A BETTER CUSTOMER EXPERIENCE

AmeriServ Financial, Inc.

2019 Annual Report

CONTENTS

OUR MISSION

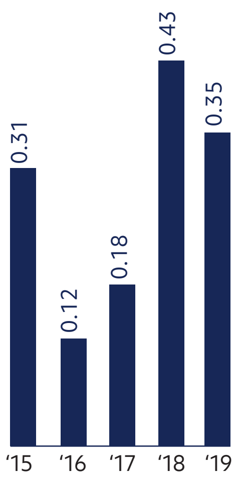
AmeriServ Financial is committed to increasing shareholder value by striving for consistently improving financial performance; providing our customers with products and exceptional service for every step in their lifetime financial journey; cultivating an employee atmosphere rooted in trust, empowerment and growth; and serving our communities through employee involvement and a philanthropic spirit.

FINANCIAL HIGHLIGHTS

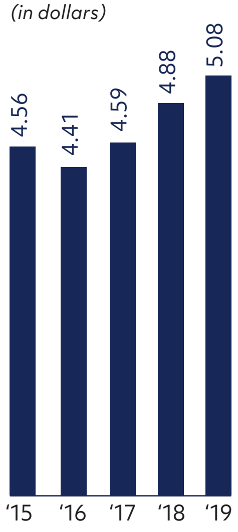
Per Share *$ in thousands except per share amounts*	2019	2018	Change	Change
Net Income	0.35	0.43	(0.08)	(18.6%)
Book Value at December 31	5.78	5.56	0.22	4.0%
Tangible Book Value at December 31	5.08	4.88	0.20	4.1%
Dividends Paid	0.095	0.075	0.020	26.7%
Market Value at December 31	4.20	4.03	0.17	4.2%
For the Year				
Net Income	$ 6,028	$ 7,768	$ (1,740)	(22.4%)
Return on Average Assets	0.51%	0.67%	(0.16)	(23.9%)
Return on Average Equity	6.02%	8.08%	(2.06)	(25.5%)
At Year-End				
Assets	$1,171,184	$1,160,680	$10,504	0.9%
Loans	887,574	863,129	24,445	2.8%
Deposits	960,513	949,171	11,342	1.2%
Nonperforming Loans/Total Loans	0.26%	0.16%	0.10	62.5%

2019 Capital Returns	
2019 Net Income	$6,028
Common Stock Repurchase Program	2,550
Common Stock Dividend Payments	1,642
Total Capital Returned to Shareholders	$4,192
% of Earnings Returned to Shareholders	69.5%

Earnings Per Share
(in dollars)



Tangible Book Value Per Share
(in dollars)



A MESSAGE TO OUR SHAREHOLDERS

As 2019 unfolded it became a challenging year for the banking industry and for AmeriServ. These challenges included net interest margin compression due to Federal Reserve interest rate actions, economic uncertainty due to ongoing international tariff issues, and potential policy changes as the country headed into an election year. Despite this environment, AmeriServ produced a $0.35 earnings per share (EPS) for 2019 - its second highest EPS since the year 2000.

AmeriServ supported economic growth in the regions that we operate in by providing approximately $250 million in new loans to both businesses and consumers in 2019. This represented a meaningful increase of $65 million or 35% in new loans from the 2018 results. This was driven by an active team of lenders focused on meeting the needs of our customers and supporting our local economies. We were able to fund these loans with a growing deposit base that is now approaching $1 billion in size as depositors continued to respond well to our *Banking for Life* philosophy. This also reflected a shift away from money market and savings accounts and into small certificates of deposits, thus adding further stability to our loyal core deposit base.

"Our continued focus on active capital returns to our shareholders through both common stock buybacks and a competitive common stock dividend yielded positive results for our shareholders."

You may recall that in late 2018 AmeriServ expanded its Hagerstown, Maryland loan production office into a full-fledged Financial Banking Center housing a full-service retail branch along with commercial lenders with a goal to ultimately provide residential mortgage loans and wealth management services. We are pleased that the Hagerstown community has welcomed this new financial center and we have exceeded our first-year target with over $8 million in deposits. As the future unfolds, we plan to build an even larger presence in this growing marketplace.

In our Trust and Financial Services Company, with assets under administration of $2.3 billion, we saw a record level of fees in 2018, and in 2019 we are pleased to report that a new record was set for the second consecutive year. Much of this was fueled by our retirement savings customers showing continued support of our stewardship of their funds. Wealth management revenues are our largest component of non-interest income which now approximates 30% of our total revenue. This strong level of fee income provides AmeriServ with better revenue diversification than our similar asset-sized peer banks.

Our partnership with various unions has also benefitted AmeriServ's growth initiatives. This includes The ERECT Funds which deploy union pension monies to facilitate 100% union building projects in western Pennsylvania and eastern Ohio. This provides craft union members with jobs that support their families and communities. AmeriServ is also the preferred mortgage lender for the Pennsylvania State Education Association (PSEA). This gives AmeriServ access to all areas of Pennsylvania, including many robust real estate markets.

Activities in consumer, commercial and wealth management services provide critical support to the health of our local economies. Our continued investment in people, technology and processes will enable AmeriServ to remain competitive and be positioned to keep our *Banking for Life* model relevant in an ever-changing future. We encourage you to read the pages that follow in this annual report where you will find more detailed discussion on the 2019 performance and the future outlook for our key business lines.

