

AMERISERV FINANCIAL INC /PA/

Form 8-K

January 23, 2018

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) January 23, 2018

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 fourth quarter and full year 2017 results through December 31, 2017. For a more detailed description of the announcement see the press release attached as Exhibit 99.1.

Exhibits

Exhibit 99.1

Press release dated January 23, 2018, announcing fourth quarter and full year 2017 earnings through December 31, 2017.

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: January 23, 2018

Exhibit 99.1

AMERISERV FINANCIAL REPORTS EARNINGS FOR THE FOURTH QUARTER AND FULL YEAR OF 2017

JOHNSTOWN, PA - AmeriServ Financial, Inc. (NASDAQ: ASRV) reported a fourth quarter 2017 net loss available to common shareholders of \$995,000, or (\$0.05) per diluted common share, due to the enactment into law of H.R. 1, known as the Tax Cuts and Jobs Act, which necessitated the revaluation of the Company's deferred tax asset because of the new lower corporate tax rate. This revaluation required that the Company recognize additional income tax expense of \$2.6 million, which is consistent with the information previously disclosed in an 8-K filed on January 11, 2018. In the fourth quarter of 2016, net income available to common shareholders totaled \$1,150,000, or \$0.06 per diluted common share. For the year ended December 31, 2017, the Company reported net income available to common shareholders of \$3,293,000, or \$0.18 per diluted common share. This represents an improvement of \$998,000 from the full year of 2016 where net income available to common shareholders totaled \$2,295,000, or \$0.12 per diluted common share. The additional income tax expense negatively impacted diluted earnings per share by \$0.14 for both the fourth quarter and full year of 2017. The following table highlights the Company's financial performance for both the three month and twelve month periods ended December 31, 2017 and 2016:

| | Fourth Quarter 2017 | Fourth Quarter 2016 | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|------------------------|------------------------|---------------------------------|---------------------------------|
| Net income (loss) | (\$995,000) | \$1,150,000 | \$3,293,000 | \$2,310,000 |
| Net income (loss) available to common shareholders | (\$995,000) | \$1,150,000 | \$3,293,000 | \$2,295,000 |
| Diluted earnings per share | (\$ 0.05) | \$ 0.06 | \$ 0.18 | \$ 0.12 |

Jeffrey A. Stopko, President and Chief Executive Officer, commented on the 2017 financial results: "I was particularly pleased with our quarterly trend of increasing pre-tax income and strong capital returns to our shareholders in 2017. The growth in earnings resulted from a favorable combination of increased revenue, reduced non-interest expense and a lower loan loss provision due to good asset quality. We are entering 2018 with good momentum in our community banking and wealth management businesses. When this positive business momentum is combined with an improving economy and a lower effective corporate tax rate, we believe AmeriServ Financial is well positioned to achieve meaningful earnings growth in 2018.

The Company's net interest income in the fourth quarter of 2017 increased by \$420,000, or 4.9%, from the prior year's fourth quarter and for the full year of 2017 increased by \$1.4 million, or 4.2%, when compared to the full year of 2016. The Company's net interest margin was 3.31% for the quarter and 3.32% for the full year of 2017 representing an improvement of 13 basis points from the prior year's fourth quarter and a six basis point improvement from the full year of 2016. The 2017 increase in net interest income is a result of a higher level of total earning assets and favorable balance sheet positioning which has contributed to the improved net interest margin performance. The Company

continues to grow earning assets while also limiting increases in its cost of funds through disciplined deposit pricing. Specifically, for the quarter, the earning asset growth occurred in both the loan and investment securities portfolios. Total investment securities averaged \$175 million in the fourth quarter of 2017 which is \$21 million, or 13.7%, higher than the \$154 million average for the fourth quarter of 2016. Investment securities have also averaged \$173 million for the full year of 2017 which is \$25.3 million, or 17.2%, higher than the full year 2016 average. Total loans averaged \$894 million for the full year 2017 which is \$6.2 million, or 0.7%, higher than the 2016 full year average.

