

AMERISERV FINANCIAL INC /PA/

Form 8-K

July 17, 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) July 17, 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))

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Item 2.02 Results of operation and financial condition.

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

Item 8.01 Other events.

On July 17, 2018, the Registrant announced that its board of directors had approved a new common stock repurchase program which calls for the Registrant to buy back up to 3%, or approximately 540,000 shares, of its outstanding common stock during the next 12 months. The authorized repurchases will be made from time to time in either the open market or through privately negotiated transactions. The timing, volume and nature of the share repurchases will be at the sole discretion of management dependent on market conditions, applicable repurchases will be at the sole discretion of management, dependent on market conditions, applicable securities laws, and other factors, and may be suspended or discontinued at any time. No assurance can be given that any particular amount of common stock will be repurchased. This buyback program may be modified, extended or terminated by the board of directors at any time.

Item 9.01

Financial Statements and Exhibits.

(d)

Exhibits:

99.1

Press release dated July 17, 2018, announcing second quarter 2018 earnings through June 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: July 17, 2018

Exhibit 99.1

AMERISERV FINANCIAL REPORTS INCREASED 2018 SECOND QUARTER EARNINGS AND ANNOUNCES A NEW COMMON STOCK REPURCHASE PROGRAM

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) reported second quarter 2018 net income of \$1,744,000, or \$0.10 per diluted common share. This earnings performance was a \$355,000, or 25.6%, improvement from the second quarter of 2017 where net income totaled \$1,389,000, or \$0.07 per diluted common share. For the six-month period ended June 30, 2018, the Company reported net income of \$3,511,000, or \$0.19 per diluted common share. This represents an improvement of \$774,000, or 28.3%, from the six-month period of 2017 where net income available to common shareholders totaled \$2,737,000, or \$0.15 per diluted common share. The following table highlights the Company's financial performance for both the three and six month periods ended June 30, 2018 and 2017:

| | Second Quarter 2018 | Second Quarter 2017 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2017 |
|----------------------------|------------------------|------------------------|-----------------------------------|-----------------------------------|
| Net income | \$1,744,000 | \$1,389,000 | \$3,511,000 | \$2,737,000 |
| Diluted earnings per share | \$ 0.10 | \$ 0.07 | \$ 0.19 | \$ 0.15 |

COMMON STOCK REPURCHASE PROGRAM

The Company's Board of Directors approved a new common stock repurchase program which calls for AmeriServ Financial Inc. to buy back up to 3%, or approximately 540,000 shares, of its outstanding common stock during the next 12 months. The authorized repurchases will be made from time to time in either the open market or through privately negotiated transactions. The timing, volume and nature of share repurchases will be at the sole discretion of management, dependent on market conditions, applicable securities laws, and other factors, and may be suspended or discontinued at any time. No assurance can be given that any particular amount of common stock will be repurchased. This buyback program may be modified, extended or terminated by the Board of Directors at any time. At June 30, 2018, the Company had approximately 18 million common shares outstanding. In the first quarter of 2018, the Company completed a common stock repurchase program where it bought back 945,000 shares or 5% of its common stock over a 14-month period.

Jeffrey A. Stopko, President and Chief Executive Officer, commented on the 2018 financial results and common stock repurchase program: AmeriServ Financial demonstrated improved earnings power in each of the first two quarters of

2018. This is most evident in the strong growth in earnings per share (EPS) that resulted from a combination of lower income tax expense, outstanding asset quality and effective capital management. Our Company is well positioned to build on these positive trends in the second half of the year. Accordingly, we believe that the continued return of capital to our shareholders through a common stock buyback program is an appropriate capital management strategy.

The Company's net interest income in the second quarter of 2018 decreased by \$41,000, or 0.5%, from the prior year's second quarter and, for the first six months of 2018, was relatively flat decreasing by only \$14,000, or 0.1%, when compared to the first six months of 2017. The Company's net interest margin was 3.28% for both the second quarter and for the first six months of 2018 representing an improvement of one basis point from the prior year's second quarter and first six months. The decrease in net interest income in both time periods is a result of a lower level of total earning assets. Total average earning assets decreased in the second quarter of 2018 by \$8.4 million, or 0.8%, and decreased by \$4.4 million, or 0.4%, for the first six months of this year. The decrease in earning assets for both time periods occurred in the loan portfolio as loan pay-offs exceeded new loan production during 2018. This more than offset continued growth in investment securities as management took advantage of the higher interest rate environment in 2018 to purchase additional securities and increase the size of the investment securities portfolio.