Capital allocation is an important topic that your Board of Directors evaluates carefully. Our continued focus on active capital returns to our shareholders through both common stock buybacks and a competitive common stock dividend yielded positive results for our shareholders. It is notable that the tangible book value of AmeriServ shares ended the 2019 year at $5.08, an increase of $0.20 per share or 4.1% over December 2018. We believe that this growth in tangible book value per share and an increased common stock cash dividend were factors contributing to an increase in the AmeriServ common stock price in 2019.

AmeriServ continues to maintain a strong balance sheet and conservatively manages its businesses in the face of ever-changing economic conditions, regulatory pressures and political uncertainties. We appreciate your support in the form of owning shares of this company and pledge our commitment to manage this company in the best interest of our constituencies – shareholders, customers, staff and communities.

Allan R. Dennison

Allan R. Dennison, Chairman

Jeffrey A. Stopko

Jeffrey A. Stopko, President & CEO

Jeffrey A. Stopko &
Allan R. Dennison

A BETTER CUSTOMER EXPERIENCE

Exceptional customer service is an AmeriServ differentiator and a fundamental part of our strategic vision. In many ways, it is the most important thing we provide.

In an era when rates, terms and conditions are being commoditized, AmeriServ offers customers a balanced, seasoned approach built around *Banking for Life* that recognizes individual lifestyles, personal financial goals and unique needs. We take our cues from customer conversations and interactions, not products and services.

We look to build relationships, nurture financial lives and grow confidence and trust. We take a holistic view and help customers support their financial lives in new and different ways and allow them to envision how those lives might change over time. Ultimately, we work to help them achieve their financial potential.

Everyone at AmeriServ is part of this team.

From branch to boardroom, everyone knows his or her role in creating a better customer experience. And, each employee is eligible for our *Shining Star Club* program that recognizes extra efforts wherever they occur in our banking family.

AmeriServ IS a better customer experience. Our customers tell us that, and they keep coming back for more. It's something we value, something we make part of our brand, and something we will continue to support at every level.

TECHNOLOGY

AmeriServ's seamless customer service – supported by multiple banking channels and enhanced product offerings – extends to virtually every customer interaction at the bank. This ease of doing business with AmeriServ is anchored in the sophisticated digital posture we have taken with our technology platforms to enable peak performance and customer satisfaction.

In 2019, AmeriServ's digital transformation continued. For Retail Banking, a new online account opening system is now available, providing the convenience and security necessary for opening deposit accounts from the comfort of your home or office. This joins with our increasingly popular mobile banking features, including mobile check deposit and bill pay, to create a digital network that carries nearly half of all our current retail banking transactions.

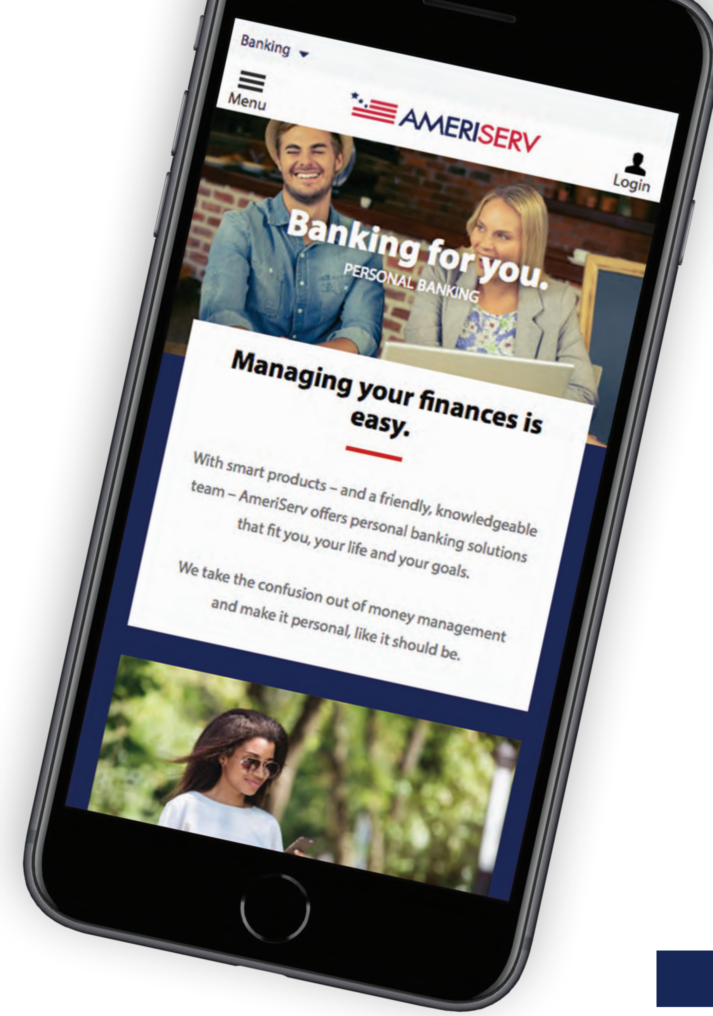
Additional online benefits include the popular "Chat" feature on the AmeriServ website, which puts customers and prospects in touch with our call center experts. As a result, users receive an expanded, personalized experience that brings customer service to a new level on the website.

