

AMERISERV FINANCIAL INC /PA/

Form 8-K

October 16, 2018

UNITED STATES

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, 2018

AMERISERV FINANCIAL, Inc.

(exact name of registrant as specified in its charter)

Pennsylvania 0-11204 25-1424278

(State or other (Commission (IRS Employer

jurisdiction File Number) Identification No.)

of incorporation)

Main and Franklin Streets, Johnstown, Pa. 15901

(address of 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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Form 8-K

Item 2.02 Results of operation and financial condition.

AMERISERV FINANCIAL, Inc. (the "Registrant") announced third quarter 2018 results through September 30, 2018. For a more detailed description of the announcement see the press release attached as Exhibit 99.1.

Item 9.01

Financial Statements and Exhibits.

(d)

Exhibits:

99.1

Press release dated October 16, 2018, announcing third quarter 2018 earnings through September 30, 2018.

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/Michael D. Lynch

Michael D. Lynch

SVP & CFO

Date: October 16, 2018

Exhibit 99.1

AMERISERV FINANCIAL REPORTS INCREASED EARNINGS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2018

JOHNSTOWN, PA - AmeriServ Financial, Inc. (NASDAQ: ASRV) reported third quarter 2018 net income of \$2,329,000, or \$0.13 per diluted common share. This earnings performance represented an increase of \$778,000, or 50.2%, from the third quarter of 2017 where net income totaled \$1,551,000, or \$0.08 per diluted common share. For the nine-month period ended September 30, 2018, the Company reported net income of \$5,840,000, or \$0.32 per diluted common share. This represents 39.1% growth in earnings per share from the nine-month period of 2017 where net income totaled \$4,288,000, or \$0.23 per diluted common share. The following table highlights the Company's financial performance for both the three and nine month periods ended September 30, 2018 and 2017:

| | Third Quarter 2018 | Third Quarter 2017 | Nine Months Ended September 30, 2018 | Nine Months Ended September 30, 2017 |
|-------------------------------|-----------------------|-----------------------|---|---|
| Net income | \$2,329,000 | \$1,551,000 | \$5,840,000 | \$4,288,000 |
| Diluted earnings per share | \$ 0.13 | \$ 0.08 | \$ 0.32 | \$ 0.23 |

Jeffrey A. Stopko, President and Chief Executive Officer, commented on the 2018 financial results: "In the third quarter of 2018, the continued execution of our strategic plan generated increased earnings per share and strong capital returns to our shareholders. The strong growth in earnings resulted from a favorable combination of lower income tax expense, outstanding asset quality, and positive operating leverage as our revenues increased while our non-interest expense was well controlled. AmeriServ Financial Inc. was able to return almost 70% of our increased third quarter earnings to our shareholders through accretive common stock buybacks and cash dividends."

The Company's net interest income in the third quarter of 2018 increased by \$172,000, or 1.9%, from the prior year's third quarter and for the first nine months of 2018 increased by \$158,000, or 0.6%, when compared to the first nine months of 2017. The Company's net interest margin was 3.31% for the third quarter and 3.29% for the first nine months of 2018 representing an improvement of 3 basis points from the prior year's third quarter and a 2 basis point improvement from the first nine months of 2017. The increase in net interest income in both time periods is a result of an improved earning asset yield as the Company's balance sheet has been well positioned for increasing interest rates. Also, total average earning assets increased by \$5.6 million, or 0.5%, in the third quarter but remained relatively consistent on a year to date basis, decreasing slightly. These factors more than offset the upward repricing of interest bearing liabilities as well as a higher level of average interest bearing liabilities in both time periods.

Total investment securities increased in both time periods. Total investment securities averaged \$185 million in the third quarter of 2018 which is \$10.3 million, or 5.9%, higher than the \$175 million average for the third quarter of 2017. Investment securities also averaged \$182 million for the nine-month time period which is \$9.6 million, or 5.6%, higher than the nine month 2017 average. The growth in the investment securities portfolio is the result of management taking advantage of the higher interest rate environment in 2018 to purchase additional securities.

Purchases so far in 2018 have primarily been focused on federal agency mortgage backed securities due to the ongoing cash flow that these securities provide. Also, management continues its portfolio diversification strategy through purchases of high quality corporate and taxable municipal securities. As a result, interest income on investments increased between the third quarter of 2018 and the third quarter of 2017 by \$210,000, or 15.8%, and increased in the first nine months of 2018 from the first nine months of 2017 by \$622,000, or 16.4%.

