

AMERISERV FINANCIAL INC /PA/
Form 8-K
October 16, 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) October 16, 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 third quarter and first nine months results as of September 30, 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 October 16, 2007, announcing the third quarter and first nine months results as of September 30, 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: October 16, 2007

Exhibit 99.1**AMERISERV FINANCIAL REPORTS INCREASED EARNINGS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2007**

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) reported third quarter 2007 net income of \$874,000 or \$0.04 per diluted share. This represents an increase of \$231,000 or 35.9% over the third quarter 2006 net income of \$643,000 or \$0.03 per diluted share. For the nine month period ended September 30, 2007, the Company has earned \$2.1 million or \$0.10 per diluted share. This represents an increase of \$359,000 or 20.5% when compared to net income of \$1.8 million or \$0.08 per diluted share for the first nine months of 2006. The following table highlights the Company's financial performance for both the three and nine month periods ended September 30, 2007 and 2006:

| | Third Quarter 2007 | Third Quarter 2006 | Nine Months Ended September 30, 2007 | Nine Months Ended September 30, 2006 |
|----------------------------|-----------------------|-----------------------|---|---|
| Net income | \$874,000 | \$643,000 | \$2,110,000 | \$1,751,000 |
| Diluted earnings per share | \$ 0.04 | \$ 0.03 | \$ 0.10 | \$ 0.08 |

At September 30, 2007, ASRV had total assets of \$898 million and shareholders' equity of \$88.5 million or a book value of \$3.99 per share. The Company's asset leverage ratio remained strong at 10.44% at September 30, 2007.

Allan R. Dennison, President and Chief Executive Officer, commented on the 2007 results, "Our focus on executing our strategic plan has caused AmeriServ Financial to report improved financial performance for both the third quarter and first nine months of 2007. We are better leveraging our expense base to generate increased non-interest revenue as evidenced by the successful acquisition of West Chester Capital Advisors earlier in 2007. Continued solid growth in both loans and deposits has caused our net interest income to increase for three consecutive quarters in 2007 after bottoming in the fourth quarter of 2006. Our asset quality continues to be sound as non-performing assets amounted to only 0.39% of total loans and our loan loss reserve provided 289% coverage of non-performing assets at September 30, 2007. The recent turmoil in the financial markets that led to a reduction in interest rates positions AmeriServ Financial for further net interest income improvement in the fourth quarter."

The Company's net interest income in the third quarter of 2007 decreased by \$77,000 from the prior year's third quarter and for the first nine months of 2007 decreased by \$592,000 when compared to the first nine months of 2006. The Company's net interest margin is also down by six and 14 basis points, respectively for the quarter and nine month periods ended September 30, 2007. 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/flat yield curve with short-term interest rates exceeding intermediate to longer term rates for the majority of the past 18 months. As mentioned earlier, on a quarterly basis the Company's net interest margin has shown improvement and stability in 2007 increasing from 2.97% in the first quarter to 3.00% in the third quarter. This helped to reverse a trend of four consecutive quarters of net interest income and margin contraction experienced in 2006 where the margin declined from 3.20% to a low of 2.93% in the fourth quarter. The recent Federal Reserve reduction in short-term interest rates and the return to a more positively sloped yield curve positions the Company well for net interest income and margin expansion in the fourth quarter of 2007.

As a result of execution of our community bank focused strategic plan, the Company did have increased loans and deposits on our balance sheet in 2007. Since year-end 2006, total loans have grown by \$40 million or 6.8% to \$629.6 million while total deposits have increased by \$22 million or 3.0% to \$763.8 million. The loan growth was most evident in the commercial loan portfolio with particularly strong performance during the third quarter of 2007. The deposit growth was caused by increased certificates of deposit as customers have demonstrated a preference for this product due to higher short-term interest rates.

