

AMERISERV FINANCIAL INC /PA/

Form 8-K

April 18, 2006

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 18, 2006

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 first quarter results as of March 31, 2006. 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 18, 2006, announcing the first quarter results as of March 31, 2006.

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 18, 2006

Exhibit 99.1**AMERISERV FINANCIAL REPORTS FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2006**

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) reported net income of \$540,000 or \$0.02 per diluted share for the first quarter of 2006. This compares to net income of \$833,000 or \$0.04 per diluted share for the first quarter of 2005. Note that for comparative purposes the first quarter 2005 results included a one-time income tax benefit of \$475,000. There was no such tax benefit in the first quarter of 2006. The following table highlights the Company's financial performance for the quarters ended March 31, 2006 and 2005:

| | First Quarter 2006 | First Quarter 2005 |
|----------------------------|-----------------------|--------------------|
| Income before taxes | \$676,000 | \$401,000 |
| Net income | \$540,000 | \$833,000 |
| Diluted earnings per share | 0.02 | 0.04 |

Allan R. Dennison, President and Chief Executive Officer, commented on the first quarter 2006 results, "AmeriServ's first quarter 2006 financial performance is beginning to show the benefits of our focus on traditional community banking and the balance sheet restructuring completed in 2005. Average loans and deposits in the first quarter of 2006 both grew approximately 5.7% when compared to the first quarter of 2005. This growth combined with significant reductions in both investment securities and borrowings caused our net interest margin to increase by 45 basis points to 3.20% in the first quarter of 2006. Other first quarter 2006 performance highlights include stable asset quality, reduced non-interest expenses, and strong growth in trust revenues."

Overall, the Company generated a comparable level of net interest income from a smaller, but stronger balance sheet in the first quarter of 2006. The Company's net interest income in the first quarter of 2006 was essentially flat with the prior year first quarter as the benefits from an increased net interest margin offset a reduced level of earning assets.

Specifically, the net interest margin increased by 45 basis points to 3.20% while the level of average earning assets declined by \$132 million or 14.4%. Both of these items reflect the deleverage of high cost debt from the Company's balance sheet which has resulted in lower levels of both borrowed funds and investment securities. The Company's net interest margin also benefited from increased loans in the earning asset mix as total loans outstanding averaged \$549

million in the first quarter of 2006, a \$30 million or 5.7% increase from the prior year first quarter. This loan growth occurred in the commercial loan portfolio as a result of successful new business development efforts. Total deposits averaged \$719 million in the first quarter of 2006, a \$39 million or 5.7% increase from 2005 due largely to increased deposits from the trust company's operations. This deposit growth also allowed the Company to further reduce FHLB borrowings as these wholesale borrowings averaged only 5.7% of total assets in the first quarter of 2006 compared to 20.9% of total assets in the first quarter of 2005.

The Company did not record a provision for loan losses in either the first quarter of 2006 or the first quarter of 2005 due to the Company's continuing sound asset quality. Non-performing assets have remained relatively stable in a range of \$3.3 to \$4.3 million for the past five quarters and ended the first quarter of 2006 at \$4.2 million or 0.76% of total loans. Net charge-offs in the first quarter of 2006 amounted to \$117,000 or 0.09% of total loans which was up from the net charge-offs of \$60,000 or 0.05% of total loans in the prior year first quarter. The allowance for loan losses provided 215% coverage of non-performing assets at March 31, 2006 compared to 212% coverage at December 31, 2005, and 258% coverage at March 31, 2005. The allowance for loan losses as a percentage of total loans amounted to 1.65% at March 31, 2006.

The Company's non-interest income in the first quarter of 2006 increased by \$94,000 or 3.0% from the prior year first quarter due to strong growth in trust revenue and increased deposit service charges. Trust fees increased by \$169,000 or 11.5% due to continued successful new business development efforts in both the union and traditional trust product lines. Trust assets under management totaled \$1.67 billion at March 31, 2006. Deposit service charges grew by \$43,000 or 7.4% due to increased checking service charges and overdraft penalty fees. These positive items were partially offset by fewer gains on asset sales in the first quarter of 2006. Specifically, the Company realized no gains on investment security sales in the first quarter of 2006 compared to \$78,000 of investment security gains realized in the first quarter of 2005. There was also a \$49,000 decrease in gains realized on loan sales into the secondary market due to weaker residential mortgage loan production in the first quarter of 2006.