In regards to the loan portfolio, total loans averaged \$890 million in the third quarter of 2018 which is \$2.5 million, or 0.3%, lower than the \$892 million average for the third quarter of 2017. Total loans averaged \$885 million in the first nine months of 2018 which is \$9.5 million, or 1.1%, lower than the 2017 first nine-month average. The combination of a higher level of early loan payoffs and a slowdown in loan production, particularly earlier this year, resulted in a decrease in the average balance of the loan portfolio. Loan production increased during the latter part of the second quarter and this increase continued into the third quarter resulting in total loan originations exceeding the prior year's level. However, loan payoffs have also continued to increase as the year progresses resulting in a net decrease to the overall portfolio. The Company does expect modest loan portfolio growth in the fourth quarter of 2018 as payoffs are anticipated to slow while we anticipate production to remain strong. Loan production occurred primarily in commercial real estate loans and commercial/industrial loans. Even though total average loans have decreased since last year, loan interest income increased by \$752,000, or 7.6%, between the third quarter of 2018 and the third quarter of 2017 and also increased by \$1.4 million, or 4.7%, in the first nine months of 2018 when compared to the same period from last year. The higher loan interest income reflects new loans originating at higher yields as well as the upward repricing of certain loans tied to LIBOR or the prime rate as both of these indices have moved up with the Federal Reserve's decision to increase the target federal funds interest rate. Overall, total interest income increased by \$2.0 million, or 6.0%, in the first nine months of 2018.

Total interest expense for the third quarter of 2018 increased by \$790,000, or 35.1%, and increased by \$1.8 million, or 28.4%, in the first nine months of 2018 when compared to 2017, due to higher levels of both deposit and borrowing interest expense. The higher 2018 deposit interest expense of \$546,000 for the third quarter and \$1.4 million for the first nine months reflects certain indexed money market accounts repricing upward after the Federal Reserve interest rate increases. Additionally, there has been customer movement of some funds out of lower yielding money market accounts into higher yielding certificates of deposit due to the higher national interest rate environment in 2018. The runoff of money market deposits has more than offset the growth of term deposit products and resulted in a decrease in the balance of total deposits in 2018. Specifically, total deposits averaged \$957 million for the first nine months of 2018 which was \$19.8 million, or 2.0%, lower than the \$977 million average for the first nine months of 2017.

Overall, the Company's loan to deposit ratio averaged 93.0% in the third quarter of 2018 which we believe indicates that the Company has ample capacity to grow its loan portfolio given the loyalty of its core deposit base. The Company experienced a \$465,000, or 24.9%, increase in the interest cost for borrowings in the first nine months of 2018 due to a higher average balance of total borrowed funds and the immediate impact that the increases in the Federal Funds Rate had on the cost of overnight borrowed funds. In the first nine months of 2018, total average FHLB borrowed funds of \$79 million increased by \$18.0 million, or 29.4%, due to the decrease in total average deposits.

The Company did not record a provision for loan losses in the third quarter of 2018 compared to a \$200,000 provision for loan losses in the third quarter of 2017. For the nine-month period in 2018, the Company recorded a \$100,000

provision for loan losses compared to a \$750,000 provision for loan losses in 2017 or a decrease of \$650,000 between years. The lower 2018 provision reflects our overall strong asset quality, the successful workout of several criticized loans, and reduced loan portfolio balances. For the nine months, the Company experienced net loan charge-offs of \$875,000, or 0.13% of total loans, in 2018 compared to net loan charge-offs of \$336,000, or 0.05% of total loans, in 2017. The higher 2018 net loan charge offs reflect the final workout of several non-performing loans on which reserves had previously been established. Overall, the Company continued to maintain outstanding asset quality as its nonperforming assets totaled \$1.1 million, or only 0.12% of total loans, at September 30, 2018. In summary, the allowance for loan losses provided 885% coverage of non-performing assets, and 1.07% of total loans, at September 30, 2018, compared to 337% coverage of non-performing assets, and 1.14% of total loans, at December 31, 2017.

