

AMERISERV FINANCIAL INC /PA/
Form 8-K
April 20, 2007

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, 2007

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, 2007. 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 20, 2007, announcing the first quarter results as of March 31, 2007.

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 20, 2007

Exhibit 99.1**AMERISERV FINANCIAL REPORTS FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2007**

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) reported net income of \$428,000 or \$0.02 per diluted share for the first quarter of 2007. This compares to net income of \$540,000 or \$0.02 per diluted share for the first quarter of 2006. After careful analysis, the Company has decided to not early adopt Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. The following table highlights the Company's financial performance for the quarters ended March 31, 2007 and 2006:

| | First Quarter 2007 | First Quarter 2006 |
|----------------------------|-----------------------|-----------------------|
| Net income | \$428,000 | \$540,000 |
| Diluted earnings per share | 0.02 | 0.02 |

Allan R. Dennison, President and Chief Executive Officer, commented on the first quarter 2007 results, "The decline in net income in the first quarter of 2007 was due to reduced net interest income as this more than offset the benefits of continued strong asset quality and lower non-interest expenses. The net interest margin pressure from the inverted yield curve overshadowed solid loan and deposit growth within our community bank. Average loans in the first quarter of 2007 grew by 8.0% while average deposits increased by 5.3% when compared to the first quarter of 2006. These positive loan and deposit growth trends did help cause a favorable increase in net interest income and net interest margin when our first quarter 2007 performance for these key items is compared to our more recent fourth quarter 2006 results."

The Company's net interest income in the first quarter of 2007 decreased by \$337,000 from the prior year's first quarter due to a 23 basis point drop in the net interest margin. The decline in both net interest income and net interest margin resulted from the Company's cost of funds increasing at a faster pace than the earning asset yield. This resulted from deposit customer preference for higher yielding certificates of deposit and money market accounts due to the inverted yield curve with short-term interest rates exceeding intermediate to longer term rates. The Company, however, did note that the first quarter 2007 net interest margin of 2.97% was 4 basis points better than the more recent fourth quarter 2006 performance which helped reverse a trend of four consecutive quarters of net interest income and margin contraction. The Company did have increased loans in the earning asset mix as total loans outstanding averaged \$593 million in the first quarter of 2007, a \$44 million or 8.0% increase over the first quarter of 2006. This loan growth

was driven by increased commercial and commercial real estate loans. Total deposits averaged \$757 million in the first quarter of 2007; a \$38 million or 5.3% increase over 2006. These higher deposits in 2007 were due to increased deposits from the trust company's operations and increased certificates of deposit as customers have demonstrated a preference for this product due to higher short-term interest rates.

The Company did not record a provision for loan losses in either the first quarter of 2007 or the first quarter of 2006 due to the Company's continuing strong asset quality. Non-performing assets totaled \$2.7 million or 0.45% of total loans at March 31, 2007. This compares favorably to non-performing assets of \$4.2 million or 0.76% of total loans at March 31, 2006. Net charge-offs amounted to \$82,000 or 0.06% of total loans in the first quarter of 2007 which represented a decrease from the net charge-offs of \$117,000 or 0.09% of total loans in the prior year first quarter. The allowance for loan losses provided 296% coverage of non-performing assets at March 31, 2007 compared to 353% coverage at December 31, 2006, and 215% coverage at March 31, 2006. The allowance for loan losses as a percentage of total loans amounted to 1.33% at March 31, 2007. Note also that the Company has no exposure to sub prime mortgage loans.

The Company's non-interest income in the first quarter of 2007 totaled \$3.2 million which was consistent with the prior year first quarter performance. Trust fees increased by \$63,000 or 3.8% due to continued successful new business development efforts. Over the past year, the fair market value of trust assets has grown by 9.5% to \$1.8 billion at March 31, 2007. The Company also benefited from the successful closure of the West Chester Capital Advisors acquisition in early March of 2007. This new accretive acquisition provided \$102,000 of fee revenue in the first quarter of 2007 which is reflected in the other income line item. These positive items were offset by reduced deposit service charges which declined by \$42,000 due to fewer overdraft penalty fees. Other income also declined due to reduced revenues from AmeriServ Associates, a subsidiary that was closed in the second quarter of 2006, because it no longer fit the Company's strategic direction.