The growth in the investment securities portfolio is the result of management electing to diversify the mix of the investment securities portfolio through purchases of high quality corporate and taxable municipal securities. This revised strategy for securities purchases was facilitated by the increase in national interest rates that resulted in improved opportunities to purchase additional securities and grow the portfolio. As a result, interest on investments increased between the fourth quarter of 2017 and the fourth quarter of 2016 by \$285,000 or 27.0% and increased for the full year of 2017 from 2016 by \$1,131,000 or 28.2%. Even though loan production slowed somewhat during the fourth quarter because of the uncertainty in the market from potential borrowers of the timing that corporate tax reform would be enacted, the loan portfolio still demonstrated an increase for both time periods. This increase was the result of the successful results of the Company's business development efforts, with an emphasis on generating all types of commercial business loans particularly through its loan production offices. Loan interest income increased by \$503,000, or 5.3%, between the fourth quarter of 2017 and the fourth quarter of 2016 and also increased by \$1,356,000, or 3.6%, for the full year of 2017 when compared to last year. The higher loan interest income also results from new loans originating at higher yields due to the higher interest rates and also reflects 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 by 25 basis points three times in 2017. Overall, total interest income increased by \$2.5 million, or 5.9%, for the full year of 2017.

Total interest expense for the fourth quarter of 2017 increased by \$368,000, or 18.4%, and increased by \$1,060,000, or 13.7%, for the full year of 2017 when compared to 2016, due to higher levels of both deposit and borrowing interest expense. The Company experienced growth in deposits which we believe reflects the loyalty of our core deposit base that provides a strong foundation upon which this growth builds. Management's ability to acquire new core deposit funding from outside of our traditional market areas as well as our ongoing efforts to offer new loan customers deposit products were the primary reasons for this growth. Specifically, total deposits averaged \$976 million for the full year of 2017 which is \$20.8 million, or 2.2%, higher than the \$956 million average for the full year of 2016. Deposit interest expense in 2017 increased by \$855,000, or 15.8%, due to the higher balance of deposits along with certain indexed money market accounts repricing upward after the Federal Reserve interest rate increases. As a result of the solid deposit growth, the Company's loan to deposit ratio averaged 91.5% in 2017 which we believe indicates that the Company has ample capacity to further grow its loan portfolio. The Company experienced a \$205,000 increase in the interest cost for borrowings in 2017 primarily due to the immediate impact that the increases in the Federal Funds Rate had on the cost of overnight borrowed funds. For the full year of 2017, total average FHLB borrowed funds of \$62.6 million, increased by \$4.9 million, or 8.4%.

The Company recorded a \$50,000 provision for loan losses in the fourth quarter of 2017 compared to a \$300,000 provision for loan losses in the fourth quarter of 2016. The lower provision during the fourth quarter of 2017 reflects the payoff of one large criticized commercial real estate credit exposure that had exhibited chronic delinquency. For the full year of 2017, the Company recorded an \$800,000 provision for loan losses compared to a \$3,950,000 provision for loan losses in 2016 or a decrease of \$3.2 million between years. Both, the loan loss provision and net charge-offs were at more typical levels this year than the substantially higher levels that were necessary early last year to resolve a troubled loan exposure to the energy industry. The provision recorded in 2017 supported commercial loan growth and more than covered the low level of net loan charge-offs in 2017. The Company experienced net loan charge-offs of \$518,000, or 0.06% of total loans in 2017 compared to net loan charge-offs of \$3.9 million, or 0.44%, of total loans in 2016. Overall, the Company continued to maintain strong asset quality as its nonperforming assets

declined during the fourth quarter and totaled \$3.0 million, or 0.34%, of total loans, at December 31, 2017. In summary, the allowance for loan losses provided 337% coverage of non-performing loans, and 1.14% of total loans, at December 30, 2017, compared to 612% coverage of non-performing loans, and 1.12% of total loans, at December 31, 2016.

Total non-interest income in the fourth quarter of 2017 decreased by \$99,000, or 2.6%, from the prior year's fourth quarter, and for the full year of 2017 was relatively consistent with last year, increasing slightly by \$7,000. For the fourth quarter of 2017, the decrease was due to lower revenue from residential mortgage loan sales into the secondary market (\$170,000) and mortgage related fee income (\$16,000) as a result of reduced residential mortgage refinance activity and a lower level of residential mortgage production. The reduced mortgage related revenue more than offset a greater level of revenue, primarily from our trust and wealth management company, by \$125,000 as this area benefitted from increasing market values for assets under management in 2017. Non-interest income for the full year of 2017 was also positively impacted by higher revenue from our wealth management operation including a \$294,000 increase in financial services revenue, and a greater level of trust and investment advisory fees by \$129,000. Wealth management continues to be an important strategic focus as it contributes to non-interest revenue comprising over 29% of the Company's total revenue in 2017. There was also a \$62,000 increase in revenue from bank owned life insurance in 2017 due to the second quarter receipt of a death claim. These favorable items more than offset lower levels of service charges on deposits by \$93,000, reduced mortgage related fees and residential mortgage loan sale gains by \$287,000, and fewer gains realized from security sales by \$62,000 in 2017.

