

AMERISERV FINANCIAL INC /PA/
Form 8-K
April 15, 2008

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 15, 2008

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 as of March 31, 2008. For a more detailed description of the announcement see the press release attached as Exhibit #99.1.

Exhibits

Exhibit 99.1

Press release dated April 15, 2008, announcing the first quarter results as of March 31, 2008.

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 15, 2008

Exhibit 99.1**AMERISERV FINANCIAL REPORTS INCREASED EARNINGS FOR THE FIRST QUARTER OF 2008**

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) reported first quarter 2008 net income of \$1,229,000 or \$0.06 per diluted share. This represents an increase of \$801,000 over the first quarter 2007 net income of \$428,000 or \$0.02 per diluted share. The following table highlights the Company's financial performance for the quarters ended March 31, 2008 and 2007:

| | First Quarter 2008 | First Quarter 2007 | \$ Change | % Change |
|----------------------------|-----------------------|-----------------------|-----------|----------|
| Net income | \$1,229,000 | \$428,000 | \$801,000 | 187 % |
| Diluted earnings per share | \$ 0.06 | \$ 0.02 | \$ 0.04 | 200 % |

Allan R. Dennison, President and Chief Executive Officer, commented on the first quarter 2008 financial results, "Our conservative balance sheet positioning has allowed AmeriServ Financial to report improved financial performance during a period of turmoil within the banking industry and financial markets. Our growth in earnings was driven by increased net interest income, higher non-interest revenue and continued good asset quality. Specifically in regards to asset quality, our total level of non-performing assets amounted to \$3.1 million or only 0.48% of total loans while our allowance for loan losses provided solid 240% coverage of non-performing assets at March 31, 2008."

The Company's net interest income in the first quarter of 2008 increased by \$780,000 or 13.1% from the prior year's first quarter and the net interest margin was up by 35 basis points over the same comparative period. The Company's balance sheet positioning allowed it to benefit from the significant Federal Reserve reductions in short-term interest rates and the return to a more traditionally shaped positively sloped yield curve. This factor, combined with the benefits of solid loan growth experienced over the past 12 months, caused the increased net interest income and margin in the first quarter of 2008. Total loans averaged \$631 million in the first quarter of 2008, an increase of \$38 million or 6.3% over the first quarter of 2007. The loan growth was most evident in the commercial loan portfolio and contributed to the increased interest income. The favorable decline in interest expense was caused by the downward repricing of both deposits and Federal Home Loan Bank borrowings due to the market decline in short-term interest rates. Overall, net interest income has now increased for five consecutive quarters and the Company believes its

balance sheet is well positioned for continuation of a lower interest rate environment in 2008.

The Company recorded a \$150,000 provision for loan losses in the first quarter of 2008 compared to no loan loss provision in the first quarter of 2007. When determining the provision for loan losses, the Company considers a number of factors some of which include periodic credit reviews, delinquency trends, concentrations of credit, loan volume trends and broader local and national economic trends. The Company's net charge-offs in the first quarter of 2008 amounted to \$93,000 or 0.06% of total loans. This amount was comparable with the net charge-offs of \$82,000 or 0.06% of total loans experienced in the first quarter of 2007. Non-performing assets favorably declined by \$2.2 million from December 31, 2007 due to the successful workout during the first quarter of 2008 of the Company's largest non-performing loan with no loss to the bank. Non-performing assets totaled \$3.1 million or 0.48% of total loans at March 31, 2008 compared to \$5.3 million or 0.83% of total loans at December 31, 2007. Overall, the allowance for loan losses provided 240% coverage of non-performing assets and was 1.15% of total loans at March 31, 2008. Note also that the Company has no exposure to sub-prime mortgage loans in either the loan or investment portfolios.

The Company's non-interest income in the first quarter of 2008 increased by \$605,000 or 18.7% from the first quarter of 2007 and was driven by increases in almost all reported non-interest revenue categories. Trust fees increased by \$86,000 or 5.0% due to continued successful new business development efforts. The fair market value of trust assets totaled \$1.8 billion at March 31, 2008. Deposit service charges increased by \$149,000 due to increased overdraft fees and greater service charge revenue that resulted from a realignment of the bank's checking accounts to include more fee based products. Investment advisory fees increased by \$124,000 as West Chester Capital Advisors was included in the Company's results for the entire quarter in 2008 compared to only one month in the 2007 first quarter. The Company also recorded an increase on gains realized on residential mortgage loan sales into the secondary market that amounted to \$64,000 for the first quarter of 2008. This increase reflects improved residential mortgage production from the Company's primary market as this has been an area of emphasis in the Company's strategic plan. Finally, other income increased by \$191,000 due entirely to a gain realized on the mandatory redemption of shares of VISA stock that occurred as a result of VISA's initial public offering.