The Company's total non-interest expense in the first quarter of 2007 decreased by \$185,000 or 2.1% when compared to the first quarter of 2006 reflecting the Company's continued focus on reducing and containing non-interest expenses. Note that this decline occurred even after the inclusion of \$78,000 of non-interest expenses from the newly acquired West Chester Capital Advisors. The largest expense reductions were experienced in professional fees (\$100,000), equipment expense (\$93,000) and FDIC deposit insurance expense (\$51,000).

At March 31, 2007, ASRV had total assets of \$892 million and shareholders' equity of \$86 million or \$3.87 per share. The Company's asset leverage ratio remained strong at 10.23% at March 31, 2007.

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 NMS: ASRV

SUPPLEMENTAL FINANCIAL PERFORMANCE DATA

April 20, 2007

(In thousands, except per share and ratio data)

(All quarterly and 2007 data unaudited)

2007

1QTR

PERFORMANCE DATA FOR THE PERIOD:

| | |
|------------|-------|
| Net income | \$428 |
|------------|-------|

PERFORMANCE PERCENTAGES (annualized):

| | |
|--------------------------|-------|
| Return on average assets | 0.20% |
|--------------------------|-------|

| | |
|--------------------------|------|
| Return on average equity | 2.05 |
|--------------------------|------|

| | |
|---------------------|------|
| Net interest margin | 2.97 |
|---------------------|------|

| | |
|--|------|
| Net charge-offs as a percentage of average loans | 0.06 |
|--|------|

| | |
|--|---|
| Loan loss provision as a percentage of average loans | - |
|--|---|

| | |
|------------------|-------|
| Efficiency ratio | 94.16 |
|------------------|-------|

PER COMMON SHARE:

Net income:

| | |
|-------|--------|
| Basic | \$0.02 |
|-------|--------|

Average number of common shares outstanding

22,159

| | |
|---------|------|
| Diluted | 0.02 |
|---------|------|

Average number of common shares outstanding

22,166

2006

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| | 1QTR | 2QTR | 3QTR | 4QTR | YEAR TO DATE |
|--|--------|--------|--------|--------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | | | |
| Net income | \$540 | \$568 | \$643 | \$581 | \$2,332 |
| PERFORMANCE PERCENTAGES (annualized): | | | | | |
| Return on average assets | 0.25% | 0.26% | 0.29% | 0.26% | 0.27% |
| Return on average equity | 2.59 | 2.71 | 3.00 | 2.66 | 2.74 |
| Net interest margin | 3.20 | 3.16 | 3.06 | 2.93 | 3.12 |
| Net charge-offs as a percentage of average loans | 0.09 | 0.07 | 0.39 | 0.09 | 0.16 |
| Loan loss provision as a percentage of average loans | - | (0.04) | - | (0.05) | (0.02) |
| Efficiency ratio | 92.68 | 92.08 | 91.38 | 94.34 | 92.60 |
| PER COMMON SHARE: | | | | | |
| Net income: | | | | | |
| Basic | \$0.02 | \$0.03 | \$0.03 | \$0.03 | \$0.11 |
| Average number of common shares outstanding | | | | | |
| | 22,119 | 22,143 | 22,148 | 22,154 | 22,141 |
| Diluted | 0.02 | 0.03 | 0.03 | 0.03 | 0.11 |
| Average number of common shares outstanding | | | | | |
| | 22,127 | 22,153 | 22,156 | 22,161 | 22,149 |

AMERISERV FINANCIAL, INC.

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

(All quarterly and 2007 data unaudited)

2007

| | 1QTR |
|-----------------------------------|-----------|
| PERFORMANCE DATA AT PERIOD END | |
| Assets | \$891,559 |
| Investment securities | 185,338 |
| Loans | 603,834 |
| Allowance for loan losses | 8,010 |

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| | |
|---------------------------------------|-----------|
| Goodwill and core deposit intangibles | 15,119 |
| Deposits | 768,947 |
| FHLB borrowings | 15,170 |
| Stockholders equity | 85,693 |
| Trust assets fair market value (B) | 1,828,475 |
| Non-performing assets | 2,706 |
| Asset leverage ratio | 10.23% |
| PER COMMON SHARE: | |
| Book value (A) | \$3.87 |
| Market value | 4.79 |
| Market price to book value | 123.88% |