Investment securities averaged \$180 million for the first six-months of 2018 which is \$9.3 million, or 5.4%, higher than the first six months of 2017 average. Purchases so far in 2018 have primarily focused on federal agency mortgage backed securities. 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 second quarter of 2018 and the second quarter of 2017 by \$205,000, or 16.1%, and increased in the first half of 2018 from the first half of 2017 by \$412,000, or 16.7%.

In regards to the loan portfolio, total loans averaged \$882 million in the first half of 2018 which is \$13.0 million, or 1.4%, lower than the 2017 first six-month average. The combination of a higher level of early loan payoffs and a slowdown in loan production, particularly earlier this year, resulted in the decrease in the average balance of the loan portfolio. However, commercial loan production increased during the latter part of the second quarter of 2018 resulting in the total loans outstanding being comparable between years on an end of period basis. As a result of the strength of the current loan pipelines and the positive late second quarter momentum, the Company expects that loan portfolio growth will continue in the second half of 2018. This second quarter growth occurred primarily in commercial real estate loans and commercial/industrial loans which together comprise approximately 72% of the Company's total loan portfolio. Even though total average loans have decreased since last year, loan interest income increased by \$347,000, or 3.5%, between the second quarter of 2018 and the second quarter of 2017 and also increased by \$609,000, or 3.1%, in the first six months of 2018 when compared to 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 \$1.0 million, or 4.7%, in the first half of 2018.

Total interest expense for the second quarter of 2018 increased by \$593,000, or 27.6%, and increased by \$1.0 million, or 24.8%, in the first six 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 \$469,000 for the second quarter and \$814,000 for the first six 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 \$958 million for the first half of 2018 which was \$17.3 million, or 1.8%, lower than the \$975 million average for the first half of 2017. Overall, the Company's loan to deposit ratio averaged 92.4% in the second 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 \$221,000, or 17.8%, increase in the interest cost for borrowings in the first six 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 borrowed funds. In the first half of 2018, total average FHLB borrowed funds was \$73 million, an increase of \$11.2 million, or 18.1%, from the same period during 2017, which was due to the decrease in total average deposits.

The Company recorded a \$50,000 provision for loan losses in the second quarter of 2018 compared to a \$325,000 provision for loan losses in the second quarter of 2017. For the first six months of 2018, the Company recorded a \$100,000 provision for loan losses compared to a \$550,000 provision for loan losses in the first six months of 2017, or a decrease of \$450,000 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 first six months of 2018, the Company experienced net loan charge-offs of \$793,000, or 0.18% of total loans, compared to net loan charge-offs of \$91,000, or 0.02% of total loans, in 2017. The higher 2018 net loan charge-offs reflect the final work-out of several non-performing loans on which reserves had previously been established. The Company presently expects that net charge-offs will decline in the second half of 2018. Overall, the Company continued to maintain strong asset quality as its nonperforming assets totaled \$1.2 million, or only 0.13% of total loans, at June 30, 2018. In summary, the allowance for loan losses provided 821% coverage of non-performing loans, and 1.06% of total loans, at June 30, 2018, compared to 337% coverage of non-performing loans, and 1.14% of total loans, at December 31, 2017.

Total non-interest income in the second quarter of 2018 decreased by \$74,000, or 2.0%, from the prior year's second quarter, and for the first six months of 2018 nearly matched the 2017 level, decreasing slightly by \$1,000. For the second quarter of 2018, the decrease was due to lower revenue from bank owned life insurance (BOLI) by \$177,000 after the Company received a death claim in 2017 and there was no such claim this year. Net gains on loans held for sale and mortgage related fees decreased between quarters by a combined \$78,000 due to lower production and reduced refinance activity of residential mortgage loans. Also decreasing between quarters were net realized gains from investment security sales by \$32,000 and deposit service charges by \$28,000. Nearly offsetting these negative items was fee income growth from our Wealth Management division by \$207,000, as the Company benefited from increased market values for assets under management in 2018 and stronger sales of insurance related products by its financial professionals. 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. For the six-month period, similar comparisons for the same line items resulted in the slight unfavorable variance when comparing 2018 to 2017. Negative comparisons included BOLI income by \$186,000, net gains from loans held for sale and mortgage related fees by \$130,000, a net unfavorable change in investment security sales activity by \$207,000, and lower service charges on deposit accounts of \$19,000. These negative items were nearly offset by fee income growth from the Wealth Management division by \$323,000 and a higher level of other income by \$218,000 in 2018. 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 fees.