Our Business Services offerings have also benefitted directly from an expanded investment in technology. Over the past year, the new business services digital platform has been fully implemented to deliver payroll and ACH origination, external money transfers, Positive Pay and reconcilement so customers can easily and rapidly match funds. Through our investment in our mobile check deposit platform, business customers can remotely deposit checks and this has proven to be a popular and needed feature that is widely used.

A new digital enhancement within the branch offices came to fruition in 2019 with the addition of New Account Desk, which allows for electronic document exchange and electronic signatures, saving customers time in making return trips to the bank and creating a paperless account opening experience.

The bandwidth between branches has also been greatly enlarged with a new SD WAN, increasing speeds by a factor of 10X. This not only expands our capacities, it also reduces or eliminates the need for employee travel between locations, instead providing a strong backbone for secure, real-time video conferencing.

Plans for 2020 include reviewing the scope of the ENCOMPASS mortgage platform with an eye toward competitive implications of what an online mortgage application could mean for our customers. A complete redesign of the look and feel of our consumer e-banking suite (online banking) is another project that will be undertaken in 2020. The refresh will update the graphics and layout of our e-banking and position it for an even better user experience.



"A complete redesign of the look and feel of our consumer e-banking suite (online banking) is another project that will be undertaken in 2020."

AmeriServ is also investigating account aggregating platforms that would provide customers with snapshots of their entire financial picture. The platform is designed to be customized by the customer with multiple accounts, both from inside the bank and from outside, including credit cards, other bank accounts or loans, pensions and financial accounts. The result would be a dashboard view that presents an up-to-date, holistic view of a person's full financial picture. Pending cybersecurity and usability reviews, the project could be implemented by the end of 2020.

Finally, to protect and build on the bank's digital footprint, AmeriServ has added a new Chief Information Security Officer (CISO) with a Certified Information Systems Security Professional Certification (CISSP) to oversee our Information Security program, including cybersecurity. The new CISO will oversee our security committees and expand interactions with peer groups, banking associations and regulatory bodies to assure that our cybersecurity program is best-in-class.

"Our AmeriServ representative Matt Rigo has been instrumental in Legacy Truck Centers' growth and success. He's spent a good amount of time with us learning about our vision and our operations. We know we can count on him at anytime."

COMMERCIAL BANKING

Strategic synergy in linking AmeriServ's commercial banking with its business services under the Financial Banking Center model has created a strong position for the bank, especially in newer markets extending beyond the traditional core footprint.

In recent years, all but two of our Loan Production Offices (LPO) have been incorporated into the full-service financial banking center strategy. This has produced a higher level of awareness and better access to our complete profile of banking services.

It starts with 2019 as an exceptionally strong year for commercial lending. Loan production was ahead of budget, exceeding growth projections with virtually no delinquencies. The commercial banking team added personnel, expanded expertise and applied best practices in underwriting, prudent risk management and customer relationship management to intimately know and shepherd customers along the origination pathway.

There were also struggles during the year. The Federal Reserve lowered rates, and property value increases in some of our markets led to early payoffs and property sales to lock in gains. Despite these market conditions, production did exceed last year.

Pictured left to right: Matt Rigo, AmeriServ Senior Vice President/Area Executive, Commercial Banking, John P. Niebauer III, Vice President, Legacy Truck Centers, Inc., Matthew E. Niebauer, President, Legacy Truck Centers, Inc.

"Loan production was ahead of budget, exceeding growth projections with virtually no delinquencies."

The outlook for the coming year remains strong. Our developing footprint is now well beyond our traditional base of operations. Our well-planned expansion has been anchored in the opportunity to serve our customers as their needs expand into new and nearby geographies, business sectors and commercial real estate. We are managing a diverse portfolio weighted carefully across those geographies, industries, multi-family, commercial real estate and other areas.

Our commercial lending efforts form a strong foundation for the larger commercial banking-oriented umbrella that includes both lending and business services. In fact, commercial lending and business services are working in tandem to meet the needs of business customers, large and small. Together they have begun to generate expanded inquiries from commercial customers and an early lift in some key areas of interest, especially ACH, payroll and the services represented through our AmeriSolve partners.

Business Banking also experienced a year of foundation building, completing the massive account conversion project begun in 2018. Implementations, testing, automatic billing and other elements are now in place for a solid 2020 start.

With the transition finished, several new and innovative services are being well received by business customers. Business online banking, complete with mobile check deposit, has elicited rave reviews. Credit card and merchant services are also drawing inquiries and interest. But the real hot-button issues center on security features available for business, including ACH debit block and Positive Pay.

Customer training is another service that differentiates AmeriServ. Business Services professionals provide hands-on training for the customer at their location and at their convenience. This highly customized approach to service has resulted in satisfied customers and an increase in service volume.

AmeriServ's commercial banking portfolio of lending and business services creates a flexible financial resource that serves small, medium and large customers – in business or industry – with a complete array built for their future, no matter where their business models lead.

WEALTH MANAGEMENT

The critical ebb and flow of funds through AmeriServ Trust & Financial Services Company maintains a direct line of support for the future and fortunes of our region, our communities, our customers and the shareholders we serve.