STATISTICAL DATA AT PERIOD END:

| | |
|--------------------------------|------------|
| Full-time equivalent employees | 375 |
| Branch locations | 21 |
| Common shares outstanding | 22,161,445 |

2006

| | 1QTR | 2QTR | 3QTR | 4QTR |
|---------------------------------------|-----------|-----------|-----------|-----------|
| PERFORMANCE DATA AT PERIOD END | | | | |
| Assets | \$876,393 | \$887,608 | \$882,837 | \$895,992 |
| Investment securities | 223,658 | 210,230 | 209,046 | 204,344 |
| Loans | 548,466 | 573,884 | 580,560 | 589,435 |
| Allowance for loan losses | 9,026 | 8,874 | 8,302 | 8,092 |
| Goodwill and core deposit intangibles | 12,031 | 11,815 | 11,599 | 11,382 |
| Deposits | 727,987 | 740,979 | 743,687 | 741,755 |
| FHLB borrowings | 45,223 | 43,031 | 31,949 | 50,037 |
| Stockholders equity | 84,336 | 84,231 | 86,788 | 84,684 |
| Trust assets fair market value (B) | 1,669,525 | 1,679,634 | 1,702,210 | 1,778,652 |
| Non-performing assets | 4,193 | 4,625 | 2,978 | 2,292 |
| Asset leverage ratio | 10.36% | 10.54% | 10.52% | 10.54% |
| PER COMMON SHARE: | | | | |
| Book value | \$3.81 | \$3.80 | \$3.92 | \$3.82 |
| Market value | 5.00 | 4.91 | 4.43 | 4.93 |
| Market price to book value | 131.26% | 129.09% | 113.07% | 128.98% |

STATISTICAL DATA AT PERIOD END:

| | | | | |
|--------------------------------|-----|-----|-----|-----|
| Full-time equivalent employees | 375 | 367 | 364 | 369 |
| Branch locations | 22 | 22 | 21 | 21 |

| | | | | |
|---------------------------|------------|------------|------------|------------|
| Common shares outstanding | 22,140,172 | 22,145,639 | 22,150,767 | 22,156,094 |
|---------------------------|------------|------------|------------|------------|

NOTES:

(A) Other comprehensive income had a negative impact of \$0.26 on book value per share at March 31, 2007.

(B) Not recognized on the balance sheet.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(All quarterly and 2007 data unaudited)

2007

| INTEREST INCOME | 1QTR |
|--|----------|
| Interest and fees on loans | \$10,061 |
| Total investment portfolio | 2,114 |
| Total Interest Income | 12,175 |
| | |
| INTEREST EXPENSE | |
| Deposits | 5,699 |
| All borrowings | 521 |
| Total Interest Expense | 6,220 |
| | |
| NET INTEREST INCOME | 5,955 |
| Provision for loan losses | - |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 5,955 |
| | |
| NON-INTEREST INCOME | |
| Trust fees | 1,704 |
| Net realized gains on loans held for sale | 25 |
| Service charges on deposit accounts | 585 |
| Bank owned life insurance | 258 |
| Other income | 661 |
| Total Non-interest Income | 3,233 |

NON-INTEREST EXPENSE

| | |
|--|-------|
| Salaries and employee benefits | 4,885 |
| Net occupancy expense | 664 |
| Equipment expense | 546 |
| Professional fees | 695 |
| FDIC deposit insurance expense | 22 |
| Amortization of core deposit intangibles | 216 |
| Other expenses | 1,645 |
| Total Non-interest Expense | 8,673 |

| | |
|----------------------------|-------|
| INCOME BEFORE INCOME TAXES | 515 |
| Provision for income taxes | 87 |
| NET INCOME | \$428 |

2005

| | YEAR | | | | |
|--|---------|---------|---------|---------|----------|
| | 1QTR | 2QTR | 3QTR | 4QTR | TO DATE |
| INTEREST INCOME | | | | | |
| Interest and fees on loans | \$8,900 | \$9,155 | \$9,677 | \$9,865 | \$37,597 |
| Total investment portfolio | 2,279 | 2,259 | 2,218 | 2,212 | 8,968 |
| Total Interest Income | 11,179 | 11,414 | 11,895 | 12,077 | 46,565 |
| INTEREST EXPENSE | | | | | |
| Deposits | 4,026 | 4,563 | 5,143 | 5,500 | 19,232 |
| All borrowings | 861 | 660 | 653 | 681 | 2,855 |
| Total Interest Expense | 4,887 | 5,223 | 5,796 | 6,181 | 22,087 |
| NET INTEREST INCOME | 6,292 | 6,191 | 6,099 | 5,896 | 24,478 |
| Provision for loan losses | - | (50) | - | (75) | (125) |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 6,292 | 6,241 | 6,099 | 5,971 | 24,603 |
| NON-INTEREST INCOME | | | | | |