The Company's total non-interest expense in the first quarter of 2006 decreased by \$85,000 when compared to the first quarter of 2005 reflecting the Company's continued focus on reducing and containing non-interest expenses. Expense reductions were experienced in numerous categories including occupancy expense, professional fees, and other expenses. Also, the loss from discontinued operations declined from \$65,000 in the first quarter of 2005 to \$0 in the first quarter of 2006 as the Company completed the exit from its mortgage servicing operation in 2005.

The Company recorded a more typical income tax expense of \$136,000 in the first quarter of 2006. The Company's first quarter 2005 net income performance was favorably impacted by an income tax benefit. Specifically in the first quarter of 2005, the Company lowered its income tax expense by \$475,000 due to a reduction in reserves for prior year tax contingencies as a result of the successful conclusion of an IRS examination on several open tax years.

At March 31, 2006, ASRV had total assets of \$876 million and shareholders' equity of \$84 million or \$3.81 per share. The Company's asset leverage ratio improved to 10.36% at March 31, 2006 compared to 9.77% at March 31, 2005.

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 18, 2006

(In thousands, except per share and ratio data)

(All quarterly and 2006 data unaudited)

2006

1QTR

PERFORMANCE DATA FOR THE PERIOD:

| | |
|------------|-------|
| Net income | \$540 |
|------------|-------|

PERFORMANCE PERCENTAGES (annualized):

| | |
|--------------------------|-------|
| Return on average equity | 2.59% |
|--------------------------|-------|

| | |
|---------------------|------|
| Net interest margin | 3.20 |
|---------------------|------|

| | |
|--------------------------------------------------|------|
| Net charge-offs as a percentage of average loans | 0.09 |
|--------------------------------------------------|------|

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

| | |
|------------------|-------|
| Efficiency ratio | 92.68 |
|------------------|-------|

PER COMMON SHARE:

Net income:

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

| | |
|---------------------------------------------|------------|
| Average number of common shares outstanding | 22,119,344 |
|---------------------------------------------|------------|

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

| | |
|---------------------------------------------|------------|
| Average number of common shares outstanding | 22,127,090 |
|---------------------------------------------|------------|

2005

| | 1QTR | 2QTR | 3QTR | 4QTR | YEAR TO DATE |
|------------------------------------------------------|--------|--------|------------|--------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | | | |
| Net income (loss) | \$833 | \$370 | (\$10,564) | \$220 | (\$9,141) |
| PERFORMANCE PERCENTAGES (annualized): | | | | | |
| Return on average equity | 3.95% | 1.75% | (49.42)% | 1.03% | (10.77)% |
| Net interest margin | 2.75 | 2.63 | 2.43 | 3.21 | 2.76 |
| Net charge-offs as a percentage of average loans | 0.05 | 0.06 | 0.11 | 0.21 | 0.11 |
| Loan loss provision as a percentage of average loans | - | (0.21) | 0.08 | - | (0.03) |
| Efficiency ratio | 94.42 | 96.81 | 362.60 | 96.65 | 143.54 |
| PER COMMON SHARE: | | | | | |
| Net income (loss): | | | | | |
| Basic | \$0.04 | \$0.02 | (\$0.53) | \$0.01 | (\$0.45) |
| Average number of common shares outstanding | 19,721 | 19,726 | 19,785 | 22,109 | 20,340 |
| Diluted | 0.04 | 0.02 | (0.53) | 0.01 | (0.45) |
| Average number of common shares outstanding | 19,760 | 19,765 | 19,785 | 22,123 | 20,340 |

AMERISERV FINANCIAL, INC.

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

(All quarterly and 2006 data unaudited)

2006

| | 1QTR |
|-------------------------------------------|-----------|
| PERFORMANCE DATA AT PERIOD END | |
| Assets | \$876,393 |
| Investment securities | 223,658 |
| Loans | 548,466 |
| Allowance for loan losses | 9,026 |
| Goodwill and core deposit intangibles | 12,031 |
| Deposits | 727,987 |
| Stockholders equity | 84,336 |

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| | |
|------------------------------------|-----------|
| Trust assets fair market value (B) | 1,669,525 |
| Non-performing assets | 4,193 |
| Asset leverage ratio | 10.36% |
| PER COMMON SHARE: | |
| Book value (A) | \$3.81 |
| Market value | 5.00 |
| Market price to book value | 131.26% |

STATISTICAL DATA AT PERIOD END:

| | |
|--------------------------------|------------|
| Full-time equivalent employees | 375 |
| Branch locations | 22 |
| Common shares outstanding | 22,140,172 |

