

AMERISERV FINANCIAL INC /PA/

Form 8-K

July 15, 2014

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) July 15, 2014

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))

Form 8-K

Item 2.02 Results of operation and financial condition.

AMERISERV FINANCIAL Inc. (the "Registrant") announced second quarter and first six months 2014 results through June 30, 2014. For a more detailed description of the announcement see the press release attached as Exhibit #99.1.

Exhibits

Exhibit 99.1

Press release dated July 15, 2014, announcing the second quarter and first six months 2014 results through June 30, 2014.

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: July 15, 2014

Exhibit 99.1

AMERISERV FINANCIAL REPORTS EARNINGS FOR THE SECOND QUARTER AND FIRST SIX MONTHS OF 2014

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) reported second quarter 2014 net income available to common shareholders of \$927,000, or \$0.05 per diluted common share. This compares to net income available to common shareholders of \$1,018,000, or \$0.05 per diluted common share, reported for the second quarter of 2013. For the six month period ended June 30, 2014, the Company reported net income available to common shareholders of \$1,804,000, or \$0.10 per diluted share. When compared to the first six months of 2013, net income available to common shareholders was down by \$218,000 or 10.8% while diluted earnings per share declined by a lesser amount of \$0.01, or 9.1%, as total shares outstanding were lower in 2014 due to the success of the Company's common stock repurchase program which was completed in the second quarter of 2013. The following table highlights the Company's financial performance for both the three and six month periods ended June 30, 2014 and 2013:

| | Second Quarter 2014 | Second Quarter 2013 | Six Months Ended June 30, 2014 | Six Months Ended June 30, 2013 |
|---|------------------------|------------------------|-----------------------------------|-----------------------------------|
| Net income | \$979,000 | \$1,070,000 | \$1,909,000 | \$2,126,000 |
| Net income available to common shareholders | \$927,000 | \$1,018,000 | \$1,804,000 | \$2,022,000 |
| Diluted earnings per share | \$ 0.05 | \$ 0.05 | \$ 0.10 | \$0.11 |

Glenn L. Wilson, President and Chief Executive Officer, commented on the second quarter 2014 financial results: Our strategic focus on growing our loan portfolio while maintaining strong asset quality continues to show favorable results. Over the past twelve months, we have increased total loans by \$53 million, or 7.10%, to a record level of \$805 million. This has been an important factor contributing to the growth in net interest income that AmeriServ Financial has achieved so far in 2014. Additionally, our asset quality metrics continue to be outstanding as non-performing assets are only 0.56% of total loans and our allowance for loan losses provided 256% coverage of non-performing loans at June 30, 2014.

The Company's net interest income in the second quarter of 2014 increased by \$363,000, or 4.5%, from the prior year's second quarter and for the first six months of 2014 increased by \$846,000, or 5.3%, when compared to the first six months of 2013. The Company's net interest margin of 3.52% for the first six months of 2014 was two basis points lower than the net interest margin of 3.54% for the first half of 2013. There was a similar net interest margin decline of three basis points when the second quarter of 2014 is compared to the prior year second quarter. We believe that this performance demonstrates that the recent pace of net interest margin contraction has slowed from the pace of margin decline experienced over the previous two years. The Company has been able to mitigate this net interest margin pressure and to increase net interest income by both growing its earning assets and reducing its cost of funds. Specifically, the earning asset growth has occurred in the loan portfolio as total loans averaged \$791 million in the first half of 2014 which is \$63 million, or 8.7%, higher than the \$728 million average for the first half of 2013. This loan growth reflects the successful results of the Company's more intensive sales calling efforts, with an emphasis on generating commercial loans and owner occupied commercial real estate loans, which qualify as Small Business Lending Fund (SBLF) loans, particularly through its loan production offices. As a result of this growth in SBLF qualified loans, the Company has locked in the lowest preferred dividend rate available under the program of 1% until the first quarter of 2016. Interest income in 2014 has also benefitted from reduced premium amortization on mortgage backed securities due to slower mortgage prepayment speeds. Total interest expense for the first six months of 2014 declined by \$97,000 from the first six months of 2013 due to the Company's proactive efforts to reduce deposit costs. Even with this reduction in deposit costs, the Company still experienced growth in deposits which reflects the loyalty of our core deposit base and ongoing efforts to cross sell new loan customers into deposit products. Specifically, total deposits averaged a record level of \$866 million for the first half of 2014 which is \$28 million, or 3.3%, higher than the \$839 million average in the first half of 2013.