The Company recorded a \$150,000 provision for loan losses in the third quarter of 2007 compared to no loan loss provision in the third quarter of 2006. For the nine month period ended September 30, 2007, the provision for loan losses also amounted to \$150,000 compared to a negative loan loss provision of \$50,000 realized for the same period in 2006. The Company did experience higher net charge-offs in the third quarter of 2007 due almost entirely to the \$875,000 complete charge-off of a commercial loan that resulted from fraud committed by the borrower. This caused net charge-offs to average loans to total 0.61% in the third quarter of 2007 compared to 0.39% in the third quarter of 2006. For the nine month period ended September 30, 2007, net charge-offs have amounted to \$1.1 million or 0.25% of total loans compared to net charge-offs of \$791,000 or 0.19% of total loans for the same nine month period in 2006. Non-performing assets totaled \$2.5 million or only 0.39% of total loans at September 30, 2007. This compares favorably to non-performing assets of \$3.0 million or 0.51% of total loans at September 30, 2006. The allowance for loan losses provided 289% coverage of non-performing assets at September 30, 2007 compared to 353% coverage at December 31, 2006, and 279% coverage at September 30, 2006. The allowance for loan losses as a percentage of total loans amounted to 1.13% at September 30, 2007. 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 third quarter of 2007 increased by \$775,000 from the prior year's third quarter and for the first nine months of 2007 increased by \$1.1 million when compared to the first nine months of 2006. The increase for both periods was due in part to the West Chester Capital Advisors acquisition which closed in early March of 2007. This accretive acquisition provided \$275,000 of investment advisory fees in the third quarter of 2007 and \$706,000 of fees for the nine month period ended September 30, 2007. Trust fees also increased by \$74,000 for the third quarter 2007 and by \$155,000 or 3.2% for the first nine months of 2007 due to continued successful new business development efforts and an increased value for trust assets. The fair market value of trust assets totaled \$1.85 billion at September 30, 2007. The Company also realized an increase on gains realized on residential mortgage loan sales into the secondary market that amounted to \$90,000 for the third quarter of 2007 and \$151,000 for the first

nine months of 2007. These increases reflect greater residential mortgage production from the Company's primary market as this has been an area of emphasis in the strategic plan. Finally, other income increased by \$259,000 in the third quarter and \$51,000 for the first nine months of 2007 due in part to a \$69,000 gain realized on the sale of a closed branch facility and a \$120,000 gain realized on the sale of equipment obtained from a lease financing arrangement. The Company also benefited from increased fees associated with the higher residential mortgage loan production.

Total non-interest expense in the third quarter of 2007 increased by \$209,000 from the prior year's third quarter but for the first nine months of 2007 declined by \$231,000 when compared to the first nine months of 2006. The largest factor responsible for the quarterly increase was the inclusion of \$233,000 of non-interest expenses from West Chester Capital Advisors; the largest component of which was reflected in salaries and employee benefits. West Chester Capital Advisors has contributed \$568,000 in non-interest expenses for the nine month period ended September 30, 2007. The overall reduction in expenses for the nine month period reflects the Company's continuing focus on containing and reducing non-interest expenses. The largest expense reductions were experienced in equipment expense (\$223,000), professional fees (\$118,000), other expenses (\$466,000) and FDIC deposit insurance expense (103,000).

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

October 16, 2007

(In thousands, except per share and ratio data)

(All quarterly and 2007 data unaudited)

2007

| | 1QTR | 2QTR | 3QTR | YEAR TO DATE |
|--|-------|-------|-------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | | |
| Net income | \$428 | \$808 | \$874 | \$2,110 |
| PERFORMANCE PERCENTAGES (annualized): | | | | |
| Return on average assets | 0.20% | 0.37% | 0.39% | 0.32% |
| Return on average equity | 2.05 | 3.79 | 4.00 | 3.30 |