The Company's total non-interest expense in the fourth quarter of 2017 decreased by \$259,000, or 2.5%, when compared to the fourth quarter of 2016, and for the full year of 2017 decreased by \$849,000, or 2.0%. The \$849,000 full year decrease in non-interest expense was attributable to the Company's ongoing efforts to control costs. Specifically, a branch consolidation and closure of an unprofitable loan production office were the primary reasons for occupancy expense decreasing by \$182,000, or 6.5%, and equipment costs declining by \$103,000. Other expense is lower by \$354,000 while professional fees declined by \$222,000 due to lower legal fees and litigation costs, the non-recurrence of costs related to resolving a trust operations trading error in 2016, and declines in several other expense categories. Reduced FDIC insurance by \$81,000 also contributed to the favorable full year expense comparison. Additionally, this ongoing cost control focus limited the full year increase in salary and employee benefits expense to \$93,000, or 0.4%, despite additional investment in talent, particularly in our wealth management division. Similar trends were apparent in the previously noted decline in non-interest expense for the fourth quarter of 2017. Overall, the Company's full year efficiency ratio improved from 85.27% in 2016 to 81.13% in 2017 due to increased total revenue and reduced non-interest expenses.

Finally, the Company recorded an income tax expense of \$5.3 million, or an effective tax rate of 61.9%, in 2017. The higher income tax expense results from the impact of the additional income tax charge of \$2.6 million recorded in the fourth quarter and is related to corporate income tax reform which is described in the beginning of this press release. Without this charge, the Company's effective tax rate would have approximated 31.5% in 2017. In 2016, income tax expense totaled \$897,000, or an effective tax rate of 28.0%. Beginning in 2018, we expect a reduction in the Company's effective tax rate to approximately 20% which we believe will provide a meaningful boost to future earnings.

The Company had total assets of \$1.17 billion, shareholders' equity of \$95.1 million, a book value of \$5.25 per common share and a tangible book value of \$4.59 per common share at December 31, 2017. The additional income tax expense negatively impacted both book value per common share and tangible book value per common share by \$0.14. In accordance with the common stock buyback program announced on January 24, 2017, the Company returned \$3.4 million of capital to its shareholders through the repurchase of 839,337 shares of its common stock in 2017. This represents approximately 89% of the authorized common stock repurchase program. 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.

NASDAQ: ASRV

SUPPLEMENTAL FINANCIAL PERFORMANCE DATA

December 31, 2017

(In thousands, except per share and ratio data)

(Unaudited)

2017

| | 1QTR | 2QTR | 3QTR | 4QTR** | YEAR TO DATE |
|---|---------|---------|---------|----------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | | | |
| Net income | \$1,348 | \$1,389 | \$1,551 | \$(995) | \$3,293 |
| Net income available to common shareholders | 1,348 | 1,389 | 1,551 | (995) | 3,293 |
| PERFORMANCE PERCENTAGES (annualized): | | | | | |
| Return on average assets | 0.47% | 0.48% | 0.53% | (0.34)% | 0.28% |
| Return on average equity | 5.74 | 5.81 | 6.37 | (4.07) | 3.42 |
| Net interest margin | 3.27 | 3.27 | 3.28 | 3.31 | 3.32 |
| Net charge-offs as a percentage of average loans | 0.04 | 0.01 | 0.11 | 0.08 | 0.06 |
| Loan loss provision as a percentage of average loans | 0.10 | 0.14 | 0.09 | 0.02 | 0.09 |
| Efficiency ratio | 82.04 | 81.47 | 80.42 | 80.63 | 81.13 |
| PER COMMON SHARE: | | | | | |
| Net income: | | | | | |
| Basic | \$0.07 | \$0.07 | \$0.08 | \$(0.05) | \$0.18 |
| Average number of common shares outstanding | 18,814 | 18,580 | 18,380 | 18,226 | 18,498 |
| Diluted | 0.07 | 0.07 | 0.08 | (0.05) | 0.18 |
| Average number of common shares outstanding | 18,922 | 18,699 | 18,481 | 18,226 | 18,600 |
| Cash dividends declared | \$0.015 | \$0.015 | \$0.015 | \$0.015 | \$0.060 |