Total non-interest expense in the first quarter of 2008 increased by \$106,000 or 1.2% from the prior year's first quarter. The inclusion of West Chester Capital Advisors for the entire quarter in 2008 compared to only a partial quarter in 2007 caused non-interest expense to increase by \$164,000. Otherwise, expense decreases were recorded in several line items including salaries and employee benefits and equipment expense as a result of the Company's continuing focus on containing and reducing non-interest expenses. Total full-time equivalent employees at March 31, 2008 were down by 25 employees or 6.7% from the first quarter of 2007.

ASRV had total assets of \$918 million and shareholders' equity of \$91.6 million or a book value of \$4.19 per share at March 31, 2008. The Company's asset leverage ratio remained strong at 9.78%. During the first quarter of 2008, the Company repurchased 354,500 shares of its common stock at an average price of \$3.11 in conjunction with the terms of the Company's stock buyback program that was announced on January 22, 2008.

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 15, 2008

(In thousands, except per share and ratio data)

(All quarterly and 2008 data unaudited)

2008

1QTR

PERFORMANCE DATA FOR THE PERIOD:

| | |
|------------|---------|
| Net income | \$1,229 |
|------------|---------|

PERFORMANCE PERCENTAGES (annualized):

| | |
|--|-------|
| Return on average assets | 0.55% |
| Return on average equity | 5.43 |
| Net interest margin | 3.32 |
| Net charge-offs as a percentage of average loans | 0.06 |
| Loan loss provision as a percentage of average loans | 0.10 |
| Efficiency ratio | 82.87 |

PER COMMON SHARE:

| | |
|---|--------|
| Net income: | |
| Basic | \$0.06 |
| Average number of common shares outstanding | 22,060 |
| Diluted | 0.06 |
| Average number of common shares outstanding | 22,062 |

2007

| | 1QTR | 2QTR | 3QTR | 4QTR | YEAR TO DATE |
|--|--------|--------|--------|--------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | | | |
| Net income | \$428 | \$808 | \$874 | \$924 | \$3,034 |
| PERFORMANCE PERCENTAGES (annualized): | | | | | |
| Return on average assets | 0.20% | 0.37% | 0.39% | 0.41% | 0.34% |
| Return on average equity | 2.05 | 3.79 | 4.00 | 4.12 | 3.51 |
| Net interest margin | 2.97 | 3.01 | 3.00 | 3.08 | 3.06 |
| Net charge-offs as a percentage of average loans | 0.06 | 0.07 | 0.61 | 0.01 | 0.19 |
| Loan loss provision as a percentage of average loans | - | - | 0.10 | 0.09 | 0.05 |
| Efficiency ratio | 94.16 | 88.52 | 87.15 | 86.04 | 88.85 |
| PER COMMON SHARE: | | | | | |
| Net income: | | | | | |
| Basic | \$0.02 | \$0.04 | \$0.04 | \$0.04 | \$0.14 |
| Average number of common shares outstanding | 22,159 | 22,164 | 22,175 | 22,184 | 22,171 |
| Diluted | 0.02 | 0.04 | 0.04 | 0.04 | 0.14 |
| Average number of common shares outstanding | 22,166 | 22,171 | 22,177 | 22,186 | 22,173 |

AMERISERV FINANCIAL, INC.