Edgar Filing: AMERISERV FINANCIAL INC /PA/ - Form 8-K

| | | | | |
|--|-------|-------|-------|-------|
| Net interest margin | 2.97 | 3.01 | 3.00 | 3.00 |
| Net charge-offs as a percentage of average loans | 0.06 | 0.07 | 0.61 | 0.25 |
| Loan loss provision as a percentage of average loans | - | - | 0.10 | 0.03 |
| Efficiency ratio | 94.16 | 88.52 | 87.15 | 89.84 |

PER COMMON SHARE:

Net income:

| | | | | |
|---|--------|--------|--------|--------|
| Basic | \$0.02 | \$0.04 | \$0.04 | \$0.10 |
| Average number of common shares outstanding | 22,159 | 22,164 | 22,175 | 22,166 |
| Diluted | 0.02 | 0.04 | 0.04 | 0.10 |
| Average number of common shares outstanding | 22,166 | 22,171 | 22,177 | 22,170 |

2006

| | | | | |
|--|------|------|------|-----------------|
| | 1QTR | 2QTR | 3QTR | YEAR TO DATE |
|--|------|------|------|-----------------|

PERFORMANCE DATA FOR THE PERIOD:

| | | | | |
|------------|-------|-------|-------|---------|
| Net income | \$540 | \$568 | \$643 | \$1,751 |
|------------|-------|-------|-------|---------|

PERFORMANCE PERCENTAGES

(annualized):

| | | | | |
|--|-------|--------|-------|--------|
| Return on average assets | 0.25% | 0.26% | 0.29% | 0.27% |
| Return on average equity | 2.59 | 2.71 | 3.00 | 2.77 |
| Net interest margin | 3.20 | 3.16 | 3.06 | 3.14 |
| Net charge-offs as a percentage of average loans | 0.09 | 0.07 | 0.39 | 0.19 |
| Loan loss provision as a percentage of average loans | - | (0.04) | - | (0.01) |
| Efficiency ratio | 92.68 | 92.08 | 91.38 | 92.05 |

PER COMMON SHARE:

Net income:

| | | | | |
|---|--------|--------|--------|--------|
| Basic | \$0.02 | \$0.03 | \$0.03 | \$0.08 |
| Average number of common shares outstanding | 22,119 | 22,143 | 22,148 | 22,137 |
| Diluted | 0.02 | 0.03 | 0.03 | 0.08 |
| Average number of common shares outstanding | 22,127 | 22,153 | 22,156 | 22,145 |

AMERISERV FINANCIAL, INC.

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

(All quarterly and 2007 data unaudited)

2007

| | 1QTR | 2QTR | 3QTR |
|---------------------------------------|-----------|-----------|-----------|
| PERFORMANCE DATA AT PERIOD END | | | |
| Assets | \$891,559 | \$876,160 | \$897,940 |
| Investment securities | 185,338 | 174,508 | 170,765 |
| Loans | 603,834 | 604,639 | 629,564 |
| Allowance for loan losses | 8,010 | 7,911 | 7,119 |
| Goodwill and core deposit intangibles | 15,119 | 14,903 | 14,687 |
| Deposits | 768,947 | 762,902 | 763,771 |
| FHLB borrowings | 15,170 | 4,258 | 23,482 |
| Stockholders' equity | 85,693 | 86,226 | 88,517 |
| Trust assets - fair market value (B) | 1,828,475 | 1,872,366 | 1,846,240 |
| Non-performing assets | 2,706 | 2,825 | 2,463 |
| Asset leverage ratio | 10.23% | 10.36% | 10.44% |
| PER COMMON SHARE: | | | |
| Book value (A) | \$3.87 | \$3.89 | \$3.99 |
| Market value | 4.79 | 4.40 | 3.33 |
| Market price to book value | 123.88% | 113.12% | 83.44% |

STATISTICAL DATA AT PERIOD END:

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

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 |

Edgar Filing: AMERISERV FINANCIAL INC /PA/ - Form 8-K

| | | | | |
|---------------------------------------|-----------|-----------|-----------|-----------|
| 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 \$0.22 on book value per share at September 30, 2007.