2016

| | 1QTR | 2QTR | 3QTR | 4QTR | YEAR TO DATE |
|---|-----------|---------|---------|---------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | | | |
| Net income (loss) | \$(1,267) | \$1,362 | \$1,065 | \$1,150 | \$2,310 |
| | (1,282) | 1,362 | 1,065 | 1,150 | 2,295 |

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Net income (loss) available to common shareholders

PERFORMANCE PERCENTAGES

(annualized):

| | | | | | |
|--|---------|-------|-------|-------|-------|
| Return on average assets | (0.45)% | 0.48% | 0.37% | 0.40% | 0.20% |
| Return on average equity | (4.86) | 5.60 | 4.27 | 4.58 | 2.30 |
| Net interest margin | 3.30 | 3.23 | 3.15 | 3.18 | 3.26 |
| Net charge-offs as a percentage of average loans | 1.60 | 0.01 | 0.14 | 0.04 | 0.44 |
| Loan loss provision as a percentage of average loans | 1.42 | 0.11 | 0.13 | 0.13 | 0.44 |
| Efficiency ratio | 89.24 | 82.05 | 85.07 | 84.82 | 85.27 |

PER COMMON SHARE:

Net income (loss):

| | | | | | |
|---|----------|--------|---------|---------|---------|
| Basic | \$(0.07) | \$0.07 | \$0.06 | \$0.06 | \$0.12 |
| Average number of common shares outstanding | 18,884 | 18,897 | 18,899 | 18,903 | 18,896 |
| Diluted | (0.07) | 0.07 | 0.06 | 0.06 | 0.12 |
| Average number of common shares outstanding | 18,884 | 18,948 | 18,957 | 18,990 | 18,955 |
| Cash dividends declared | \$0.01 | \$0.01 | \$0.015 | \$0.015 | \$0.050 |

** - The fourth quarter 2017 results were impacted by a \$2.6 million increase of tax expense because of the new tax law that caused the revaluation of the Company's deferred tax assets from 34% to 21%.

AMERISERV FINANCIAL, INC.

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

(Unaudited)

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 | 897,900 | 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 | \$2,070,212 | \$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 |

2016

| | 1QTR | 2QTR | 3QTR | 4QTR |
|---|-------------|-------------|-------------|-------------|
| FINANCIAL CONDITION DATA AT PERIOD END | | | | |
| Assets | \$1,121,701 | \$1,142,492 | \$1,145,655 | \$1,153,780 |

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| | | | | |
|---|-------------|-------------|-------------|-------------|
| Short-term investments/overnight funds | 5,556 | 6,836 | 8,279 | 8,966 |
| Investment securities | 139,000 | 145,753 | 145,609 | 157,742 |
| Loans and loans held for sale | 882,410 | 895,513 | 896,301 | 886,858 |
| Allowance for loan losses | 9,520 | 9,746 | 9,726 | 9,932 |
| Goodwill | 11,944 | 11,944 | 11,944 | 11,944 |
| Deposits | 906,773 | 940,931 | 962,736 | 967,786 |
| FHLB borrowings | 88,952 | 72,617 | 56,943 | 58,296 |
| Subordinated debt, net | 7,424 | 7,430 | 7,435 | 7,441 |
| Shareholders equity | 97,589 | 99,232 | 100,044 | 95,395 |
| Non-performing assets | 3,007 | 2,230 | 1,907 | 1,624 |
| Tangible common equity ratio | 7.72 | 7.72 | 7.77 | 7.31 |
| Total capital (to risk weighted assets) ratio | 13.11 | 13.04 | 13.17 | 13.15 |
| PER COMMON SHARE: | | | | |
| Book value | \$5.16 | \$5.25 | \$5.29 | \$5.05 |
| Tangible book value | 4.53 | 4.62 | 4.66 | 4.41 |
| Market value | 2.99 | 3.02 | 3.32 | 3.70 |
| Trust assets fair market value (A) | \$1,974,180 | \$1,982,868 | \$2,011,344 | \$1,992,978 |

STATISTICAL DATA AT PERIOD
END:

| | | | | |
|--------------------------------|------------|------------|------------|------------|
| Full-time equivalent employees | 317 | 311 | 310 | 305 |
| Branch locations | 16 | 16 | 16 | 16 |
| Common shares outstanding | 18,894,561 | 18,896,876 | 18,903,472 | 18,903,472 |

NOTES:

(A) Not recognized on the consolidated balance sheets.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(Unaudited)

| | 1QTR | 2QTR | 3QTR | 4QTR | YEAR TO DATE |
|----------------------------|---------|---------|---------|----------|-----------------|
| INTEREST INCOME | | | | | |
| Interest and fees on loans | \$9,556 | \$9,778 | \$9,855 | \$10,028 | \$39,217 |
| Interest on investments | 1,192 | 1,273 | 1,332 | 1,342 | 5,139 |