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

(All quarterly and 2008 data unaudited)

2008

| | 1QTR |
|---------------------------------------|------------|
| PERFORMANCE DATA AT PERIOD END | |
| Assets | \$918,017 |
| Investment securities | 151,967 |
| Loans | 632,934 |
| Allowance for loan losses | 7,309 |
| Goodwill and core deposit intangibles | 14,254 |
| Deposits | 698,127 |
| FHLB borrowings | 106,579 |
| Stockholders' equity | 91,558 |
| Trust assets - fair market value (B) | 1,828,475 |
| Non-performing assets | 3,050 |
| Asset leverage ratio | 9.78% |
| PER COMMON SHARE: | |
| Book value (A) | \$4.19 |
| Market value | 2.79 |
| Market price to book value | 66.62% |
| STATISTICAL DATA AT PERIOD END: | |
| Full-time equivalent employees | 350 |
| Branch locations | 19 |
| Common shares outstanding | 21,842,691 |

2007

| 1QTR | 2QTR | 3QTR | 4QTR |
|------|------|------|------|
|------|------|------|------|

PERFORMANCE DATA AT PERIOD
END

| | | | | |
|---------------------------------------|-----------|-----------|-----------|-----------|
| Assets | \$891,559 | \$876,160 | \$897,940 | \$904,878 |
| Investment securities | 185,338 | 174,508 | 170,765 | 163,474 |
| Loans | 603,834 | 604,639 | 629,564 | 636,155 |
| Allowance for loan losses | 8,010 | 7,911 | 7,119 | 7,252 |
| Goodwill and core deposit intangibles | 15,119 | 14,903 | 14,687 | 14,470 |
| Deposits | 768,947 | 762,902 | 763,771 | 710,439 |
| FHLB borrowings | 15,170 | 4,258 | 23,482 | 82,115 |
| Stockholders equity | 85,693 | 86,226 | 88,517 | 90,294 |
| Trust assets fair market value (B) | 1,828,475 | 1,872,366 | 1,846,240 | 1,883,307 |
| Non-performing assets | 2,706 | 2,825 | 2,463 | 5,280 |
| Asset leverage ratio | 10.23% | 10.36% | 10.44% | 9.74% |
| PER COMMON SHARE: | | | | |
| Book value | \$3.87 | \$3.89 | \$3.99 | \$4.07 |
| Market value | 4.79 | 4.40 | 3.33 | 2.77 |
| Market price to book value | 123.88% | 113.12% | 83.44% | 68.07% |

STATISTICAL DATA AT PERIOD END:

| | | | | |
|--------------------------------|------------|------------|------------|------------|
| Full-time equivalent employees | 375 | 376 | 358 | 351 |
| Branch locations | 21 | 21 | 20 | 20 |
| Common shares outstanding | 22,161,445 | 22,167,235 | 22,180,650 | 22,188,997 |

NOTES:

(A) Other comprehensive income had a negative impact of \$0.13 on book value per share at March 31, 2008.

(B) Not recognized on the balance sheet.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(All quarterly and 2008 data unaudited)

2008

| | |
|----------------------------|----------|
| INTEREST INCOME | 1QTR |
| Interest and fees on loans | \$10,462 |
| Total investment portfolio | 1,820 |

| | |
|--|---------|
| Total Interest Income | 12,282 |
| INTEREST EXPENSE | |
| Deposits | 4,499 |
| All borrowings | 1,048 |
| Total Interest Expense | 5,547 |
| NET INTEREST INCOME | 6,735 |
| Provision for loan losses | 150 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 6,585 |
| NON-INTEREST INCOME | |
| Trust fees | 1,790 |
| Net realized gains on loans held for sale | 89 |
| Service charges on deposit accounts | 734 |
| Investment advisory fees | 226 |
| Bank owned life insurance | 249 |
| Other income | 750 |
| Total Non-interest Income | 3,838 |
| NON-INTEREST EXPENSE | |
| Salaries and employee benefits | 4,830 |
| Net occupancy expense | 661 |
| Equipment expense | 431 |
| Professional fees | 769 |
| FDIC deposit insurance expense | 22 |
| Amortization of core deposit intangibles | 216 |
| Other expenses | 1,850 |
| Total Non-interest Expense | 8,779 |
| PRETAX INCOME | 1,644 |
| Income tax expense | 415 |
| NET INCOME | \$1,229 |