The Company did not record a provision for loan losses in the second quarter of 2014 as compared to a \$150,000 provision recorded in the second quarter of 2013. For the six month period in 2014, the Company also did not record a provision for loan losses compared to a \$100,000 negative provision in the first six months of 2013. The Company continued to maintain outstanding asset quality in the first half of 2014. At June 30, 2014, non-performing assets totaled \$4.5 million, or 0.56%, of total loans which is comparable with the level they have averaged for the past six quarters. The Company experienced net loan recoveries in both the second quarter of 2014 and 2013. For the six month periods, there were modest net loan recoveries of \$46,000, or 0.01%, of total loans in 2014 compared to net loan charge-offs of \$1.3 million, or 0.37% of total loans in 2013. When determining the provision for loan losses, the Company considers a number of factors, some of which include periodic credit reviews, non-performing assets, loan delinquency and charge-off trends, concentrations of credit, loan volume trends and broader local and national economic trends. In summary, the allowance for loan losses provided a strong 256% coverage of non-performing loans, and was 1.26% of total loans at June 30, 2014, compared to 327% of non-performing loans, and 1.29% of total loans, at December 31, 2013.

Total non-interest income in the second quarter of 2014 decreased by \$437,000, or 10.7%, from the prior year's second quarter and for the first six months of 2014 decreased by \$721,000, or 9.1%, when compared to the first six months of 2013. The 2014 declines reflect reduced revenue from residential mortgage banking activities due to lower refinance activity as a result of higher mortgage rates and reduced purchase activity particularly in the first quarter of 2014. This caused gains realized on residential mortgage loan sales into the secondary market and other mortgage related fees to decrease by a total of \$138,000 for the second quarter and \$507,000 for the first six months of 2014. Other factors contributing to the non-interest income decline in the second quarter of 2014 included a \$203,000 decrease in bank owned life insurance revenue due to the receipt of a death claim in the prior year and a \$78,000 loss realized on the sale of an other real estate owned property which contributed to the decline in other income in the second quarter of 2014. For the six month period, these negative items were partially offset by increased fees from our trust and wealth management businesses and increased gains realized on the sale of investment securities. Specifically, trust

and investment advisory fees increased by \$100,000, or 2.6%, for first half of 2014 due to increased assets under management which reflects both successful new business development activities and market appreciation of existing assets. Gains realized on the sale of investment securities increased by \$106,000 for the first six months of 2014 as the Company took advantage of market opportunities to sell certain rapidly prepaying mortgage backed securities. At June 30, 2014, the Company's available for sale investment securities portfolio still had a market value that exceeded its book value by approximately \$3.0 million.

Total non-interest expense in the second quarter of 2014 increased by \$178,000, or 1.7%, from the prior year's second quarter and for the first six months of 2014 increased by \$294,000, or 1.4%, when compared to the first six months of 2013. Salaries and employee benefits were down modestly between periods as the benefits of lower pension expense and incentive compensation expense were partially offset by increased health insurance premiums. Professional fees increased by \$314,000 in the second quarter of 2014 and \$587,000 for the six month period due to higher legal costs and new recurring costs related to outsourcing our computer operations and statement processing to a third party vendor. The overall cost savings benefit from outsourcing these services is captured in lower personnel costs in these departments and reduced software expense which is a key factor contributing to the decline in other expenses of \$75,000 for the second quarter and \$322,000 for the six month period in 2014. Finally, the Company recorded an income tax expense of \$812,000, or an effective tax rate of 29.8%, in the first half of 2014 compared to income tax expense of \$864,000, or an effective tax rate of 28.9%, for the first half of 2013. The effective tax rate was modestly lower in 2013 due to an increased level of tax free earnings from bank owned life insurance.

The Company had total assets of \$1.06 billion, shareholders' equity of \$116 million, a book value of \$5.05 per common share and a tangible book value of \$4.38 per common share at June 30, 2014. The Company has increased its tangible book value per share by 8.7% over the past twelve months. The Company continued to maintain strong capital ratios that exceed the regulatory defined well capitalized status with a risk based capital ratio of 15.23%, an asset leverage ratio of 11.56% and a tangible common equity to tangible assets ratio of 7.83% at June 30, 2014.

