9,837) | (9,751) |
| Total assets | \$1,156,041 | \$1,138,170 | \$1,102,495 | \$1,100,315 |
| Interest bearing liabilities: | | | | |
| Interest bearing deposits: | | | | |
| Interest bearing demand | \$111,040 | \$106,983 | \$ 101,494 | \$ 98,668 |
| Savings | 96,593 | 96,149 | 95,968 | 95,050 |
| Money market | 285,358 | 275,226 | 235,578 | 233,311 |
| Other time | 302,610 | 286,966 | 277,680 | 291,668 |
| Total interest bearing deposits | 795,601 | 765,324 | 710,720 | 718,697 |
| Borrowings: | | | | |
| Federal funds purchased and other short-term borrowings | 1,309 | 11,480 | 40,427 | 27,228 |

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| | | | | |
|---|-------------|-------------|-------------|-------------|
| Advances from Federal Home Loan Bank | 49,852 | 49,356 | 46,386 | 45,300 |
| Guaranteed junior subordinated deferrable interest debentures | 13,085 | 13,085 | 13,085 | 13,085 |
| Subordinated debt | 7,650 | 7,650 | - | - |
| Total interest bearing liabilities | 867,497 | 846,895 | 810,618 | 804,310 |
| Non-interest bearing liabilities: | | | | |
| Demand deposits | 181,365 | 182,003 | 164,092 | 168,634 |
| Other liabilities | 7,931 | 8,683 | 9,531 | 10,442 |
| Shareholders' equity | 99,248 | 100,589 | 118,254 | 116,929 |
| Total liabilities and shareholders' equity | \$1,156,041 | \$1,138,170 | \$1,102,495 | \$1,100,315 |