2007

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

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| | | | | | |
|---|----------|----------|----------|----------|----------|
| Interest and fees on loans | \$10,061 | \$10,303 | \$10,591 | \$10,608 | \$41,563 |
| Total investment portfolio | 2,114 | 2,005 | 1,863 | 1,834 | 7,816 |
| Total Interest Income | 12,175 | 12,308 | 12,454 | 12,442 | 49,379 |
| INTEREST EXPENSE | | | | | |
| Deposits | 5,699 | 5,931 | 5,994 | 5,187 | 22,811 |
| All borrowings | 521 | 364 | 438 | 1,022 | 2,345 |
| Total Interest Expense | 6,220 | 6,295 | 6,432 | 6,209 | 25,156 |
| NET INTEREST INCOME | | | | | |
| | 5,955 | 6,013 | 6,022 | 6,233 | 24,223 |
| Provision for loan losses | - | - | 150 | 150 | 300 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | | | | | |
| | 5,955 | 6,013 | 5,872 | 6,083 | 23,923 |
| NON-INTEREST INCOME | | | | | |
| Trust fees | 1,704 | 1,689 | 1,677 | 1,683 | 6,753 |
| Net realized gains on loans held for sale | 25 | 79 | 116 | 87 | 307 |
| Service charges on deposit accounts | 585 | 636 | 671 | 687 | 2,579 |
| Investment advisory fees | 102 | 329 | 275 | 268 | 974 |
| Bank owned life insurance | 258 | 265 | 479 | 266 | 1,268 |
| Other income | 559 | 594 | 804 | 869 | 2,826 |
| Total Non-interest Income | 3,233 | 3,592 | 4,022 | 3,860 | 14,707 |
| NON-INTEREST EXPENSE | | | | | |
| Salaries and employee benefits | 4,885 | 4,930 | 4,813 | 4,711 | 19,339 |
| Net occupancy expense | 664 | 615 | 618 | 597 | 2,494 |
| Equipment expense | 546 | 564 | 466 | 469 | 2,045 |
| Professional fees | 695 | 818 | 814 | 870 | 3,197 |
| FDIC deposit insurance expense | 22 | 22 | 22 | 22 | 88 |
| Amortization of core deposit intangibles | 216 | 216 | 216 | 217 | 865 |
| Other expenses | 1,645 | 1,357 | 1,824 | 1,818 | 6,644 |
| Total Non-interest Expense | 8,673 | 8,522 | 8,773 | 8,704 | 34,672 |
| PRETAX INCOME | | | | | |
| | 515 | 1,083 | 1,121 | 1,239 | 3,958 |
| Income tax expense | 87 | 275 | 247 | 315 | 924 |
| NET INCOME | \$428 | \$808 | \$874 | \$924 | \$3,034 |

AMERISERV FINANCIAL, INC.

Nasdaq: ASRV

Average Balance Sheet Data (In thousands)

(All quarterly and 2008 data unaudited)

Note: 2007 data appears before 2008.

2007

2008

| | 1QTR | 1QTR |
|---|-----------|-----------|
| Interest earning assets: | | |
| Loans and loans held for sale, net of unearned income | \$592,956 | \$630,581 |
| Deposits with banks | 661 | 498 |
| Federal funds | 423 | 424 |
| Total investment securities | 202,059 | 173,311 |
| Total interest earning assets | 796,099 | 804,814 |
| Non-interest earning assets: | | |
| Cash and due from banks | 17,082 | 17,935 |
| Premises and equipment | 8,735 | 8,886 |
| Other assets | 66,127 | 72,963 |
| Allowance for loan losses | (8,062) | (7,309) |
| Total assets | \$879,981 | \$897,289 |
| Interest bearing liabilities: | | |
| Interest bearing deposits: | | |
| Interest bearing demand | \$58,027 | \$64,310 |
| Savings | 74,191 | 68,666 |
| Money market | 188,891 | 104,180 |
| Other time | 334,093 | 347,134 |
| Total interest bearing deposits | 655,202 | 584,290 |
| Borrowings: | | |

| | | |
|--|-----------|-----------|
| Federal funds purchased, securities sold under agreements to repurchase, and other short-term borrowings | 16,196 | 76,997 |
| Advanced from Federal Home Loan Bank | 1,392 | 11,718 |
| Guaranteed junior subordinated deferrable interest debentures | 13,085 | 13,085 |
| Total interest bearing liabilities | 685,875 | 686,090 |
| Non-interest bearing liabilities: | | |
| Demand deposits | 101,900 | 110,645 |
| Other liabilities | 7,703 | 9,526 |
| Stockholders equity | 84,503 | 91,028 |
| Total liabilities and stockholders equity | \$879,981 | \$897,289 |