2017

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| | | | | | |
|--|--------------|--------------|--------------|--------------|---------------|
| Total Interest Income | 10,748 | 11,051 | 11,187 | 11,370 | 44,356 |
| INTEREST EXPENSE | | | | | |
| Deposits | 1,436 | 1,504 | 1,618 | 1,697 | 6,255 |
| All borrowings | 591 | 648 | 632 | 669 | 2,540 |
| Total Interest Expense | 2,027 | 2,152 | 2,250 | 2,366 | 8,795 |
| NET INTEREST INCOME | 8,721 | 8,899 | 8,937 | 9,004 | 35,561 |
| Provision for loan losses | 225 | 325 | 200 | 50 | 800 |
| NET INTEREST INCOME AFTER | | | | | |
| PROVISION FOR LOAN LOSSES | 8,496 | 8,574 | 8,737 | 8,954 | 34,761 |
| NON-INTEREST INCOME | | | | | |
| Trust and investment advisory fees | 2,166 | 2,081 | 2,045 | 2,170 | 8,462 |
| Service charges on deposit accounts | 374 | 385 | 409 | 413 | 1,581 |
| Net realized gains on loans held for sale | 114 | 186 | 217 | 162 | 679 |
| Mortgage related fees | 75 | 83 | 69 | 58 | 285 |
| Net realized gains on investment securities | 27 | 32 | 56 | - | 115 |
| Bank owned life insurance | 141 | 310 | 143 | 143 | 737 |
| Other income | 665 | 678 | 690 | 753 | 2,786 |
| Total Non-Interest Income | 3,562 | 3,755 | 3,629 | 3,699 | 14,645 |
| NON-INTEREST EXPENSE | | | | | |
| Salaries and employee benefits | 6,010 | 5,979 | 6,005 | 6,133 | 24,127 |
| Net occupancy expense | 674 | 639 | 634 | 653 | 2,600 |
| Equipment expense | 419 | 434 | 343 | 389 | 1,585 |
| Professional fees | 1,200 | 1,415 | 1,213 | 1,230 | 5,058 |
| FDIC deposit insurance expense | 160 | 152 | 156 | 160 | 628 |
| Other expenses | 1,622 | 1,698 | 1,763 | 1,685 | 6,768 |
| Total Non-Interest Expense | 10,085 | 10,317 | 10,114 | 10,250 | 40,766 |
| PRETAX INCOME | 1,973 | 2,012 | 2,252 | 2,403 | 8,640 |
| Income tax expense | 625 | 623 | 701 | 3,398 | 5,347 |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | | | | | |
| | 1,348 | 1,389 | 1,551 | (995) | 3,293 |

| | 2016 | | | | |
|---|---------|---------|---------|---------|-----------------|
| | 1QTR | 2QTR | 3QTR | 4QTR | YEAR TO DATE |
| INTEREST INCOME | | | | | |
| Interest and fees on loans | \$9,465 | \$9,409 | \$9,462 | \$9,525 | \$37,861 |
| Interest on investments | 957 | 980 | 1,014 | 1,057 | 4,008 |
| Total Interest Income | 10,422 | 10,389 | 10,476 | 10,582 | 41,869 |
| INTEREST EXPENSE | | | | | |
| Deposits | 1,254 | 1,330 | 1,391 | 1,425 | 5,400 |
| All borrowings | 610 | 573 | 579 | 573 | 2,335 |
| Total Interest Expense | 1,864 | 1,903 | 1,970 | 1,998 | 7,735 |
| NET INTEREST INCOME | | | | | |
| Provision for loan losses | 3,100 | 250 | 300 | 300 | 3,950 |
| NET INTEREST INCOME AFTER | | | | | |
| PROVISION FOR LOAN LOSSES | 5,458 | 8,236 | 8,206 | 8,284 | 30,184 |
| NON-INTEREST INCOME | | | | | |
| Trust and investment advisory fees | 2,075 | 2,124 | 2,035 | 2,099 | 8,333 |
| Service charges on deposit accounts | 415 | 404 | 433 | 422 | 1,674 |
| Net realized gains on loans held for sale | 107 | 185 | 260 | 332 | 884 |
| Mortgage related fees | 63 | 98 | 132 | 74 | 367 |
| Net realized gains on investment securities | 57 | 60 | 60 | - | 177 |
| Bank owned life insurance | 167 | 169 | 169 | 170 | 675 |
| Other income | 553 | 702 | 572 | 701 | 2,528 |
| Total Non-Interest Income | 3,437 | 3,742 | 3,661 | 3,798 | 14,638 |

