

AMERISERV FINANCIAL INC /PA/
Form 10-Q
May 07, 2010

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 quarterly period ended March 31, 2010

X

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

For the transaction period from _____ to _____

Commission File Number 0-11204

AmeriServ Financial, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania

25-1424278

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(State or other jurisdiction of incorporation
or organization)

(I.R.S. Employer Identification No.)

Main & Franklin Streets, P.O. Box 430, Johnstown, PA 15907-0430

(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, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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 May 3, 2010

Common Stock, par value \$0.01

21,223,942

per share

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Item 1. Financial Statements**AmeriServ Financial, Inc.****CONSOLIDATED BALANCE SHEETS**

(In thousands)

(Unaudited)

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
ASSETS		
Cash and due from depository institutions	\$ 16,584	\$ 20,835
Interest bearing deposits	1,711	1,707
Federal funds sold	850	-
Short-term investments in money market funds	<u>2,105</u>	<u>3,766</u>
Total cash and cash equivalents	21,250	26,308
Investment securities:		
Available for sale	141,866	131,272
Held to maturity (market value \$8,623 on March 31, 2010 and \$11,996 on December 31, 2009)	8,207	11,611
Loans held for sale	1,319	3,790
Loans	712,226	719,785
Less: Unearned income	616	671
Allowance for loan losses	<u>21,516</u>	<u>19,685</u>
Net loans	690,094	699,429
Premises and equipment, net	9,655	9,229
Accrued income receivable	3,666	3,589
Goodwill	12,950	12,950
Bank owned life insurance	33,943	33,690
Net deferred tax asset	16,099	15,925
Regulatory stock	9,739	9,739
Prepaid federal deposit insurance	4,230	4,538
Other assets	<u>7,799</u>	<u>7,956</u>
TOTAL ASSETS	<u>\$ 960,817</u>	<u>\$ 970,026</u>
LIABILITIES		
Non-interest bearing deposits	\$ 124,559	\$ 118,232

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Interest bearing deposits	<u>677,642</u>	<u>667,779</u>
Total deposits	<u>802,201</u>	<u>786,011</u>
Short-term borrowings	7,505	25,775
Advances from Federal Home Loan Bank	17,791	25,804
Guaranteed junior subordinated deferrable interest		
debentures	<u>13,085</u>	<u>13,085</u>
Total borrowed funds	<u>38,381</u>	<u>64,664</u>
Other liabilities	<u>13,842</u>	<u>12,097</u>
TOTAL LIABILITIES	<u>854,424</u>	<u>862,772</u>

SHAREHOLDERS' EQUITY

Preferred stock, no par value; \$1,000 per share liquidation

preference; 2,000,000 shares authorized; there

were 21,000 shares issued and outstanding for

the periods presented

20,678

20,558

Common stock, par value \$0.01 per share; 30,000,000

shares authorized; 26,412,561 shares issued

and 21,223,942 outstanding on March 31,

2009; 26,410,528 shares issued and

21,221,909 outstanding on December 31,

2009

264

264

Treasury stock at cost, 5,188,619 shares on

March 31, 2010 and December 31, 2009

(68,659)

(68,659)

Capital surplus

144,773

144,873

Retained earnings

13,410

14,591

Accumulated other comprehensive loss, net

(4,073)

(4,373)

TOTAL SHAREHOLDERS' EQUITY

106,393

107,254

TOTAL LIABILITIES AND

SHAREHOLDERS' EQUITY

\$ 960,817

\$ 970,026

See accompanying notes to unaudited consolidated financial statements.