Total non-interest income in the third quarter of 2018 decreased by \$43,000, or 1.2%, from the prior year's third quarter, and for the nine-month period decreased by a similar amount of \$44,000, or 0.4%, when compared to 2017. The third quarter 2018 decrease was due to lower revenue from deposit service charges of \$83,000 and investment security sale gains of \$56,000 as no security sale transactions occurred in the third quarter of this year. Also, mortgage related fees and income from residential mortgage loan sales into the secondary market decreased by a combined \$56,000 as a result of reduced residential mortgage refinance activity during 2018. The reduced revenue more than offset a greater level of wealth management fee income of \$151,000 as the Company benefitted from increased market values for assets under management during 2018. Wealth management continues to be an important strategic focus of the Company as it contributes to non-interest revenue, which comprises over 29% of the Company's total revenue. For the nine-month period, similar comparisons for the same line items resulted in the unfavorable variance when comparing 2018 to 2017. Positive comparisons included a \$474,000, or 7.0%, increase in wealth management fees and a greater level of other income of \$227,000. The higher level of other income includes a \$156,000 gain realized on the sale of certain equity securities that the Company owned from a previous acquisition and higher interchange income as well as revenue from business services. These favorable items were more than offset by a net unfavorable change in investment security sales activity by \$263,000 and lower revenue from bank owned life insurance (BOLI) by \$194,000 after the Company received a death claim in 2017 and there was no such claim this year. Also, net gains from residential mortgage loans held for sale and mortgage related fees declined by a combined \$186,000 and deposit services charges were \$102,000 lower due to reduced overdraft fees.

The Company demonstrated good expense control as total non-interest expense was consistent for both time periods in relation to last year, as the third quarter of 2018 level of expenses matched the third quarter of 2017. For the nine-month period, non-interest expenses increased slightly by only \$28,000, or 0.1%, when compared to 2017. For the third quarter of 2018, lower levels of salaries & benefits expense of \$128,000, occupancy & equipment costs by a combined \$57,000, and FDIC deposit insurance of \$16,000 were offset by higher professional fees of \$108,000 and other expenses of \$93,000. Contributing to the decrease in salaries & benefits expense, for the quarterly comparison, was a lower level of full-time equivalent employees. The increase to professional fees was due to additional costs related to the realignment of our checking account products and higher recruitment fees related to the hiring of a new area business executive in our State College market. The higher level of other expense was due to additional costs related to the redesign of our improved Company website of \$41,000 as well as modest increases to several other line items. The slight increase in non-interest expense for the nine-month period in 2018 occurred as increased total salaries & benefits expense of \$318,000, or 1.8%, more than offset reductions to occupancy & equipment costs of \$173,000 and total professional fees of \$71,000. The increase to salaries and employee benefits resulted from annual salary merit increases and additional incentives paid primarily within our Wealth Management operation due to the increased level of fee income mentioned previously. The reduction to occupancy and equipment expenses in both time periods was primarily attributable to the Company's ongoing efforts to carefully manage and contain non-interest expense. Specifically, a branch office closure in Cambria County along with a branch consolidation in the State College market resulted in reduced rent expense and other occupancy related costs. Overall, as a result of the

combination of revenue growth and effective non-interest expense control, the Company's efficiency ratio dropped below 80.0% to average 79.6% in the third quarter of 2018.

The Company recognized income tax expense in the third quarter of 2018 of \$252,000, or a 9.8% effective tax rate, compared to income tax expense of \$701,000, or a 31.1% effective tax rate, in the third quarter of 2017. The lower effective tax rate and income tax expense in the third quarter of 2018 reflects the benefits of corporate tax reform as a result of the enactment of the Tax Cuts and Jobs Act late in the fourth quarter of 2017, which lowered the corporate income tax rate from 34% to 21%. Also, the enactment of this new tax law provided corporations that have a defined benefit pension plan with an opportunity to contribute additional funds to their pension plan in 2018 that could be allocated back to the 2017 tax year in order to achieve a greater income tax benefit. The Company took advantage of this opportunity and made an additional \$2.5 million contribution to our defined benefit pension plan in the third quarter of 2018. The tax benefit of this additional pension contribution combined with a negative tax adjustment related to the final reconciliation of our 2017 estimated deferred tax asset favorably reduced income tax expense by \$264,000 in the third quarter of 2018. The Company expects that its effective tax rate will return to 20% in the fourth quarter of 2018. Overall for the nine-month period, the Company recorded an income tax expense of \$1,133,000, or an effective tax rate of 16.2%, in 2018 compared to an income tax expense of \$1,949,000, or an effective tax rate of 31.2%, in 2017.