Millions of dollars needed by our beneficiaries for education, weddings, retirement, new homes, healthcare, travel and more entered our economies and delivered on dreams. Tens of millions more from AmeriServ client trusts were directed into non-profits and charitable organizations in a quiet but powerful statement on philanthropy, skilled wealth management and the care for community made possible when the two come together.

The steady stream from more than $1 billion in retirement assets under management generated a strong financial pulse for the families of thousands of our customers who depend on our services for their futures.

The impacts from AmeriServ Trust & Financial Services Company and our registered investment advisor, West Chester Capital Advisors, reach broad and deep into every corner of our market, built on a team of credentialed professionals who deliver a unique brand of personal customer service exemplified by our *"Financial Partner for Life"* philosophy.

Our standing policy to meet people where they need us to be – at home, at the office, in the branch, at an attorney or accountant's office, even in a coffee shop – signifies our drive to develop and nurture relationships and trust, and earn the confidence that comes with proven results.

For a second year in a row, those results were strong. Our institutional retirement services set a new record for assets under management and administration for the year. Company-wide, our Assets Under Administration (AUA) peaked at over $2.3 billion.

And for banks in the $1–3 billion peer group (over 300 in the country), our wealth management company rose to the 98th percentile in size, substantially larger than our peer competitors.

Our deepening relationship with Wealth2K's *Income for Life Model®* carried a significant portion of the credit for the expanding retirement savings market. With the model, complex financial assessments can be quickly computed and converted into easy-to-understand forecasts for retirement. Our advisors can connect with customers to present clear, concise and immediately actionable plans that speak directly to their concerns. And the concept has become highly popular. During the year, nearly 150 new individual financial plans were requested as a result of market demand.

In 2019, $110 million in union construction projects was underwritten by The Employee Real Estate Construction Trust Funds® (ERECT), changing the skylines of Pittsburgh, Cleveland and surrounding areas and generating nearly 600,000 hours of sustaining union wages.

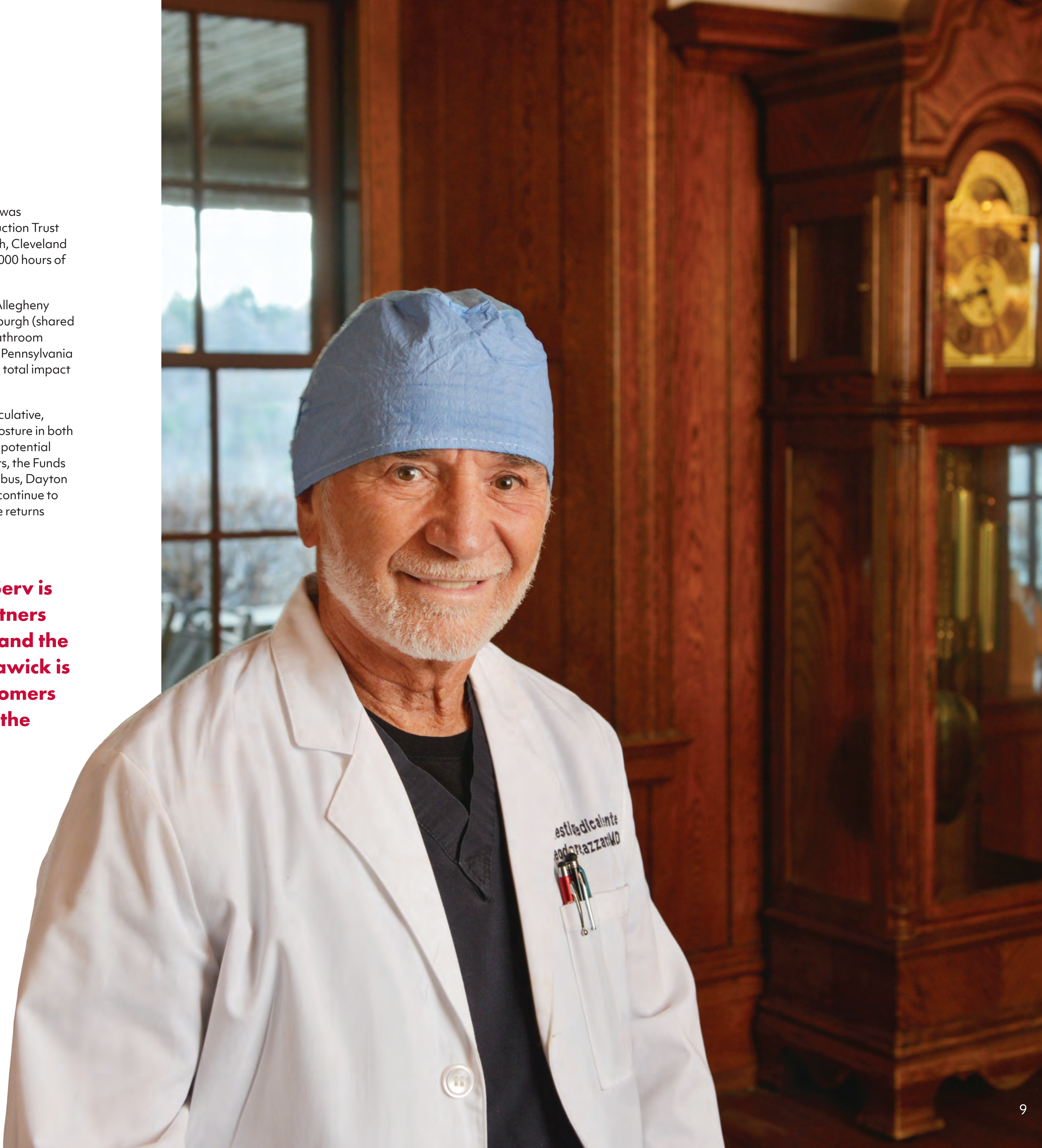
The ERECT Funds approved four new projects for Allegheny County, including the first co-living concept in Pittsburgh (shared kitchens and living spaces with rented bedroom/bathroom suites). This joins over 100 other projects in western Pennsylvania and eastern Ohio over the past three decades for a total impact of $2 billion.