(B) Not recognized on the balance sheet.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(All quarterly and 2007 data unaudited)

2007

| | YEAR | | | |
|----------------------------|----------|----------|----------|----------|
| | 1QTR | 2QTR | 3QTR | TO DATE |
| INTEREST INCOME | | | | |
| Interest and fees on loans | \$10,061 | \$10,303 | \$10,591 | \$30,955 |
| Total investment portfolio | 2,114 | 2,005 | 1,863 | 5,982 |
| Total Interest Income | 12,175 | 12,308 | 12,454 | 36,937 |

INTEREST EXPENSE

Edgar Filing: AMERISERV FINANCIAL INC /PA/ - Form 8-K

| | | | | |
|--|-------|-------|-------|---------|
| Deposits | 5,699 | 5,931 | 5,994 | 17,624 |
| All borrowings | 521 | 364 | 438 | 1,323 |
| Total Interest Expense | 6,220 | 6,295 | 6,432 | 18,947 |
| | | | | |
| NET INTEREST INCOME | 5,955 | 6,013 | 6,022 | 17,990 |
| Provision for loan losses | - | - | 150 | 150 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 5,955 | 6,013 | 5,872 | 17,840 |
| | | | | |
| NON-INTEREST INCOME | | | | |
| Trust fees | 1,704 | 1,689 | 1,677 | 5,070 |
| Net realized gains on loans held for sale | 25 | 79 | 116 | 220 |
| Service charges on deposit accounts | 585 | 636 | 671 | 1,892 |
| Investment advisory fees | 102 | 329 | 275 | 706 |
| Bank owned life insurance | 258 | 265 | 479 | 1,002 |
| Other income | 559 | 594 | 804 | 1,957 |
| Total Non-interest Income | 3,233 | 3,592 | 4,022 | 10,847 |
| | | | | |
| NON-INTEREST EXPENSE | | | | |
| Salaries and employee benefits | 4,885 | 4,930 | 4,813 | 14,628 |
| Net occupancy expense | 664 | 615 | 618 | 1,897 |
| Equipment expense | 546 | 564 | 466 | 1,576 |
| Professional fees | 695 | 818 | 814 | 2,327 |
| FDIC deposit insurance expense | 22 | 22 | 22 | 66 |
| Amortization of core deposit intangibles | 216 | 216 | 216 | 648 |
| Other expenses | 1,645 | 1,357 | 1,824 | 4,826 |
| Total Non-interest Expense | 8,673 | 8,522 | 8,773 | 25,968 |
| | | | | |
| PRETAX INCOME | 515 | 1,083 | 1,121 | 2,719 |
| Income tax expense | 87 | 275 | 247 | 609 |
| NET INCOME | \$428 | \$808 | \$874 | \$2,110 |