The Company had total assets of \$1.17 billion, shareholders' equity of \$97.2 million, a book value of \$5.47 per common share and a tangible book value of \$4.80 per common share at September 30, 2018. In accordance with the common stock buyback program announced on July 17, 2018, the Company returned \$1,263,000 of capital to its shareholders through the repurchase of 279,679 shares of its common stock in the third quarter of 2018. The Company continued to maintain strong capital ratios that exceed the regulatory defined well capitalized status.

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.

AMERISERV FINANCIAL, INC.

NASDAQ: ASRV

SUPPLEMENTAL FINANCIAL PERFORMANCE DATA

September 30, 2018

(Dollars in thousands, except per share and ratio data)

(Unaudited)

2018

| | 1QTR | 2QTR | 3QTR | YEAR TO DATE |
|--|---------|---------|---------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | | |
| Net income | \$1,767 | \$1,744 | \$2,329 | \$5,840 |
| PERFORMANCE PERCENTAGES (annualized): | | | | |
| Return on average assets | 0.62% | 0.60% | 0.79% | 0.67% |
| Return on average equity | 7.55 | 7.30 | 9.54 | 8.14 |
| Net interest margin | 3.29 | 3.28 | 3.31 | 3.29 |
| Net charge-offs as a percentage of average loans | 0.15 | 0.21 | 0.04 | 0.13 |

Loan loss provision as a percentage of average loans

| | | | | |
|------------------|-------|-------|-------|-------|
| | 0.02 | 0.02 | 0.00 | 0.02 |
| Efficiency ratio | 81.69 | 82.19 | 79.64 | 81.16 |

PER COMMON SHARE:

Net income:

| | | | | |
|---|---------|---------|---------|---------|
| Basic | \$0.10 | \$0.10 | \$0.13 | \$0.32 |
| Average number of common shares outstanding | 18,079 | 18,038 | 17,924 | 18,013 |
| Diluted | 0.10 | 0.10 | 0.13 | 0.32 |
| Average number of common shares outstanding | 18,181 | 18,140 | 18,036 | 18,117 |
| Cash dividends declared | \$0.015 | \$0.020 | \$0.020 | \$0.055 |

2017

| | 1QTR | 2QTR | 3QTR | YEAR TO DATE |
|----------------------------------|---------|---------|---------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | | |
| Net income | \$1,348 | \$1,389 | \$1,551 | \$4,288 |

PERFORMANCE PERCENTAGES

(annualized):

| | | | | |
|--|-------|-------|-------|-------|
| Return on average assets | 0.47% | 0.48% | 0.53% | 0.49% |
| Return on average equity | 5.74 | 5.81 | 6.37 | 5.98 |
| Net interest margin | 3.27 | 3.27 | 3.28 | 3.27 |
| Net charge-offs as a percentage of average loans | 0.04 | 0.01 | 0.11 | 0.05 |
| Loan loss provision as a percentage of average loans | 0.10 | 0.14 | 0.09 | 0.11 |
| Efficiency ratio | 82.04 | 81.47 | 80.42 | 81.30 |

PER COMMON SHARE:

Net income:

| | | | | |
|---|---------|---------|---------|---------|
| Basic | \$0.07 | \$0.07 | \$0.08 | \$0.23 |
| Average number of common shares outstanding | 18,814 | 18,580 | 18,380 | 18,590 |
| Diluted | 0.07 | 0.07 | 0.08 | 0.23 |
| Average number of common shares outstanding | 18,922 | 18,699 | 18,481 | 18,689 |
| Cash dividends declared | \$0.015 | \$0.015 | \$0.015 | \$0.045 |

AMERISERV FINANCIAL, INC.

