

AMERISERV FINANCIAL INC /PA/
Form 10-Q
November 06, 2015

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**
For the period ended **September 30, 2015**

**Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**
For the transition period from to

Commission File Number **0-11204**

AmeriServ Financial, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

25-1424278
(I.R.S. Employer
Identification No.)

15907-0430

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Main & Franklin Streets,
P.O. Box 430, Johnstown, PA

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code **(814) 533-5300**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 2, 2015
Common Stock, par value \$0.01	18,870,811

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Item 1. Financial Statements

AmeriServ Financial, Inc.

CONSOLIDATED BALANCE SHEETS

(In thousands except shares)

(Unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
Cash and due from depository institutions	\$ 16,782	\$ 23,780
Interest bearing deposits	2,966	2,952
Short-term investments in money market funds	12,000	6,140
Total cash and cash equivalents	31,748	32,872
Investment securities:		
Available for sale	114,652	127,110
Held to maturity (fair value \$20,771 on September 30, 2015 and \$20,213 on December 31, 2014)	20,361	19,840
Loans held for sale	2,913	5,051
Loans	865,890	827,634
Less: Unearned income	590	554
Allowance for loan losses	9,772	9,623
Net loans	855,528	817,457
Premises and equipment, net	12,362	13,012
Accrued interest income receivable	3,315	3,127
Goodwill	11,944	11,944
Bank owned life insurance	37,266	37,417
Net deferred tax asset	8,284	9,548
Federal Home Loan Bank stock	4,661	4,048
Federal Reserve Bank stock	2,125	2,125
Other assets	5,684	5,712
TOTAL ASSETS	\$ 1,110,843	\$ 1,089,263
LIABILITIES		
Non-interest bearing deposits	\$ 158,374	\$ 167,551
Interest bearing deposits	711,525	702,330
Total deposits	869,899	869,881
Short-term borrowings	52,988	38,880
Advances from Federal Home Loan Bank	48,000	42,000
Guaranteed junior subordinated deferrable interest debentures	13,085	13,085
Total borrowed funds	114,073	93,965
Other liabilities	7,463	11,010
TOTAL LIABILITIES	991,435	974,856
SHAREHOLDERS' EQUITY		
Preferred stock, no par value; \$1,000 per share liquidation preference;	21,000	21,000

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2,000,000 shares authorized; 21,000 shares issued and outstanding on September 30, 2015 and December 31, 2014		
Common stock, par value \$0.01 per share; 30,000,000 shares authorized; 26,488,630 shares issued and 18,870,811 outstanding on September 30, 2015; 26,402,707 shares issued and 18,784,888 outstanding on December 31, 2014	265	264
Treasury stock at cost, 7,617,819 shares on September 30, 2015 and December 31, 2014	(74,829)	(74,829)
Capital surplus	145,434	145,256
Retained earnings	33,518	29,618
Accumulated other comprehensive loss, net	(5,980)	(6,902)
TOTAL SHAREHOLDERS' EQUITY	119,408	114,407
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,110,843	\$1,089,263

See accompanying notes to unaudited consolidated financial statements.