The Company's total non-interest expense was fairly consistent for both time periods in relation to last year, decreasing by \$7,000, or 0.1%, in the second quarter of 2018 when compared to the second quarter of 2017, and increasing in the first half of 2018 by only \$28,000, or 0.1%, when compared to 2017. The decrease in the second quarter of 2018 is attributed to a lower level of professional fees by \$163,000, occupancy & equipment costs by a combined \$84,000 and reduced other expense by \$64,000. These favorable items more than offset higher salaries & employee benefits expense which increased by \$301,000. The decrease to professional fees was due to reduced legal costs and lower expense for outsourced professional services. The reduction to occupancy and equipment related expenses 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. The second quarter increase to salaries and employee benefits resulted from annual salary merit increases and additional incentives paid primarily within our Wealth Management division due to the increased level of fee income mentioned previously. The slight increase in non-interest expense for the six-month period in 2018 occurred as total salaries & benefits expense more than offset reductions to total professional fees, occupancy & equipment expense and other expenses. The reasons for the variances in non-interest expenses for the six-month timeframe are similar to the reasons for the quarterly comparison.

The Company recorded an income tax expense of \$881,000, or an effective tax rate of 20.1%, in the first half of 2018. This compares to an income tax expense of \$1,248,000, or an effective tax rate of 31.3%, for the first half of 2017. The Company experienced a similar reduction for the quarterly comparisons as it recognized income tax expense in the second quarter of 2018 of \$435,000, or a 20% effective tax rate, compared to tax expense of \$623,000, or a 31% effective tax rate, in the second quarter of 2017. The lower effective tax rate and income tax expense in the first half 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.

The Company had total assets of \$1.18 billion, shareholders' equity of \$96.9 million, a book value of \$5.37 per common share and a tangible book value of \$4.71 per common share at June 30, 2018. The Company continued to maintain strong capital ratios that exceed the regulatory defined well capitalized status.

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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

June 30, 2018

(In thousands, except per share and ratio data)

(Unaudited)

2018

| | 1QTR | 2QTR | YEAR TO DATE |
|-------------------------------------|---------|---------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | |
| Net income | \$1,767 | \$1,744 | \$3,511 |

PERFORMANCE PERCENTAGES

(annualized):

| | | | |
|---|-------|-------|-------|
| Return on average assets | 0.62% | 0.60% | 0.61% |
| Return on average equity | 7.55 | 7.30 | 7.42 |
| Net interest margin | 3.29 | 3.28 | 3.28 |
| Net charge-offs as a percentage of average loans | 0.15 | 0.21 | 0.18 |
| Loan loss provision as a percentage of average loans | 0.02 | 0.02 | 0.02 |
| Efficiency ratio | 81.69 | 82.19 | 81.94 |

PER COMMON SHARE:

Net income:

| | | | |
|--|---------|---------|---------|
| Basic | \$0.10 | \$0.10 | \$0.19 |
| Average number of common shares outstanding | 18,079 | 18,038 | 18,058 |
| Diluted | 0.10 | 0.10 | 0.19 |
| Average number of common shares outstanding | 18,181 | 18,140 | 18,158 |
| Cash dividends declared | \$0.015 | \$0.020 | \$0.035 |

2017

| | 1QTR | 2QTR | YEAR TO DATE |
|----------------------------------|---------|---------|-----------------|
| PERFORMANCE DATA FOR THE PERIOD: | | | |
| Net income | \$1,348 | \$1,389 | \$2,737 |

PERFORMANCE PERCENTAGES

(annualized):

| | | | |
|--|-------|-------|-------|
| Return on average assets | 0.47% | 0.48% | 0.47% |
| Return on average equity | 5.74 | 5.81 | 5.77 |
| Net interest margin | 3.27 | 3.27 | 3.27 |
| Net charge-offs as a percentage of average loans | 0.04 | 0.01 | 0.02 |
| Loan loss provision as a percentage of | | | |
| average loans | 0.10 | 0.14 | 0.12 |
| Efficiency ratio | 82.04 | 81.47 | 81.75 |

PER COMMON SHARE:

Net income:

| | | | |
|---|---------|---------|---------|
| Basic | \$0.07 | \$0.07 | \$0.15 |
| Average number of common shares outstanding | 18,814 | 18,580 | 18,696 |
| Diluted | 0.07 | 0.07 | 0.15 |
| Average number of common shares outstanding | 18,922 | 18,699 | 18,808 |
| Cash dividends declared | \$0.015 | \$0.015 | \$0.030 |

AMERISERV FINANCIAL, INC.