NASDAQ: ASRV

(Dollars in thousands, except per share, statistical, and ratio data)

(Unaudited)

2018

| | 1QTR | 2QTR | 3QTR |
|---|-------------|-------------|-------------|
| FINANCIAL CONDITION DATA AT PERIOD END | | | |
| Assets | \$1,151,160 | \$1,180,510 | \$1,168,806 |
| Short-term investments/overnight funds | 7,796 | 8,050 | 7,428 |
| Investment securities | 171,053 | 174,771 | 177,426 |
| Loans and loans held for sale | 875,716 | 895,162 | 884,374 |
| Allowance for loan losses | 9,932 | 9,521 | 9,439 |
| Goodwill | 11,944 | 11,944 | 11,944 |
| Deposits | 944,206 | 928,176 | 944,213 |
| FHLB borrowings | 82,864 | 126,901 | 103,799 |
| Subordinated debt, net | 7,470 | 7,476 | 7,482 |
| Shareholders equity | 95,810 | 96,883 | 97,179 |
| Non-performing assets | 2,157 | 1,160 | 1,067 |
| Tangible common equity ratio | 7.36% | 7.27% | 7.37% |
| | 13.45 | 13.01 | 13.13 |

Total capital (to risk weighted assets)
ratio

PER COMMON SHARE:

| | | | |
|------------------------------------|-------------|-------------|-------------|
| Book value | \$5.31 | \$5.37 | \$5.47 |
| Tangible book value | 4.65 | 4.71 | 4.80 |
| Market value | 4.00 | 4.10 | 4.30 |
| Trust assets fair market value (A) | \$2,175,538 | \$2,201,565 | \$2,258,108 |

STATISTICAL DATA AT PERIOD
END:

| | | | |
|--------------------------------|------------|------------|------------|
| Full-time equivalent employees | 304 | 295 | 296 |
| Branch locations | 15 | 15 | 15 |
| Common shares outstanding | 18,033,401 | 18,044,692 | 17,767,313 |

2017

| | 1QTR | 2QTR | 3QTR | 4QTR |
|--|-------------|-------------|-------------|-------------|
| FINANCIAL CONDITION DATA AT PERIOD END | | | | |
| Assets | \$1,172,127 | \$1,171,962 | \$1,170,916 | \$1,167,655 |
| Short-term investments/overnight funds | 8,320 | 8,389 | 8,408 | 7,954 |
| Investment securities | 165,781 | 168,367 | 168,443 | 167,890 |
| Loans and loans held for sale | 899,456 | 897,876 | 897,990 | 892,758 |
| Allowance for loan losses | 10,080 | 10,391 | 10,346 | 10,214 |
| Goodwill | 11,944 | 11,944 | 11,944 | 11,944 |
| Deposits | 964,776 | 956,375 | 966,921 | 947,945 |
| FHLB borrowings | 79,718 | 87,143 | 77,635 | 95,313 |
| Subordinated debt, net | 7,447 | 7,453 | 7,459 | 7,465 |
| Shareholders equity | 95,604 | 96,277 | 97,110 | 95,102 |
| Non-performing assets | 1,488 | 2,362 | 5,372 | 3,034 |
| Tangible common equity ratio | 7.21% | 7.27% | 7.35% | 7.20% |
| Total capital (to risk weighted assets) ratio | 13.03 | 13.13 | 13.08 | 13.21 |
| PER COMMON SHARE: | | | | |
| Book value | \$5.12 | \$5.21 | \$5.31 | \$5.25 |
| Tangible book value | 4.48 | 4.57 | 4.66 | 4.59 |
| Market value | 3.75 | 4.15 | 4.00 | 4.15 |
| Trust assets fair market value (A) | \$2,025,304 | \$2,070,212 | \$2,119,371 | \$2,186,393 |

STATISTICAL DATA AT PERIOD
END:

| | | | | |
|--------------------------------|------------|------------|------------|------------|
| Full-time equivalent employees | 307 | 308 | 307 | 302 |
| Branch locations | 16 | 16 | 16 | 15 |
| Common shares outstanding | 18,666,520 | 18,461,628 | 18,281,224 | 18,128,247 |

NOTES:

(A) Not recognized on the consolidated balance sheets.

AMERISERV FINANCIAL, INC.