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| | | | | | |
|---|-------|-------|-------|-------|---------|
| Trust fees | 1,641 | 1,671 | 1,603 | 1,604 | 6,519 |
| Net realized gains on loans held for sale | 23 | 20 | 26 | 36 | 105 |
| Service charges on deposit accounts | 627 | 651 | 645 | 638 | 2,561 |
| Bank owned life insurance | 256 | 260 | 428 | 263 | 1,207 |
| Other income | 695 | 666 | 545 | 543 | 2,449 |
| Total Non-interest Income | 3,242 | 3,268 | 3,247 | 3,084 | 12,841 |
| NON-INTEREST EXPENSE | | | | | |
| Salaries and employee benefits | 4,815 | 4,612 | 4,600 | 4,642 | 18,669 |
| Net occupancy expense | 655 | 591 | 573 | 591 | 2,410 |
| Equipment expense | 639 | 631 | 529 | 550 | 2,349 |
| Professional fees | 795 | 859 | 791 | 763 | 3,208 |
| FDIC deposit insurance expense | 73 | 74 | 22 | 23 | 192 |
| Amortization of core deposit intangibles | 216 | 216 | 216 | 217 | 865 |
| Other expenses | 1,665 | 1,794 | 1,833 | 1,707 | 6,999 |
| Total Non-interest Expense | 8,858 | 8,777 | 8,564 | 8,493 | 34,692 |
| INCOME BEFORE INCOME TAXES | | | | | |
| Provision (benefit) for income taxes | 676 | 732 | 782 | 562 | 2,752 |
| NET INCOME | 136 | 164 | 139 | (19) | 420 |
| | \$540 | \$568 | \$643 | \$581 | \$2,332 |

AMERISERV FINANCIAL, INC.

Nasdaq NMS: ASRV

Average Balance Sheet Data (In thousands)

(All quarterly and 2007 data unaudited)

Note: 2006 data appears before 2007.

2006

2007

1QTR

1QTR

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Interest earning assets:

| | | |
|---|-----------|-----------|
| Loans and loans held for sale, net of unearned income | \$548,975 | \$592,956 |
| Deposits with banks | 564 | 661 |
| Federal funds | - | 423 |
| Total investment securities | 234,729 | 202,059 |
| | | |
| Total interest earning assets | 784,268 | 796,099 |

Non-interest earning assets:

| | | |
|---------------------------|-----------|-----------|
| Cash and due from banks | 19,230 | 17,082 |
| Premises and equipment | 8,617 | 8,735 |
| Other assets | 69,831 | 66,127 |
| Allowance for loan losses | (9,069) | (8,062) |
| | | |
| Total assets | \$872,877 | \$879,981 |

Interest bearing liabilities:

Interest bearing deposits:

| | | |
|---------------------------------|----------|----------|
| Interest bearing demand | \$55,804 | \$58,027 |
| Savings | 86,721 | 74,191 |
| Money market | 175,733 | 188,891 |
| Other time | 295,951 | 334,093 |
| Total interest bearing deposits | 614,209 | 655,202 |

Borrowings:

Federal funds purchased, securities sold under agreements to repurchase, and other short-term borrowings

| | | |
|---|---------|---------|
| | 48,677 | 16,196 |
| Advanced from Federal Home Loan Bank | 983 | 1,392 |
| Guaranteed junior subordinated deferrable interest debentures | | |
| | 13,085 | 13,085 |
| Total interest bearing liabilities | 676,954 | 685,875 |

Non-interest bearing liabilities:

| | | |
|---|-----------|-----------|
| Demand deposits | 105,004 | 101,900 |
| Other liabilities | 6,537 | 7,703 |
| Stockholders equity | 84,382 | 84,503 |
| Total liabilities and stockholders equity | \$872,877 | \$879,981 |