2006

| | YEAR | | | |
|--|---------|---------|---------|----------|
| | 1QTR | 2QTR | 3QTR | TO DATE |
| INTEREST INCOME | | | | |
| Interest and fees on loans | \$8,900 | \$9,155 | \$9,677 | \$27,732 |
| Total investment portfolio | 2,279 | 2,259 | 2,218 | 6,756 |
| Total Interest Income | 11,179 | 11,414 | 11,895 | 34,488 |
| INTEREST EXPENSE | | | | |
| Deposits | 4,026 | 4,563 | 5,143 | 13,732 |
| All borrowings | 861 | 660 | 653 | 2,174 |
| Total Interest Expense | 4,887 | 5,223 | 5,796 | 15,906 |
| NET INTEREST INCOME | | | | |
| Provision for loan losses | - | (50) | - | (50) |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | | | | |
| | 6,292 | 6,241 | 6,099 | 18,632 |
| NON-INTEREST INCOME | | | | |
| Trust fees | 1,641 | 1,671 | 1,603 | 4,915 |
| Net realized gains on loans held for sale | 23 | 20 | 26 | 69 |
| Service charges on deposit accounts | 627 | 651 | 645 | 1,923 |
| Bank owned life insurance | 256 | 260 | 428 | 944 |
| Other income | 695 | 666 | 545 | 1,906 |
| Total Non-interest Income | 3,242 | 3,268 | 3,247 | 9,757 |
| NON-INTEREST EXPENSE | | | | |
| Salaries and employee benefits | 4,815 | 4,612 | 4,600 | 14,027 |
| Net occupancy expense | 655 | 591 | 573 | 1,819 |
| Equipment expense | 639 | 631 | 529 | 1,799 |
| Professional fees | 795 | 859 | 791 | 2,445 |
| FDIC deposit insurance expense | 73 | 74 | 22 | 169 |
| Amortization of core deposit intangibles | 216 | 216 | 216 | 648 |
| Other expenses | 1,665 | 1,794 | 1,833 | 5,292 |
| Total Non-interest Expense | 8,858 | 8,777 | 8,564 | 26,199 |
| PRETAX INCOME | | | | |
| Income tax expense | 676 | 732 | 782 | 2,190 |
| NET INCOME | 136 | 164 | 139 | 439 |
| | \$540 | \$568 | \$643 | \$1,751 |

AMERISERV FINANCIAL, INC.

Nasdaq: ASRV

Average Balance Sheet Data (In thousands)

(All quarterly and 2007 data unaudited)

Note: 2006 data appears before 2007.

2006

2007

| | 3QTR | NINE MONTHS | 3QTR | NINE MONTHS |
|---|-----------|----------------|-----------|----------------|
| Interest earning assets: | | | | |
| Loans and loans held for sale, net of unearned income | \$572,077 | \$558,176 | \$612,424 | \$601,592 |
| Deposits with banks | 698 | 669 | 616 | 525 |
| Federal funds | - | - | 2,249 | 3,009 |
| Total investment securities | 215,759 | 225,066 | 176,474 | 187,398 |
| | | | | |
| Total interest earning assets | 788,534 | 783,911 | 791,763 | 792,524 |
| Non-interest earning assets: | | | | |
| Cash and due from banks | 19,146 | 18,975 | 18,673 | 17,734 |
| Premises and equipment | 8,088 | 8,337 | 8,607 | 8,722 |
| Other assets | 68,653 | 69,226 | 71,506 | 69,550 |
| Allowance for loan losses | (8,739) | (8,922) | (7,808) | (7,947) |
| | | | | |
| Total assets | \$875,682 | \$871,527 | \$882,741 | \$880,583 |
| Interest bearing liabilities: | | | | |
| Interest bearing deposits: | | | | |
| Interest bearing demand | \$58,551 | \$57,329 | \$55,151 | \$56,559 |
| Savings | 80,663 | 84,235 | 71,503 | 73,112 |
| Money market | 169,022 | 171,525 | 173,844 | 182,215 |
| Other time | 330,900 | 313,598 | 353,331 | 344,153 |
| Total interest bearing deposits | 639,136 | 626,687 | 653,829 | 656,039 |
| Borrowings: | | | | |

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

| | | | | |
|---|-----------|-----------|-----------|-----------|
| | 26,128 | 34,459 | 6,760 | 8,441 |
| Advanced from Federal Home Loan Bank | 962 | 972 | 5,499 | 3,607 |
| Guaranteed junior subordinated deferrable interest debentures | 13,085 | 13,085 | 13,085 | 13,085 |
| Total interest bearing liabilities | 679,311 | 675,203 | 679,173 | 681,172 |
| Non-interest bearing liabilities: | | | | |
| Demand deposits | 104,361 | 105,292 | 106,055 | 104,336 |
| Other liabilities | 7,059 | 6,584 | 10,768 | 9,477 |
| Stockholders equity | 84,951 | 84,448 | 86,745 | 85,598 |
| Total liabilities and stockholders equity | \$875,682 | \$871,527 | \$882,741 | \$880,583 |