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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

June 30, 2014

(In thousands, except per share and ratio data)

(Unaudited)

| | 1QTR | 2QTR | YEAR TO DATE |
|---|-------|-------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | |
| Net income | \$930 | \$979 | \$1,909 |
| Net income available to common shareholders | 877 | 927 | 1,804 |

PERFORMANCE PERCENTAGES
(annualized):

| | | | |
|---|-------|--------|--------|
| Return on average assets | 0.36% | 0.37% | 0.37% |
| Return on average equity | 3.30 | 3.41 | 3.35 |
| Net interest margin | 3.56 | 3.47 | 3.52 |
| Net charge-offs (recoveries) as a percentage of average loans | - | (0.02) | (0.01) |
| Loan loss provision (credit) as a percentage of average loans | - | - | - |
| Efficiency ratio | 89.02 | 88.29 | 88.66 |

PER COMMON SHARE:

| | | | |
|---|--------|--------|--------|
| Net income: | | | |
| Basic | \$0.05 | \$0.05 | \$0.10 |
| Average number of common shares outstanding | 18,786 | 18,795 | 18,790 |
| Diluted | 0.05 | 0.05 | 0.10 |
| Average number of common shares outstanding | 18,904 | 18,936 | 18,920 |
| Cash dividends declared | \$0.01 | \$0.01 | \$0.02 |

2013

| | 1QTR | 2QTR | YEAR TO DATE |
|---|---------|---------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | |
| Net income | \$1,056 | \$1,070 | \$2,126 |
| Net income available to common shareholders | 1,004 | 1,018 | 2,022 |

PERFORMANCE PERCENTAGES

(annualized):

| | | | |
|--|--------|--------|--------|
| Return on average assets | 0.43% | 0.43% | 0.43% |
| Return on average equity | 3.86 | 3.86 | 3.86 |
| Net interest margin | 3.59 | 3.50 | 3.54 |
| Net charge-offs (recoveries) as a percentage of average loans | 0.76 | (0.02) | 0.37 |
| Loan loss provision (credit) as a percentage of average loans | (0.14) | 0.08 | (0.03) |
| Efficiency ratio | 89.52 | 86.28 | 87.89 |

PER COMMON SHARE:

Net income:

| | | | |
|--|--------|--------|--------|
| Basic | \$0.05 | \$0.05 | \$0.11 |
| Average number of common shares outstanding | 19,168 | 19,039 | 19,103 |
| Diluted | 0.05 | 0.05 | 0.11 |
| Average number of common shares outstanding | 19,257 | 19,128 | 19,192 |
| Cash dividends declared | \$0.00 | \$0.01 | \$0.01 |

AMERISERV FINANCIAL, INC.

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

(Unaudited)

2014

| | 1QTR | 2QTR |
|---|-------------|-------------|
| FINANCIAL CONDITION DATA AT PERIOD END | | |
| Assets | \$1,051,108 | \$1,063,717 |
| Short-term investments/overnight funds | 9,019 | 8,013 |
| Investment securities | 154,754 | 153,603 |
| Loans and loans held for sale | 789,620 | 804,675 |
| Allowance for loan losses | 10,109 | 10,150 |
| Goodwill | 12,613 | 12,613 |

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| | | |
|------------------------------------|-------------|-------------|
| Deposits | 875,333 | 873,908 |
| FHLB borrowings | 40,483 | 52,677 |
| Shareholders equity | 114,590 | 115,946 |
| Non-performing assets | 3,274 | 4,469 |
| Asset leverage ratio | 11.50% | 11.56% |
| Tangible common equity ratio | 7.80 | 7.83 |
| PER COMMON SHARE: | | |
| Book value (A) | \$4.97 | \$5.05 |
| Tangible book value (A) | 4.31 | 4.38 |
| Market value | 3.85 | 3.48 |
| Trust assets fair market value (B) | \$1,692,663 | \$1,873,996 |

STATISTICAL DATA AT
PERIOD END:

| | | |
|--------------------------------|------------|------------|
| Full-time equivalent employees | 347 | 345 |
| Branch locations | 18 | 17 |
| Common shares outstanding | 18,793,388 | 18,794,888 |