2005

| | 1QTR | 2QTR | 3QTR | 4QTR |
|---------------------------------------|-----------|-----------|-----------|-----------|
| PERFORMANCE DATA AT PERIOD END | | | | |
| Assets | \$996,450 | \$996,786 | \$901,194 | \$880,176 |
| Investment securities | 381,124 | 385,398 | 253,082 | 231,924 |
| Loans | 527,344 | 522,437 | 544,900 | 550,602 |
| Allowance for loan losses | 9,856 | 9,480 | 9,435 | 9,143 |
| Goodwill and core deposit intangibles | 12,896 | 12,680 | 12,464 | 12,247 |
| Deposits | 725,369 | 691,740 | 698,297 | 712,655 |
| Stockholders equity | 83,720 | 86,267 | 85,022 | 84,474 |
| Trust assets fair market value (B) | 1,465,028 | 1,487,496 | 1,600,968 | 1,606,978 |
| Non-performing assets | 3,819 | 3,334 | 3,323 | 4,316 |
| Asset leverage ratio | 9.77% | 9.92% | 9.90% | 10.24% |
| PER COMMON SHARE: | | | | |
| Book value | \$4.24 | \$4.37 | \$3.85 | \$3.82 |
| Market value | 5.61 | 5.35 | 4.35 | 4.38 |
| Market price to book value | 132.35% | 122.36% | 113.07% | 114.65% |

STATISTICAL DATA AT PERIOD END:

| | | | | |
|--------------------------------|------------|------------|------------|------------|
| Full-time equivalent employees | 394 | 383 | 384 | 378 |
| Branch locations | 22 | 22 | 22 | 22 |
| Common shares outstanding | 19,722,884 | 19,729,678 | 22,105,786 | 22,112,273 |

NOTES:

(A) Other comprehensive income had a negative impact of \$0.22 on book value per share at March 31, 2006.

(B) Not recognized on the balance sheet.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(All quarterly and 2006 data unaudited)

2006

| | 1QTR |
|----------------------------------------------------------------|---------|
| INTEREST INCOME | |
| Interest and fees on loans | \$8,900 |
| Total investment portfolio | 2,279 |
| Total Interest Income | 11,179 |
| INTEREST EXPENSE | |
| Deposits | 4,026 |
| All other funding sources | 861 |
| Total Interest Expense | 4,887 |
| NET INTEREST INCOME | 6,292 |
| Provision for loan losses | - |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 6,292 |
| NON-INTEREST INCOME | |
| Trust fees | 1,641 |
| Net realized gains on investment securities | |
| available for sale | - |
| Net realized gains on loans held for sale | 23 |
| Service charges on deposit accounts | 627 |
| Bank owned life insurance | 256 |
| Other income | 695 |
| Total Non-interest Income | 3,242 |
| NON-INTEREST EXPENSE | |
| Salaries and employee benefits | 4,815 |

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| | |
|------------------------------------------|-------|
| Net occupancy expense | 655 |
| Equipment expense | 639 |
| Professional fees | 795 |
| FDIC deposit insurance expense | 73 |
| Amortization of core deposit intangibles | 216 |
| Other expenses | 1,665 |
| Total Non-interest Expense | 8,858 |
| | |
| INCOME BEFORE INCOME TAXES | 676 |
| Provision for income taxes | 136 |
| NET INCOME | \$540 |

2005

| | YEAR | | | | |
|---------------------------------------------------------|---------|---------|---------|---------|----------|
| | 1QTR | 2QTR | 3QTR | 4QTR | TO DATE |
| INTEREST INCOME | | | | | |
| Interest and fees on loans | \$7,954 | \$8,105 | \$8,200 | \$8,688 | \$32,947 |
| Total investment portfolio | 3,737 | 3,607 | 3,273 | 2,301 | 12,918 |
| Total Interest Income | 11,691 | 11,712 | 11,473 | 10,989 | 45,865 |
| | | | | | |
| INTEREST EXPENSE | | | | | |
| Deposits | 2,845 | 3,188 | 3,290 | 3,662 | 12,985 |
| All other funding sources | 2,551 | 2,533 | 2,725 | 959 | 8,768 |
| Total Interest Expense | 5,396 | 5,721 | 6,015 | 4,621 | 21,753 |
| | | | | | |
| NET INTEREST INCOME | 6,295 | 5,991 | 5,458 | 6,368 | 24,112 |
| Provision for loan losses | - | (275) | 100 | - | (175) |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 6,295 | 6,266 | 5,358 | 6,368 | 24,287 |
| | | | | | |
| NON-INTEREST INCOME | | | | | |
| Trust fees | 1,472 | 1,506 | 1,586 | 1,565 | 6,129 |
| Net realized gains (losses) on investment securities | 78 | - | (2,577) | - | (2,499) |