| | | | | | |
|---|-----------|---------|---------|---------|---------|
| NON-INTEREST EXPENSE | | | | | |
| Salaries and employee benefits | 6,166 | 5,868 | 5,901 | 6,099 | 24,034 |
| Net occupancy expense | 737 | 690 | 656 | 699 | 2,782 |
| Equipment expense | 436 | 409 | 419 | 424 | 1,688 |
| Professional fees | 1,465 | 1,192 | 1,330 | 1,293 | 5,280 |
| FDIC deposit insurance expense | 179 | 188 | 189 | 153 | 709 |
| Other expenses | 1,728 | 1,692 | 1,861 | 1,841 | 7,122 |
| Total Non-Interest Expense | 10,711 | 10,039 | 10,356 | 10,509 | 41,615 |
| | | | | | |
| PRETAX INCOME (LOSS) | (1,816) | 1,939 | 1,511 | 1,573 | 3,207 |
| Income tax expense (benefit) | (549) | 577 | 446 | 423 | 897 |
| NET INCOME (LOSS) | (1,267) | 1,362 | 1,065 | 1,150 | 2,310 |
| Preferred stock dividends | 15 | - | - | - | 15 |
| NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS | \$(1,282) | \$1,362 | \$1,065 | \$1,150 | \$2,295 |

AMERISERV FINANCIAL, INC.

NASDAQ: ASRV

Average Balance Sheet Data (In thousands)

(Unaudited)

2017

2016

| | 4QTR | TWELVE MONTHS | 4QTR | TWELVE MONTHS |
|---|-------------|------------------|-------------|------------------|
| Interest earning assets: | | | | |
| Loans and loans held for sale, net of unearned income | \$893,134 | \$893,849 | \$887,671 | \$887,679 |
| Short-term investment in money market funds | 7,839 | 7,996 | 21,663 | 15,156 |
| Deposits with banks | 1,025 | 1,028 | 1,059 | 1,668 |
| Total investment securities | 174,507 | 172,615 | 153,539 | 147,279 |
| Total interest earning assets | 1,076,505 | 1,075,488 | 1,063,932 | 1,051,782 |
| Non-interest earning assets: | | | | |
| Cash and due from banks | 22,931 | 22,393 | 22,854 | 20,626 |
| Premises and equipment | 12,806 | 12,273 | 11,772 | 11,930 |
| Other assets | 66,352 | 67,169 | 67,137 | 68,046 |
| Allowance for loan losses | (10,430) | (10,241) | (9,829) | (9,790) |
| Total assets | \$1,168,164 | \$1,167,082 | \$1,155,866 | \$1,142,594 |
| Interest bearing liabilities: | | | | |
| Interest bearing deposits: | | | | |
| Interest bearing demand | \$128,589 | \$129,589 | \$ 112,451 | \$ 108,350 |
| Savings | 96,054 | 97,405 | 95,494 | 95,986 |
| Money market | 271,672 | 275,636 | 286,187 | 277,967 |
| Other time | 294,099 | 291,475 | 301,555 | 290,612 |
| Total interest bearing deposits | 790,424 | 794,105 | 795,687 | 772,915 |
| Borrowings: | | | | |
| Federal funds purchased and other short-term borrowings | 21,719 | 16,972 | 1,685 | 9,030 |
| Advances from Federal Home Loan Bank | 45,273 | 45,657 | 46,810 | 48,720 |
| | 13,085 | 13,085 | 13,085 | 13,085 |

| | | | | |
|---|-------------|-------------|-------------|-------------|
| Guaranteed junior subordinated deferrable interest debentures | | | | |
| Subordinated debt | 7,650 | 7,650 | 7,650 | 7,650 |
| Total interest bearing liabilities | 878,151 | 877,469 | 864,917 | 851,400 |
| Non-interest bearing liabilities: | | | | |
| Demand deposits | 183,430 | 182,301 | 184,920 | 182,732 |
| Other liabilities | 9,591 | 11,119 | 6,241 | 8,074 |
| Shareholders' equity | 96,992 | 96,193 | 99,788 | 100,388 |
| Total liabilities and shareholders' equity | \$1,168,164 | \$1,167,082 | \$1,155,866 | \$1,142,594 |