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

(In thousands)

(Unaudited)

	Three months ended	
	March 31, <u>2010</u>	March 31, <u>2009</u>
INTEREST INCOME		
Interest and fees on loans	\$ 10,020	\$ 10,349
Interest bearing deposits	1	1
Short-term investments in money market funds	3	14
Federal funds sold	1	-
Investment securities:		
Available for sale	1,322	1,398
Held to maturity	<u>118</u>	<u>173</u>
Total Interest Income	<u>11,465</u>	<u>11,935</u>
INTEREST EXPENSE		
Deposits	2,927	3,255
Short-term borrowings	9	129
Advances from Federal Home Loan Bank	128	130
Guaranteed junior subordinated deferrable interest	-	-
debentures	<u>280</u>	<u>280</u>
Total Interest Expense	<u>3,344</u>	<u>3,794</u>
NET INTEREST INCOME	8,121	8,141
Provision for loan losses	<u>3,050</u>	<u>1,800</u>
NET INTEREST INCOME AFTER PROVISION FOR	<u>5,071</u>	<u>6,341</u>
LOAN LOSSES		
NON-INTEREST INCOME		
Trust fees	1,454	1,559

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Net realized gains on investment securities	65	101
Net gains on loans held for sale	131	118
Service charges on deposit accounts	572	673
Investment advisory fees	187	137
Bank owned life insurance	254	250
Other income	<u>637</u>	<u>723</u>
Total Non-Interest Income	<u>3,300</u>	<u>3,561</u>

NON-INTEREST EXPENSE

Salaries and employee benefits	5,199	5,092
Net occupancy expense	736	722
Equipment expense	418	415
Professional fees	1,102	920
Supplies, postage and freight	284	294
Miscellaneous taxes and insurance	354	344
Federal deposit insurance expense	331	32
Amortization of core deposit intangibles	-	108
Other expense	<u>1,340</u>	<u>1,235</u>
Total Non-Interest Expense	<u>9,764</u>	<u>9,162</u>

PRETAX INCOME (LOSS)	(1,393)	740
Income tax expense (benefit)	<u>(475)</u>	<u>207</u>
NET INCOME (LOSS)	(918)	533

Preferred stock dividends	<u>263</u>	<u>259</u>
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NET INCOME (LOSS) AVAILABLE TO COMMON

	<u>\$(1,181)</u>	<u>\$ 274</u>
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SHAREHOLDERS

PER COMMON SHARE DATA:

Basic:

Net income (loss)	\$ (0.06)	\$ 0.01
Average number of shares outstanding	21,224	21,137

Diluted:

Net income (loss)	\$ (0.06)	\$ 0.01
Average number of shares outstanding	21,224	21,137
Cash dividends declared	\$ 0.00	\$ 0.00

See accompanying notes to unaudited consolidated financial statements.

AmeriServ Financial, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three months ended <u>March 31,</u> <u>2010</u>	Three months ended <u>March 31, 2009</u>
OPERATING ACTIVITIES		
Net income (loss)	\$ (918)	\$ 533
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for loan losses	3,050	1,800
Depreciation expense	366	403
Amortization expense of core deposit intangibles	-	108
Net amortization of investment securities	169	20
Net realized gains on investment securities available for sale	(65)	(101)
Net realized gains on loans held for sale	(131)	(118)
Amortization of deferred loan fees	(98)	(122)
Origination of mortgage loans held for sale	(9,339)	(14,051)
Sales of mortgage loans held for sale	11,941	13,098
Increase in accrued interest income receivable	(77)	(154)
Decrease in accrued interest expense payable	(1,024)	(923)
Earnings on bank owned life insurance	(254)	(250)
Deferred income taxes	(174)	665
Net decrease (increase) in other assets	148	(1,335)
Net decrease in other liabilities	<u>(402)</u>	<u>(467)</u>
Net cash provided by (used in) operating activities	<u>3,192</u>	<u>(894)</u>
INVESTING ACTIVITIES		
Purchases of investment securities - available for sale	(20,165)	(6,777)
Proceeds from sales of investment securities available for sale	1,189	3,433
Proceeds from maturities of investment securities available for sale	11,673	6,741
Proceeds from maturities of investment securities held to maturity	3,398	1,594
Long-term loans originated	(13,006)	(35,366)
Principal collected on long-term loans	19,873	28,916
Loans purchased or participated	(345)	(15,500)
Loans sold or participated	-	3,950
Net increase in other short-term loans	(8)	(591)