With commercial construction becoming more speculative, The ERECT Funds have initiated a more selective posture in both the Pittsburgh and Cleveland markets. While some potential deals will continue under discussion in these markets, the Funds have begun to look west into developing the Columbus, Dayton and Cincinnati regions. This will allow the Funds to continue to grow while managing cash levels down to maximize returns for investors.

"Our relationship with AmeriServ is a strong one. We've been partners for approximately five years and the level of service from Steve Krawick is top-notch. We are happy customers and looking forward to what the future holds."

Theodore A. Lazzaro, M.D.
Aestique Surgical Center, Inc. Greensburg, PA

Steve Krawick is President and CEO of West Chester Capital Advisors, an AmeriServ affiliate.



RETAIL BANKING

The right account, for the right customer, using the right banking channel for their lifestyle – that's *Banking for Life*. And it is exactly that strategy that's driving AmeriServ's Retail Banking success heading into the future.

The success of AmeriServ's 2018 restructuring of legacy checking accounts generated an excellent foundation for the launch of AmeriServ's new online account opening in 2019. Four, simplified, easy-to-understand checking accounts – along with a savings account and a 2-year certificate of deposit (CD) – can now be securely activated online by consumers who wish to open deposit accounts without visiting the bank. A marketing campaign that asked, *"Where did you open your account?"* featured the lifestyle flexibility and choices now available to AmeriServ customers.

Bank marketing also took an opportunistic posture toward new account acquisition in 2019 with outreach to competitors' customers who received notice of local branch closings. AmeriServ's neighborhood stability, along with our highly competitive products and services, opened new avenues for account gains.

A new digital enhancement at the teller line came to fruition in 2019 with the addition of New Account Desk. The platform allows for electronic document exchange and electronic signatures, saving customers time by not requiring return trips to the bank and creating a paperless account opening experience.

The continuing enhancement of the AmeriServ network – upgraded ATMs, consultative face-to-face banking, mobile and online interaction, online account opening, electronic signatures and more – has brought new levels of customer service and convenience to the bank.

These fundamental advancements have created a favorable environment for both growing customers' recognized value of their AmeriServ relationships while growing profits from value-based product delivery.

Customer service has played an increasingly important role in AmeriServ's success, especially at the retail level. The bank's new, refreshed and revitalized bank-wide Customer Service Program for 2020 reinforces the concept of transactional tellers with consultative bankers who are always ready to step outside their routine to provide an exceptional, personalized customer experience. The *Shining Star Club* – a bank-wide program that provides employees with a way to identify and reward exemplary customer service through formal recognition was announced in 2019 and launched in early 2020.

At point in these exceptional customer experiences is the continuing success of AmeriServ's financial banking center concept - the combination of retail, business, mortgage and wealth management under one roof. During the year, all three financial banking centers – State College, University Heights and Hagerstown – performed well.

The bank has made a concerted effort to hire accomplished professionals from larger banks with proven sales experience to expand our customer service in outlying regions of our service area - Hagerstown, State College and Derry. This has set up a template for future hiring in the branches through the attrition process. We're positioned for future growth as we extend and demonstrate the *Banking for Life* philosophy throughout our branch network.

In short, AmeriServ is getting easier to do business with at the retail level and beyond. And customers are responding favorably.

"Four, simplified, easy-to-understand checking accounts ... can now be securely activated online by consumers who wish to open deposit accounts without visiting the bank."

Laken Davis, (left) a student at Westmont Hilltop High School, learns more about AmeriServ's StudentLife Checking Account from Westmont Manager Cheryl Carbaugh.

RETAIL LENDING

What the Fed taketh away, the Fed giveth. That's not exactly how the expression goes, but it is exactly what happened from last year to this year. The Federal Reserve voted in three distinct rate reductions during 2019, and each had an impact on the Retail Lending market.

It was a good year for AmeriServ mortgage lending despite a slow start connected with the Federal Reserve's last rate increase in December 2018. With the second half punctuated by rate decreases, August, September and October were extremely high closing months. Refinancing also took off, representing a full 28% of the retail lending business.

The bank was positioned to take advantage of this developing rate market situation with new originators placed in both the State College and Pittsburgh markets during the first quarter of 2019. The same strategy for opportunistic expansion in Hagerstown and possibly other markets including Greensburg is in line for 2020. Recruitment of top originator talent is at a pinnacle during colder months when business typically flattens. AmeriServ's reputation for excellent customer service along with highly competitive rates and fees serves to strengthen staff acquisition efforts.