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

(Unaudited)

2018

| | 1QTR | 2QTR |
|---|-------------|-------------|
| FINANCIAL CONDITION DATA AT PERIOD END | | |
| Assets | \$1,151,160 | \$1,180,510 |
| Short-term investments/overnight funds | 7,796 | 8,050 |
| Investment securities | 171,053 | 174,771 |
| Loans and loans held for sale | 875,716 | 895,162 |
| Allowance for loan losses | 9,932 | 9,521 |
| Goodwill | 11,944 | 11,944 |
| Deposits | 944,206 | 928,176 |
| FHLB borrowings | 82,864 | 126,901 |
| Subordinated debt, net | 7,470 | 7,476 |
| Shareholders equity | 95,810 | 96,883 |
| Non-performing assets | 2,157 | 1,160 |
| Tangible common equity ratio | 7.36% | 7.27% |
| Total capital (to risk weighted assets) ratio | 13.45 | 13.01 |
| PER COMMON SHARE: | | |
| Book value | \$5.31 | \$5.37 |
| Tangible book value | 4.65 | 4.71 |
| Market value | 4.00 | 4.10 |
| Trust assets fair market value (A) | \$2,175,538 | \$2,201,565 |

STATISTICAL DATA AT PERIOD END:

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

2017

| | 1QTR | 2QTR | 3QTR | 4QTR |
|--|------|------|------|------|
| FINANCIAL CONDITION DATA AT PERIOD END | | | | |

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| | | | | |
|---|-------------|-------------|-------------|-------------|
| 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 | \$2,119,371 | \$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.

CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(Unaudited)

2018

| | 1QTR | 2QTR | YEAR TO DATE |
|--|--------------|--------------|-----------------|
| INTEREST INCOME | | | |
| Interest and fees on loans | \$9,818 | \$10,125 | \$19,943 |
| Interest on investments | 1,399 | 1,478 | 2,877 |
| Total Interest Income | 11,217 | 11,603 | 22,820 |
| INTEREST EXPENSE | | | |
| Deposits | 1,781 | 1,973 | 3,754 |
| All borrowings | 688 | 772 | 1,460 |
| Total Interest Expense | 2,469 | 2,745 | 5,214 |
| NET INTEREST INCOME | 8,748 | 8,858 | 17,606 |
| Provision for loan losses | 50 | 50 | 100 |
| NET INTEREST INCOME AFTER | | | |
| PROVISION FOR LOAN LOSSES | 8,698 | 8,808 | 17,506 |
| NON-INTEREST INCOME | | | |
| Wealth management fees | 2,426 | 2,447 | 4,873 |
| Service charges on deposit accounts | 383 | 357 | 740 |
| Net realized gains on loans held for sale | 98 | 119 | 217 |
| Mortgage related fees | 39 | 72 | 111 |
| Net realized gains (losses) on investment securities | (148) | - | (148) |
| Bank owned life insurance | 132 | 133 | 265 |
| Other income | 705 | 553 | 1,258 |
| Total Non-Interest Income | 3,635 | 3,681 | 7,316 |
| NON-INTEREST EXPENSE | | | |
| Salaries and employee benefits | 6,093 | 6,218 | 12,311 |
| Net occupancy expense | 670 | 611 | 1,281 |
| Equipment expense | 391 | 378 | 769 |
| Professional fees | 1,184 | 1,252 | 2,436 |
| FDIC deposit insurance expense | 162 | 155 | 317 |
| Other expenses | 1,620 | 1,696 | 3,316 |
| Total Non-Interest Expense | 10,120 | 10,310 | 20,430 |
| PRETAX INCOME | 2,213 | 2,179 | 4,392 |

| | | | |
|--|---------|---------|---------|
| Income tax expense | 446 | 435 | 881 |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | \$1,767 | \$1,744 | \$3,511 |