2013

| | 1QTR | 2QTR | 3QTR | 4QTR |
|---|-------------|-------------|-------------|-------------|
| FINANCIAL CONDITION DATA AT PERIOD END | | | | |
| Assets | \$999,718 | \$1,025,084 | \$1,038,144 | \$1,056,036 |
| Short-term investments/overnight funds | 23,995 | 9,291 | 8,646 | 9,778 |
| Investment securities | 162,866 | 168,284 | 167,110 | 160,165 |
| Loans and loans held for sale | 717,852 | 751,522 | 763,681 | 786,748 |
| Allowance for loan losses | 10,960 | 11,145 | 11,183 | 10,104 |
| Goodwill | 12,613 | 12,613 | 12,613 | 12,613 |
| Deposits | 847,189 | 840,272 | 852,211 | 854,522 |
| FHLB borrowings | 16,000 | 50,292 | 52,096 | 66,555 |
| Shareholders equity | 111,445 | 109,282 | 110,370 | 113,307 |
| Non-performing assets | 4,387 | 5,027 | 5,037 | 4,109 |
| Asset leverage ratio | 11.58% | 11.52% | 11.44% | 11.45% |
| Tangible common equity ratio | 7.88 | 7.47 | 7.48 | 7.64 |
| PER COMMON SHARE: | | | | |
| Book value (A) | \$4.72 | \$4.70 | \$4.76 | \$4.91 |
| Tangible book value (A) | 4.06 | 4.03 | 4.09 | 4.24 |
| Market value | 3.13 | 2.74 | 3.15 | 3.03 |
| Trust assets fair market value (B) | \$1,566,236 | \$1,562,366 | \$1,599,402 | \$1,668,654 |

STATISTICAL DATA AT
PERIOD END:

| | | | | |
|--------------------------------|------------|------------|------------|------------|
| Full-time equivalent employees | 357 | 360 | 358 | 352 |
| Branch locations | 18 | 18 | 18 | 18 |
| Common shares outstanding | 19,168,188 | 18,784,188 | 18,784,188 | 18,784,188 |

NOTES:

(A)

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.

(B) Not recognized on the consolidated balance sheets.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(Unaudited)

2014

| | 1QTR | 2QTR | YEAR TO DATE |
|------------------------------------|---------|---------|--------------------|
| INTEREST INCOME | | | |
| Interest and fees on loans | \$9,032 | \$8,939 | \$17,971 |
| Interest on investments | 1,063 | 1,044 | 2,107 |
| Total Interest Income | 10,095 | 9,983 | 20,078 |
| INTEREST EXPENSE | | | |
| Deposits | 1,211 | 1,240 | 2,451 |
| All borrowings | 359 | 359 | 718 |
| Total Interest Expense | 1,570 | 1,599 | 3,169 |
| NET INTEREST INCOME | 8,525 | 8,384 | 16,909 |
| Provision (credit) for loan losses | - | - | - |
| NET INTEREST INCOME AFTER | | | |

PROVISION (CREDIT) FOR LOAN

| | | | |
|---|--------|--------|---------|
| LOSSES | 8,525 | 8,384 | 16,909 |
| NON-INTEREST INCOME | | | |
| Trust and investment advisory fees | 2,032 | 1,948 | 3,980 |
| Service charges on deposit accounts | 478 | 501 | 979 |
| Net realized gains on loans held for sale | 101 | 171 | 272 |
| Mortgage related fees | 117 | 160 | 277 |
| Net realized gains on investment securities | 57 | 120 | 177 |
| Bank owned life insurance | 187 | 185 | 372 |
| Other income | 560 | 553 | 1,113 |
| Total Non-Interest Income | 3,532 | 3,638 | 7,170 |
| NON-INTEREST EXPENSE | | | |
| Salaries and employee benefits | 6,314 | 6,107 | 12,421 |
| Net occupancy expense | 839 | 717 | 1,556 |
| Equipment expense | 470 | 494 | 964 |
| Professional fees | 1,308 | 1,464 | 2,772 |
| FDIC deposit insurance expense | 160 | 154 | 314 |
| Other expenses | 1,647 | 1,684 | 3,331 |
| Total Non-Interest Expense | 10,738 | 10,620 | 21,358 |
| PRETAX INCOME | 1,319 | 1,402 | 2,721 |
| Income tax expense | 389 | 423 | 812 |
| NET INCOME | 930 | 979 | 1,909 |
| Preferred stock dividends | 53 | 52 | 105 |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | \$877 | \$927 | \$1,804 |

2013

| | 1QTR | 2QTR | YEAR TO DATE |
|----------------------------|---------|---------|-----------------|
| INTEREST INCOME | | | |
| Interest and fees on loans | \$8,628 | \$8,590 | \$17,218 |
| Interest on investments | 1,074 | 1,037 | 2,111 |
| Total Interest Income | 9,702 | 9,627 | 19,329 |
| INTEREST EXPENSE | | | |