New and expanded lending opportunities were a significant part of AmeriServ's strategy in 2019. Retail Lending re-entered the fixed rate construction loan market this year with encouraging results. After years of not offering these types of construction loans, the bank began to forge relationships with local builders focused in Pittsburgh and State College. Financing the building of a home fits perfectly with our *Banking for Life* philosophy and grows our abilities to offer a full range of services for our customers.

AmeriServ is poised to extend its partnership with the Pennsylvania State Education Association (PSEA) in 2020. Over the life of the contract, AmeriServ has written more than $140 million in mortgages, home equity Loan in a Line and personal lines of credit for the teachers' union members. In fact, 14% of AmeriServ's retail lending portfolio is now in PSEA loans. This strong relationship also effectively extends AmeriServ's market area throughout Pennsylvania with a very solid market penetration of eastern Pennsylvania.

The outlook for continued growth in PSEA lending is strong, as we gained momentum throughout 2019, with a very strong start in 2020. There are vast opportunities, as more than 1,000 members have been served (of a 180,000-member union) with benefits also extending to family members.

Tracy Beltowski (left) and Barry Brickel enjoy their Saturday morning coffee in their new home, financed by AmeriServ.

"Moving can be quite a painful process but AmeriServ Mortgage Originator Kevin Reighard helped to ease the burden by making sure our mortgage was streamlined. He kept us on track with all of the paperwork and deadlines, and was always pleasant and accommodating."

COMMUNITY

Social responsibility has always been at the forefront for AmeriServ and its employees. In 2019, we redoubled our efforts throughout the communities we serve. Among the highlights for the year was our role as the presenting sponsor for the **Leukemia and Lymphoma Society's *Light the Night*** event, led by AmeriServ Trust & Financial Services Company President & CEO Jim Huerth. In addition to a generous corporate pledge, AmeriServ employees raised another $25,000 in donations for local cancer patients and their families. The bank also participated in the annual walk in October, held on the University of Pittsburgh at Johnstown campus.

AmeriServ took the lead in sponsoring a community favorite, the annual **AmeriServ Johnstown Halloween Parade**, delighting countless children with a safe, family-friendly event that is truly one of the civic highlights of the year. Our lead sponsorships for the **AmeriServ Flood City Music Festival** and the **AmeriServ Sunday Summer Concert Series** at the Roxbury Bandshell were also enjoyed by the community at large.

Regionally, AmeriServ continued its public education series focused on having a better understanding of finances in the everyday world. The **AmeriServ Seminar Series** was created to leverage the bank and its resources as an education and information leader within the community. The seminars held in 2019 included: *Key Components for Retirement Planning*, *Financial Readiness for Students*, and *Preventing Identity Theft* (in partnership with the Pennsylvania Attorney General's office.) In 2020, this series will continue and further expand consumer education via podcasts.

AmeriServ Trust and Financial Services Company hosted a seminar separate from the series to assist those who will be applying for social security soon. An expert from the Social Security Administration was the keynote speaker and there were more than 200 attendees.

AmeriServ is also proud of the culture and social responsibility we support internally at the bank. We salute our employees who provide countless hours of service as non-profit board members, volunteers and active members of many civic and philanthropic organizations in our local communities.

"Shana Stiles, AmeriServ vice president and bank secrecy act officer, partnered with Comfort Cases and AmeriServ employees to help children in foster care. Through this effort, 120 children were able to travel to their next foster home with a little more comfort and dignity. AmeriServ employees embraced this backpack project with gusto."

AmeriServ employees participated in the Leukemia and Lymphoma Society's annual *Light the Night* by not only walking the night of the event, but also by raising an additional $25,000 over AmeriServ's corporate sponsorship. The monies raised will be used to assist local cancer patients and their families.

"Among the highlights for the year was our role as presenting sponsor for the Leukemia and Lymphoma Society's *Light the Night* event. "

BRANCH LOCATIONS

AmeriServ Financial Bank Office Locations

Headquarters

Main Office Johnstown
216 Franklin Street
Johnstown, PA 15901
1-800-837-BANK (2265)

Carrolltown
101 South Main Street
Carrolltown, PA 15722

Central City
104 Sunshine Avenue
Central City, PA 15926

Derry
112 South Chestnut Street
Derry, PA 15627

East Hills Drive Up
1213 Scalp Avenue
Johnstown, PA 15904

Eighth Ward
1059 Franklin Street
Johnstown, PA 15905

Hagerstown
12806 Shank Farm Way
Hagerstown, MD 21742

Lovell Park
179 Lovell Avenue
Ebensburg, PA 15931

Nanty Glo
1383 Shoemaker Street
Nanty Glo, PA 15943

North Atherton
1857 North Atherton Street
State College, PA 16803

Northern Cambria
4206 Crawford Avenue, Suite 1
Northern Cambria, PA 15714

Pittsburgh
United Steelworkers Building
60 Boulevard of the Allies
Suite 100
Pittsburgh, PA 15222