NASDAQ: ASRV

CONSOLIDATED STATEMENT OF INCOME

(Dollars in thousands)

(Unaudited)

2018

| | 1QTR | 2QTR | 3QTR | YEAR TO DATE |
|-------------------------------------|--------------|--------------|--------------|-----------------|
| INTEREST INCOME | | | | |
| Interest and fees on loans | \$9,818 | \$10,125 | \$10,607 | \$30,550 |
| Interest on investments | <u>1,399</u> | <u>1,478</u> | <u>1,542</u> | <u>4,419</u> |
| Total Interest Income | 11,217 | 11,603 | 12,149 | 34,969 |
| INTEREST EXPENSE | | | | |
| Deposits | 1,781 | 1,973 | 2,164 | 5,918 |
| All borrowings | <u>688</u> | <u>772</u> | <u>876</u> | <u>2,336</u> |
| Total Interest Expense | <u>2,469</u> | <u>2,745</u> | <u>3,040</u> | <u>8,254</u> |
| NET INTEREST INCOME | | | | |
| Provision for loan losses | <u>50</u> | <u>50</u> | <u>0</u> | <u>100</u> |
| NET INTEREST INCOME AFTER | | | | |
| PROVISION FOR LOAN LOSSES | 8,698 | 8,808 | 9,109 | 26,615 |
| NON-INTEREST INCOME | | | | |
| Wealth management fees | 2,426 | 2,447 | 2,359 | 7,232 |
| Service charges on deposit accounts | 383 | 357 | 326 | 1,066 |

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| | | | | |
|--|----------------|----------------|----------------|----------------|
| Net realized gains on loans held for sale | 98 | 119 | 176 | 393 |
| Mortgage related fees | 39 | 72 | 54 | 165 |
| Net realized gains (losses) on investment securities | (148) | 0 | 0 | (148) |
| Bank owned life insurance | 132 | 133 | 135 | 400 |
| Other income | <u>705</u> | <u>553</u> | <u>536</u> | <u>1,794</u> |
| Total Non-Interest Income | 3,635 | 3,681 | 3,586 | 10,902 |
| NON-INTEREST EXPENSE | | | | |
| Salaries and employee benefits | 6,093 | 6,218 | 5,815 | 18,126 |
| Net occupancy expense | 670 | 611 | 585 | 1,866 |
| Equipment expense | 391 | 378 | 335 | 1,104 |
| Professional fees | 1,184 | 1,252 | 1,321 | 3,757 |
| FDIC deposit insurance expense | 162 | 155 | 140 | 457 |
| Other expenses | <u>1,620</u> | <u>1,696</u> | <u>1,918</u> | <u>5,234</u> |
| Total Non-Interest Expense | 10,120 | 10,310 | 10,114 | 30,544 |
| PRETAX INCOME | | | | |
| | 2,213 | 2,179 | 2,581 | 6,973 |
| Income tax expense | <u>446</u> | <u>435</u> | <u>252</u> | <u>1,133</u> |
| NET INCOME | <u>\$1,767</u> | <u>\$1,744</u> | <u>\$2,329</u> | <u>\$5,840</u> |

2017

| | 1QTR | 2QTR | 3QTR | YEAR TO DATE |
|---|--------------|--------------|--------------|-----------------|
| INTEREST INCOME | | | | |
| Interest and fees on loans | \$9,556 | \$9,778 | \$9,855 | \$29,189 |
| Interest on investments | <u>1,192</u> | <u>1,273</u> | <u>1,332</u> | <u>3,797</u> |
| Total Interest Income | 10,748 | 11,051 | 11,187 | 32,986 |
| INTEREST EXPENSE | | | | |
| Deposits | 1,436 | 1,504 | 1,618 | 4,558 |
| All borrowings | <u>591</u> | <u>648</u> | <u>632</u> | <u>1,871</u> |
| Total Interest Expense | <u>2,027</u> | <u>2,152</u> | <u>2,250</u> | <u>6,429</u> |
| NET INTEREST INCOME | | | | |
| Provision for loan losses | <u>225</u> | <u>325</u> | <u>200</u> | <u>750</u> |
| NET INTEREST INCOME AFTER | | | | |
| PROVISION FOR LOAN LOSSES | 8,496 | 8,574 | 8,737 | 25,807 |
| NON-INTEREST INCOME | | | | |
| Wealth management fees | 2,310 | 2,240 | 2,208 | 6,758 |
| Service charges on deposit accounts | 374 | 385 | 409 | 1,168 |
| Net realized gains on loans held for sale | 114 | 186 | 217 | 517 |
| Mortgage related fees | 75 | 83 | 69 | 227 |
| Net realized gains on investment securities | 27 | 32 | 56 | 115 |
| Bank owned life insurance | 141 | 310 | 143 | 594 |
| Other income | <u>521</u> | <u>519</u> | <u>527</u> | <u>1,567</u> |
| Total Non-Interest Income | 3,562 | 3,755 | 3,629 | 10,946 |
| NON-INTEREST EXPENSE | | | | |
| Salaries and employee benefits | 5,948 | 5,917 | 5,943 | 17,808 |
| Net occupancy expense | 674 | 639 | 634 | 1,947 |
| Equipment expense | 419 | 434 | 343 | 1,196 |
| Professional fees | 1,200 | 1,415 | 1,213 | 3,828 |
| FDIC deposit insurance expense | 160 | 152 | 156 | 468 |
| Other expenses | <u>1,684</u> | <u>1,760</u> | <u>1,825</u> | <u>5,269</u> |