| | | | | | |
|--------------------------------------------|-------|-------|------------|-------|-----------|
| available for sale | | | | | |
| Net realized gains on loans held for sale | 72 | 83 | 27 | 27 | 209 |
| Service charges on deposit accounts | 584 | 704 | 723 | 689 | 2,700 |
| Bank owned life insurance | 250 | 254 | 256 | 257 | 1,017 |
| Other income | 692 | 633 | 643 | 685 | 2,653 |
| Total Non-interest Income | 3,148 | 3,180 | 658 | 3,223 | 10,209 |
| NON-INTEREST EXPENSE | | | | | |
| Salaries and employee benefits | 4,751 | 4,680 | 4,804 | 4,827 | 19,062 |
| Net occupancy expense | 668 | 592 | 649 | 683 | 2,552 |
| Equipment expense | 639 | 622 | 620 | 628 | 2,509 |
| Professional fees | 823 | 938 | 1,483 | 998 | 4,242 |
| FDIC deposit insurance expense | 71 | 69 | 76 | 73 | 289 |
| Amortization of core deposit intangibles | 216 | 216 | 216 | 217 | 865 |
| Prepayment penalties | - | - | 12,287 | - | 12,287 |
| Other expenses | 1,775 | 1,789 | 2,143 | 1,867 | 7,614 |
| Total Non-interest Expense | 8,943 | 8,906 | 22,278 | 9,293 | 49,420 |
| INCOME (LOSS) BEFORE INCOME TAXES | 500 | 540 | (16,262) | 298 | (14,924) |
| Provision (benefit) for income taxes | (398) | 96 | (5,689) | 89 | (5,902) |
| INCOME (LOSS) FROM CONTINUING OPERATIONS | \$898 | \$444 | (\$10,573) | \$209 | (\$9,022) |
| INCOME (LOSS) FROM DISCONTINUED OPERATIONS | (65) | (74) | 9 | 11 | (119) |
| NET INCOME (LOSS) | \$833 | \$370 | (\$10,564) | \$220 | (\$9,141) |

AMERISERV FINANCIAL, INC.

Nasdaq NMS: ASRV

Average Balance Sheet Data (In thousands)

(All quarterly and 2006 data unaudited)

Note: 2005 data appears before 2006.

2005

2006

| | 1QTR | 1QTR |
|----------------------------------------------------------------------------------------------------------|-----------------|---------------|
| Interest earning assets: | | |
| Loans and loans held for sale, net of unearned income | \$519,386 | \$548,975 |
| Deposits with banks | 1,320 | 564 |
| Total investment securities | 395,894 | 234,729 |
| Total interest earning assets | 916,600 | 784,268 |
| Non-interest earning assets: | | |
| Cash and due from banks | 22,142 | 19,230 |
| Premises and equipment | 9,682 | 8,617 |
| Assets of discontinued operations | 1,832 | - |
| Other assets | 63,173 | 69,831 |
| Allowance for loan losses | (9,867) | (9,069) |
| Total assets | \$1,003,562 | \$872,877 |
| Interest bearing liabilities: | | |
| Interest bearing deposits: | | |
| Interest bearing demand | \$53,757 | \$55,804 |
| Savings | 99,608 | 86,721 |
| Money market | 144,895 | 175,733 |
| Other time | 277,080 | 295,951 |
| Total interest bearing deposits | 575,340 | 614,209 |
| Borrowings: | | |
| Federal funds purchased, securities sold under agreements to repurchase, and other short-term borrowings | 109,121 | 48,677 |
| Advanced from Federal Home Loan Bank | 101,022 | 983 |
| Guaranteed junior subordinated deferrable interest debentures | 20,285 | 13,085 |
| Total interest bearing liabilities | 805,768 | 676,954 |
| Non-interest bearing liabilities: | | |
| Demand deposits | 104,842 | 105,004 |

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| | | |
|--------------------------------------------|-------------|-----------|
| Liabilities of discontinued operations | 636 | - |
| Other liabilities | 6,700 | 6,537 |
| Stockholders' equity | 85,616 | 84,382 |
| Total liabilities and stockholders' equity | \$1,003,562 | \$872,877 |