Seward
6858 Route 711, Suite 1
Seward, PA 15954

Somerset
108 West Main Street
Somerset, PA 15501

University Heights
1404 Eisenhower Boulevard
Johnstown, PA 15904

Westmont
110 Plaza Drive
Johnstown, PA 15905

Windber
1501 Somerset Avenue
Windber, PA 15963

AmeriServ Loan Production Locations

Altoona
3415 Pleasant Valley Boulevard
Pleasant Valley Shopping Center
Altoona, PA 16602

Wilkins Township
201 Penn Center Boulevard
Suite 200
Pittsburgh, PA 15235

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 0-11204

AMERISERV FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA (State or other jurisdiction of incorporation or organization)	**25-1424278** (I.R.S. Employer Identification No.)
MAIN & FRANKLIN STREETS, P.O. BOX 430, JOHNSTOWN, PENNSYLVANIA (Address of principal executive offices)	**15907-0430** (Zip Code)

Registrant's telephone number, including area code **(814) 533-5300**

Securities registered pursuant to Section 12(b) of the Act:

Title Of Each Class	Trading Symbol	Name of Each Exchange On Which Registered
Common Stock, Par Value $0.01 Per Share	ASRV	The NASDAQ Stock Market LLC
8.45% Beneficial Unsecured Securities, Series A (AmeriServ Financial Capital Trust I)	ASRVP	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☒ 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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. The aggregate market value was $65,717,632 as of June 30, 2019.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. There were 17,057,871 shares outstanding as of January 31, 2020.

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the proxy statement for the annual shareholders' meeting are incorporated by reference in Parts II and III.

FORM 10-K INDEX

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PART I

ITEM 1. BUSINESS

GENERAL

AmeriServ Financial, Inc. (the Company) is a bank holding company organized under the Pennsylvania Business Corporation Law. The Company became a holding company upon acquiring all of the outstanding shares of AmeriServ Financial Bank (the Bank) in January 1983. The Company's other wholly owned subsidiaries include AmeriServ Trust and Financial Services Company (the Trust Company), formed in October 1992, and AmeriServ Life Insurance Company (AmeriServ Life), formed in October 1987. When used in this report, the "Company" may refer to AmeriServ Financial, Inc. individually or AmeriServ Financial, Inc. and its direct and indirect subsidiaries.

The Company's principal activities consist of owning and operating its three wholly owned subsidiary entities. At December 31, 2019, the Company had, on a consolidated basis, total assets, deposits, and shareholders' equity of $1.2 billion, $960.5 million, and $98.6 million, respectively. The Company and its subsidiaries derive substantially all of their income from banking and bank-related services. The Company functions primarily as a coordinating and servicing unit for its subsidiary entities in general management, accounting and taxes, loan review, auditing, investment accounting, marketing and risk management.

As a bank holding company, the Company is subject to supervision and regular examination by the Federal Reserve Bank of Philadelphia and the Pennsylvania Department of Banking and Securities (the PDB). The Company is also under the jurisdiction of the Securities and Exchange Commission (the SEC) for matters relating to registered offerings and sales of its securities under the Securities Act of 1933, as amended, and the disclosure and regulatory requirements of the Securities Exchange Act of 1934, as amended. The Company's common stock is listed on The NASDAQ Stock Market under the trading symbol "ASRV," and the Company is subject to the NASDAQ rules applicable to listed companies.

AMERISERV FINANCIAL BANKING SUBSIDIARY

AMERISERV FINANCIAL BANK

The Bank is a state bank chartered under the Pennsylvania Banking Code of 1965, as amended (the Banking Code). Through 16 branch locations in Allegheny, Cambria, Centre, Somerset, and Westmoreland counties, Pennsylvania and Washington county, Maryland, the Bank conducts a general banking business. It is a full-service bank offering (i) retail banking services, such as demand, savings and time deposits, checking accounts, money market accounts, secured and unsecured consumer loans, mortgage loans, safe deposit boxes, holiday club accounts, money orders, and traveler's checks; and (ii) lending, depository and related financial services to commercial, industrial, financial, and governmental customers, such as commercial real estate mortgage loans (CRE), short and medium-term loans, revolving credit arrangements, lines of credit, inventory and accounts receivable financing, real estate-construction loans, business savings accounts, certificates of deposit, wire transfers, night depository, and lock box services. The Bank also operates 17 automated bank teller machines (ATMs) through its 24-hour banking network that is linked with NYCE, a regional ATM network, and CIRRUS, a national ATM network. West Chester Capital Advisors (WCCA), a SEC registered investment advisor, is a subsidiary of the Bank. The Company also operates loan production offices (LPOs) in Altoona and Wilkins Township in Pennsylvania.

We believe that the Bank's deposit base is such that loss of one depositor or a related group of depositors would not have a materially adverse effect on its business. The Bank's business is not seasonal, nor does it have any risks attendant to foreign sources. A significant majority of the Bank's customer base is located within a 150-mile radius of Johnstown, Pennsylvania, the Bank's headquarters.