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TABLE OF CONTENTS**AmeriServ Financial, Inc.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
INTEREST INCOME				
Interest and fees on loans	\$9,718	\$9,019	\$28,654	\$26,990
Interest bearing deposits	1	2	4	6
Short-term investments in money market funds	3	1	10	3
Investment securities:				
Available for sale	790	859	2,480	2,688
Held to maturity	155	138	451	410
Total Interest Income	10,667	10,019	31,599	30,097
INTEREST EXPENSE				
Deposits	1,174	1,237	3,519	3,688
Short-term borrowings	37	10	70	34
Advances from Federal Home Loan Bank	141	89	401	223
Guaranteed junior subordinated deferrable interest debentures	280	280	840	840
Total Interest Expense	1,632	1,616	4,830	4,785
NET INTEREST INCOME	9,035	8,403	26,769	25,312
Provision for loan losses	300		750	
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,735	8,403	26,019	25,312
NON-INTEREST INCOME				
Trust and investment advisory fees	2,085	1,807	6,276	5,787
Service charges on deposit accounts	441	507	1,289	1,486
Net gains on sale of loans	178	275	594	547
Mortgage related fees	87	190	311	467
Net realized gains (losses) on investment securities	(36)		(8)	177
Bank owned life insurance	684	188	1,218	559
Other income	576	626	1,739	1,740
Total Non-Interest Income	4,015	3,593	11,419	10,763
NON-INTEREST EXPENSE				
Salaries and employee benefits	6,079	6,139	18,096	18,560
Net occupancy expense	692	709	2,251	2,265
Equipment expense	409	468	1,355	1,432
Professional fees	1,206	1,360	3,692	4,132
Supplies, postage and freight	181	196	534	566
Miscellaneous taxes and insurance	288	276	872	884
Federal deposit insurance expense	174	159	505	473
Goodwill impairment charge		669		669

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Other expense	1,190	1,267	3,563	3,620
Total Non-Interest Expense	10,219	11,243	30,868	32,601
PRETAX INCOME	2,531	753	6,570	3,474
Provision for income tax expense	698	388	1,947	1,200
NET INCOME	1,833	365	4,623	2,274
Preferred stock dividends	52	53	157	158
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$1,781	\$312	\$4,466	\$2,116
PER COMMON SHARE DATA:				
Basic:				
Net income	\$0.09	\$0.02	\$0.24	\$0.11
Average number of shares outstanding	18,869	18,795	18,860	18,792
Diluted:				
Net income	\$0.09	\$0.02	\$0.24	\$0.11
Average number of shares outstanding	18,951	18,908	18,928	18,916
Cash dividends declared	\$0.01	\$0.01	\$0.03	\$0.03

See accompanying notes to unaudited consolidated financial statements.

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME
(In thousands)
(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
COMPREHENSIVE INCOME				
Net income	\$1,833	\$ 365	\$4,623	\$ 2,274
Other comprehensive income, before tax:				
Pension obligation change for defined benefit plan	315	799	1,601	1,191
Income tax effect	(107)	(272)	(545)	(405)
Unrealized holding (gains) losses on available for sale securities arising during period	387	(701)	(211)	850
Income tax effect	(131)	238	72	(289)
Reclassification adjustment for losses (gains) on available for sale securities included in net income	36		8	(177)
Income tax effect	(12)		(3)	60
Other comprehensive income	488	64	922	1,230
Comprehensive income	\$2,321	\$ 429	\$5,545	\$ 3,504

See accompanying notes to unaudited consolidated financial statements.

TABLE OF CONTENTS**AmeriServ Financial, Inc.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	Nine months ended September 30,	
	2015	2014
OPERATING ACTIVITIES		
Net income	\$4,623	\$ 2,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	750	
Depreciation expense	1,346	1,359
Net amortization of investment securities	254	283
Net realized losses (gains) on investment securities available for sale	8	(177)
Net gains on loans held for sale	(594)	(547)
Amortization of deferred loan fees	(202)	(198)
Origination of mortgage loans held for sale	(39,214)	(36,105)
Sales of mortgage loans held for sale	41,946	36,090
Increase in accrued interest income receivable	(188)	(372)
Decrease in accrued interest payable	(105)	(173)
Earnings on bank owned life insurance	(514)	(559)
Deferred income taxes	805	139
Stock based compensation expense	179	56
Goodwill impairment charge		669
Other, net	(2,536)	(679)
Net cash provided by operating activities	6,558	2,060
INVESTING ACTIVITIES		
Purchases of investment securities available for sale	(9,408)	(10,215)
Purchases of investment securities held to maturity	(4,795)	(2,442)
Proceeds from sales of investment securities available for sale	2,379	5,242
Proceeds from maturities of investment securities available for sale	19,063	16,581
Proceeds from maturities of investment securities held to maturity	4,233	1,095
Purchases of regulatory stock	(14,111)	(6,679)