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Purchases of premises and equipment	<u>(792)</u>	<u>(161)</u>
Net cash provided by (used in) investing activities	<u>1,817</u>	<u>(13,761)</u>
FINANCING ACTIVITIES		
Net increase in deposit accounts	16,459	53,025
Net decrease in other short-term borrowings	(18,270)	(43,420)
Principal borrowings on advances from Federal Home Loan Bank	32,000	-
Principal repayments on advances from Federal Home Loan Bank	(40,013)	(12)
Preferred stock dividends	(263)	(163)
Proceeds from stock purchase plan	<u>20</u>	<u>29</u>
Net cash (used in) provided by financing activities	<u>(10,067)</u>	<u>9,459</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,058)	(5,196)
CASH AND CASH EQUIVALENTS AT JANUARY 1	<u>26,308</u>	<u>35,124</u>
CASH AND CASH EQUIVALENTS AT MARCH 31	<u>\$ 21,250</u>	<u>\$29,928</u>

See accompanying notes to unaudited consolidated financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of AmeriServ Financial, Inc. (the Company) and its wholly-owned subsidiaries, AmeriServ Financial Bank (Bank), AmeriServ Trust and Financial Services Company (Trust Company), and AmeriServ Life Insurance Company (AmeriServ Life). The Bank is a state-chartered full service bank with 18 locations in Pennsylvania. The Trust Company offers a complete range of trust and financial services and administers assets valued at \$1.4 billion that are not recognized on the Company's balance sheet at March 31, 2010. AmeriServ Life is a captive insurance company that engages in underwriting as a reinsurer of credit life and disability insurance.

In addition, the Parent Company is an administrative group that provides support in such areas as audit, finance, investments, loan review, general services, and marketing. Significant intercompany accounts and transactions have been eliminated in preparing the consolidated financial statements.

2.

Basis of Preparation

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. In the opinion of management, all adjustments consisting only of normal recurring entries considered necessary for a fair presentation have been included. They are not, however, necessarily indicative of the results of consolidated operations for a full-year.

For further information, refer to the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

3.

Accounting Policies

In January 2010, the FASB issued ASU 2010-04, *Accounting for Various Topics - Technical Corrections to SEC Paragraphs*. ASU 2010-04 makes technical corrections to existing SEC guidance including the following topics: accounting for subsequent investments, termination of an interest rate swap, issuance of financial statements - subsequent events, use of residential method to value acquired assets other than goodwill, adjustments in assets and liabilities for holding gains and losses, and selections of discount rate used for measuring defined benefit obligation.

ASU 2010-04 is effective January 15, 2010. The adoption of this guidance did not have a material impact on the Company's financial position or results of operation or the Company has presented the necessary disclosures in the Note 16 herein.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends Subtopic 820-10 to clarify existing disclosures, require new disclosures, and includes conforming amendments to guidance on employers' disclosures about postretirement benefit plan assets. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company's financial statements or the Company has presented the necessary disclosures in the Note 17 herein.

4.

Earnings Per Common Share

Basic earnings per share include only the weighted average common shares outstanding. Diluted earnings per share include the weighted average common shares outstanding and any potentially dilutive common stock equivalent shares in the calculation. Treasury shares are treated as retired for earnings per share purposes. Options and warrants to purchase 1,675,110 common shares, at exercise prices ranging from \$1.68 to \$6.10, and 1,544,509 common shares, at exercise prices ranging from \$2.31 to \$6.10, were outstanding as of March 31, 2010 and 2009, respectively, but were not included in the computation of diluted earnings per common share because to do so would be antidilutive. Dividends on preferred shares are deducted from net income in the calculation of earnings per common share.