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| | | | | |
|----------------------------|----------------|----------------|----------------|----------------|
| Total Non-Interest Expense | 10,085 | 10,317 | 10,114 | 30,516 |
| PRETAX INCOME | 1,973 | 2,012 | 2,252 | 6,237 |
| Income tax expense | <u>625</u> | <u>623</u> | <u>701</u> | <u>1,949</u> |
| NET INCOME | <u>\$1,348</u> | <u>\$1,389</u> | <u>\$1,551</u> | <u>\$4,288</u> |

AMERISERV FINANCIAL, INC.

NASDAQ: ASRV

Average Balance Sheet Data

(Dollars in thousands)

(Unaudited)

2018**2017**

| | 3QTR | NINE MONTHS | 3QTR | NINE MONTHS |
|---|--------------------|--------------------|--------------------|--------------------|
| Interest earning assets: | | | | |
| Loans and loans held for sale, net of unearned income | \$889,702 | \$884,620 | \$892,198 | \$894,088 |
| Short-term investment in money market funds | 6,634 | 6,804 | 8,921 | 8,049 |
| Deposits with banks | 1,023 | 1,024 | 1,026 | 1,029 |
| Total investment securities | <u>185,131</u> | <u>181,628</u> | <u>174,784</u> | <u>171,985</u> |
| Total interest earning assets | 1,082,490 | 1,074,076 | 1,076,929 | 1,075,151 |
| Non-interest earning assets: | | | | |
| Cash and due from banks | 24,078 | 22,598 | 22,082 | 22,214 |
| Premises and equipment | 12,283 | 12,417 | 12,467 | 12,095 |
| Other assets | 61,860 | 62,215 | 67,240 | 67,552 |
| Allowance for loan losses | <u>(9,636)</u> | <u>(9,974)</u> | <u>(10,537)</u> | <u>(10,290)</u> |
| Total assets | <u>\$1,171,075</u> | <u>\$1,161,332</u> | <u>\$1,168,181</u> | <u>\$1,166,722</u> |
| Interest bearing liabilities: | | | | |
| Interest bearing deposits: | | | | |
| Interest bearing demand | \$130,782 | \$131,062 | \$ 131,493 | \$ 129,923 |
| Savings | 98,763 | 98,445 | 98,184 | 97,852 |
| Money market | 251,000 | 251,215 | 277,948 | 276,958 |

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| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Other time | <u>301,126</u> | <u>296,717</u> | <u>292,054</u> | <u>290,598</u> |
| Total interest bearing deposits | 781,671 | 777,439 | 799,679 | 795,331 |
| Borrowings: | | | | |
| Federal funds purchased and other short-term borrowings | 46,898 | 34,297 | 13,179 | 15,390 |
| Advances from Federal Home Loan Bank | 43,816 | 44,884 | 45,997 | 45,785 |
| Guaranteed junior subordinated deferrable interest debentures | 13,085 | 13,085 | 13,085 | 13,085 |
| Subordinated debt | <u>7,650</u> | <u>7,650</u> | <u>7,650</u> | <u>7,650</u> |
| Total interest bearing liabilities | 893,120 | 877,355 | 879,590 | 877,241 |
| Non-interest bearing liabilities: | | | | |
| Demand deposits | 174,632 | 180,056 | 181,356 | 181,924 |
| Other liabilities | 6,455 | 8,033 | 10,628 | 11,630 |
| Shareholders' equity | <u>96,868</u> | <u>95,888</u> | <u>96,607</u> | <u>95,927</u> |
| Total liabilities and shareholders' equity | <u>\$1,171,075</u> | <u>\$1,161,332</u> | <u>\$1,168,181</u> | <u>\$1,166,722</u> |