2017

| | 1QTR | 2QTR | YEAR TO DATE |
|--|----------------|----------------|-----------------|
| INTEREST INCOME | | | |
| Interest and fees on loans | \$9,556 | \$9,778 | \$19,334 |
| Interest on investments | 1,192 | 1,273 | 2,465 |
| Total Interest Income | 10,748 | 11,051 | 21,799 |
| INTEREST EXPENSE | | | |
| Deposits | 1,436 | 1,504 | 2,940 |
| All borrowings | 591 | 648 | 1,239 |
| Total Interest Expense | 2,027 | 2,152 | 4,179 |
| NET INTEREST INCOME | 8,721 | 8,899 | 17,620 |
| Provision for loan losses | 225 | 325 | 550 |
| NET INTEREST INCOME AFTER | | | |
| PROVISION FOR LOAN LOSSES | 8,496 | 8,574 | 17,070 |
| NON-INTEREST INCOME | | | |
| Wealth management fees | 2,310 | 2,240 | 4,550 |
| Service charges on deposit accounts | 374 | 385 | 759 |
| Net realized gains on loans held for sale | 114 | 186 | 300 |
| Mortgage related fees | 75 | 83 | 158 |
| Net realized gains on investment securities | 27 | 32 | 59 |
| Bank owned life insurance | 141 | 310 | 451 |
| Other income | 521 | 519 | 1,040 |
| Total Non-Interest Income | 3,562 | 3,755 | 7,317 |
| NON-INTEREST EXPENSE | | | |
| Salaries and employee benefits | 5,948 | 5,917 | 11,865 |
| Net occupancy expense | 674 | 639 | 1,313 |
| Equipment expense | 419 | 434 | 853 |
| Professional fees | 1,200 | 1,415 | 2,615 |
| FDIC deposit insurance expense | 160 | 152 | 312 |
| Other expenses | 1,684 | 1,760 | 3,444 |
| Total Non-Interest Expense | 10,085 | 10,317 | 20,402 |
| PRETAX INCOME | 1,973 | 2,012 | 3,985 |
| Income tax expense | 625 | 623 | 1,248 |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | | | |
| | \$1,348 | \$1,389 | \$2,737 |

AMERISERV FINANCIAL, INC.

NASDAQ: ASRV

Average Balance Sheet Data (In thousands)

(Unaudited)

2018**2017**

| | 2QTR | SIX MONTHS | 2QTR | SIX MONTHS |
|---|-------------|---------------|-------------|---------------|
| Interest earning assets: | | | | |
| Loans and loans held for sale, net of unearned income | \$882,675 | \$882,080 | \$900,156 | \$895,032 |
| Short-term investment in money market funds | 6,645 | 6,889 | 7,285 | 7,613 |
| Deposits with banks | 1,025 | 1,025 | 1,030 | 1,030 |
| Total investment securities | 182,621 | 179,877 | 172,908 | 170,585 |
| Total interest earning assets | 1,072,966 | 1,069,871 | 1,081,379 | 1,074,260 |
| Non-interest earning assets: | | | | |
| Cash and due from banks | 21,857 | 21,858 | 22,231 | 22,280 |
| Premises and equipment | 12,345 | 12,484 | 12,013 | 11,909 |
| Other assets | 62,406 | 62,390 | 67,628 | 67,710 |
| Allowance for loan losses | (10,035) | (10,143) | (10,281) | (10,167) |
| Total assets | \$1,159,539 | \$1,156,460 | \$1,172,970 | \$1,165,992 |
| Interest bearing liabilities: | | | | |
| Interest bearing deposits: | | | | |
| Interest bearing demand | \$129,026 | \$131,202 | \$130,744 | \$ 129,138 |
| Savings | 99,268 | 98,286 | 98,119 | 97,686 |
| Money market | 248,983 | 251,325 | 274,116 | 276,464 |
| Other time | 295,164 | 294,510 | 290,910 | 289,869 |
| Total interest bearing deposits | 772,441 | 775,323 | 793,889 | 793,157 |
| Borrowings: | | | | |
| Federal funds purchased and other short-term borrowings | 33,731 | 27,996 | 24,127 | 16,495 |
| Advances from Federal Home Loan Bank | 44,998 | 45,418 | 45,824 | 45,679 |

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| | | | | |
|---|-------------|-------------|-------------|-------------|
| Guaranteed junior subordinated deferrable interest debentures | 13,085 | 13,085 | 13,085 | 13,085 |
| Subordinated debt | 7,650 | 7,650 | 7,650 | 7,650 |
| Total interest bearing liabilities | 871,905 | 869,472 | 884,575 | 876,066 |
| Non-interest bearing liabilities: | | | | |
| Demand deposits | 183,323 | 182,769 | 180,885 | 182,209 |
| Other liabilities | 8,471 | 8,821 | 11,646 | 12,130 |
| Shareholders' equity | 95,840 | 95,398 | 95,864 | 95,587 |
| Total liabilities and shareholders' equity | \$1,159,539 | \$1,156,460 | \$1,172,970 | \$1,165,992 |