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| | | | |
|---|---------|---------|---------|
| Deposits | 1,350 | 1,288 | 2,638 |
| All borrowings | 310 | 318 | 628 |
| Total Interest Expense | 1,660 | 1,606 | 3,266 |
| | | | |
| NET INTEREST INCOME | 8,042 | 8,021 | 16,063 |
| Provision (credit) for loan losses | (250) | 150 | (100) |
| NET INTEREST INCOME AFTER | | | |
| PROVISION (CREDIT) FOR LOAN | | | |
| LOSSES | 8,292 | 7,871 | 16,163 |
| | | | |
| NON-INTEREST INCOME | | | |
| Trust and investment advisory fees | 1,881 | 1,999 | 3,880 |
| Service charges on deposit accounts | 511 | 538 | 1,049 |
| Net realized gains on loans held for sale | 386 | 241 | 627 |
| Mortgage related fees | 201 | 228 | 429 |
| Net realized gains on investment securities | 71 | - | 71 |
| Bank owned life insurance | 201 | 388 | 589 |
| Other income | 565 | 681 | 1,246 |
| Total Non-Interest Income | 3,816 | 4,075 | 7,891 |
| | | | |
| NON-INTEREST EXPENSE | | | |
| Salaries and employee benefits | 6,331 | 6,176 | 12,507 |
| Net occupancy expense | 773 | 751 | 1,524 |
| Equipment expense | 455 | 455 | 910 |
| Professional fees | 1,035 | 1,150 | 2,185 |
| FDIC deposit insurance expense | 134 | 151 | 285 |
| Other expenses | 1,894 | 1,759 | 3,653 |
| Total Non-Interest Expense | 10,622 | 10,442 | 21,064 |
| | | | |
| PRETAX INCOME | 1,486 | 1,504 | 2,990 |
| Income tax expense | 430 | 434 | 864 |
| NET INCOME | 1,056 | 1,070 | 2,126 |
| Preferred stock dividends | 52 | 52 | 104 |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | | | |
| | \$1,004 | \$1,018 | \$2,022 |

AMERISERV FINANCIAL, INC.

Nasdaq: ASRV

Average Balance Sheet Data (In thousands)

(Unaudited)

2014

2013

| | 2QTR | SIX MONTHS | 2QTR | SIX MONTHS |
|---|-------------|---------------|-------------|---------------|
| Interest earning assets: | | | | |
| Loans and loans held for sale, net of unearned income | \$795,233 | \$791,270 | \$728,189 | \$727,846 |
| Deposits with banks | 7,512 | 6,749 | 9,511 | 8,324 |
| Short-term investment in money market funds | 2,296 | 3,231 | 5,702 | 5,057 |
| Total investment securities | 157,348 | 160,069 | 169,482 | 166,559 |
| Total interest earning assets | 962,389 | 961,319 | 912,884 | 907,786 |
| Non-interest earning assets: | | | | |
| Cash and due from banks | 15,267 | 15,618 | 16,470 | 16,845 |
| Premises and equipment | 13,194 | 13,171 | 12,799 | 12,475 |
| Other assets | 69,538 | 69,689 | 75,924 | 78,961 |
| Allowance for loan losses | (10,122) | (10,132) | (10,989) | (11,768) |
| Total assets | \$1,050,266 | \$1,049,665 | \$1,007,088 | \$1,004,299 |
| Interest bearing liabilities: | | | | |
| Interest bearing deposits: | | | | |
| Interest bearing demand | \$100,249 | \$91,433 | \$74,721 | \$68,850 |
| Savings | 89,871 | 89,202 | 88,919 | 88,058 |
| Money market | 229,626 | 229,170 | 208,050 | 210,626 |
| Other time | 304,022 | 303,583 | 309,318 | 311,667 |
| Total interest bearing deposits | 723,768 | 713,388 | 681,008 | 679,201 |
| Borrowings: | | | | |
| Federal funds purchased and other short-term borrowings | 7,249 | 18,441 | 12,067 | 9,966 |
| Advances from Federal Home Loan Bank | 30,378 | 28,544 | 16,000 | 15,774 |
| Guaranteed junior subordinated deferrable interest debentures | 13,085 | 13,085 | 13,085 | 13,085 |
| Total interest bearing liabilities | 774,480 | 773,458 | 722,160 | 718,026 |

Non-interest bearing liabilities:

| | | | | |
|---|-------------|-------------|-------------|-------------|
| Demand deposits | 152,976 | 152,894 | 160,773 | 159,512 |
| Other liabilities | 7,582 | 8,519 | 12,860 | 15,634 |
| Shareholders equity | 115,228 | 114,794 | 111,295 | 111,127 |
| Total liabilities and shareholders equity | \$1,050,266 | \$1,049,665 | \$1,007,088 | \$1,004,299 |