The Bank is subject to supervision and regular examination by the Federal Reserve Bank of Philadelphia and the PDB. Various federal and state laws and regulations govern many aspects of its banking operations. The following is a summary of key data (dollars in thousands) and ratios of the Bank at December 31, 2019:

Headquarters	Johnstown, PA
Total Assets	**$1,156,426**
Total Investment Securities	**175,278**
Total Loans and Loans Held for Sale (net of unearned income)	**887,574**
Total Deposits	**960,712**
Total Net Income	**7,082**
Asset Leverage Ratio	**9.50%**
Return on Average Assets	**0.61**
Return on Average Equity	**6.61**
Total Full-time Equivalent Employees	**240**

RISK MANAGEMENT OVERVIEW:

Risk identification and management are essential elements for the successful management of the Company. In the normal course of business, the Company is subject to various types of risk, which includes credit, interest rate and market, liquidity, operational, legal/compliance, strategic/reputational and security risk. The Company controls and monitors these risks with policies, procedures, and various levels of oversight from the Company's Board of Directors (the Board) and management. The Company has a Management Enterprise Risk Committee with Board of Director representation to help manage and monitor the Company's risk position which is reported formally to the Board on a semi-annual basis.

Interest rate risk is the sensitivity of net interest income and the market value of financial instruments to the magnitude, direction, and frequency of changes in interest rates. Interest rate risk results from various repricing frequencies and the maturity structure of assets and liabilities. The Company uses its asset liability management policy to control and manage interest rate risk.

Liquidity risk represents the inability to generate cash or otherwise obtain funds at reasonable rates to satisfy commitments to borrowers, as well as the obligations to depositors, debtholders and the funding of operating costs. The Company uses its asset liability management policy and contingency funding plan to control and manage liquidity risk.

Credit risk represents the possibility that a customer may not perform in accordance with contractual terms resulting in an economic loss to the organization. Credit risk results from extending credit to customers, purchasing securities, and entering into certain off-balance sheet loan funding commitments. The Company's primary credit risk occurs in the loan portfolio. The Company uses its credit policy and disciplined approach to evaluating the adequacy of the allowance for loan losses (the ALL) to control and manage credit risk. The Company's investment policy and hedging policy limit the amount of credit risk that may be assumed in the investment portfolio and through hedging activities. The following summarizes and describes the Company's various loan categories and the underwriting standards applied to each:

Commercial Loans

This category includes credit extensions to commercial and industrial borrowers. Business assets, including accounts receivable, inventory and/or equipment, typically secure these credits. The commercial loan segment also includes commercial loans secured by owner occupied real estate. In appropriate instances, extensions of credit in this category are subject to collateral advance formulas. Balance sheet strength and profitability are considered when analyzing these credits, with special attention given to historical, current and prospective sources of cash flow, and the ability of the customer to sustain cash flow at acceptable levels. The Bank's policy permits flexibility in determining acceptable debt service coverage ratios. Personal guarantees are frequently required; however, as the financial strength of the borrower increases, the Bank's ability to obtain personal guarantees decreases. In addition to economic risk, this category is impacted by the strength of the borrower's management, industry risk and portfolio concentration risk each of which are also monitored and considered during the underwriting process.

Commercial Loans Secured by Non-Owner Occupied Real Estate

This category includes various types of loans, including acquisition and construction of investment property. Maximum term, minimum cash flow coverage, leasing requirements, maximum amortization and maximum loan to value ratios are controlled by the Bank's credit policy and follow industry guidelines and norms, and regulatory limitations. Personal guarantees are normally required during the construction phase on construction credits and are frequently obtained on mid to smaller CRE loans. In addition to economic risk, this category is subject to geographic and portfolio concentration risk, each of which are monitored and considered in underwriting.

The Company utilizes a robust and diligent risk management framework to monitor the non-owner occupied commercial real estate segment of the portfolio. This analysis considers more forward looking credit metrics such as stress test results and underwriting trend data, coupled with risk tolerance and concentration guidelines. The process is intended to allow identification of emerging risk, in part, to determine any future change to lending policy, underwriting practices or broader lending strategy prior to any indication of performance deterioration.

Residential Real Estate — Mortgages

This category includes mortgages that are secured by residential property. Underwriting of loans within this category is pursuant to Freddie Mac/Fannie Mae underwriting guidelines, with the exception of Community Reinvestment Act (CRA) loans, which have more liberal standards. A meaningful portion of this portfolio consists of home equity loans. The major risk in this category is that a significant downward economic trend would increase unemployment and cause payment default. The Bank does not engage and has never engaged, in subprime residential mortgage lending.

Consumer Loans

This category includes consumer installment loans and revolving credit plans. Underwriting is pursuant to industry norms and guidelines. The major risk in this category is a significant economic downturn.

INVESTMENTS

The strategic focus of the investment securities portfolio is managed for liquidity and earnings in a prudent manner that is consistent with proper bank asset/liability management and current banking practices. The objectives of portfolio management include consideration of proper liquidity levels, interest rate and market valuation sensitivity, and profitability. The investment portfolio of the Company and its subsidiaries are proactively managed in accordance with federal and state laws and regulations and in accordance with generally accepted accounting principles (GAAP).

The investment portfolio is primarily made up of AAA rated agency mortgage-backed securities, high quality corporate securities, taxable municipal securities, and agency securities. Management strives to maintain a portfolio duration that is less than 60 months. All holdings must meet standards documented in its investment policy, unless otherwise approved by the Company's CEO or the Asset/Liability Management Committee.

Investment securities classified as held to maturity are carried at amortized cost while investment securities classified as available for sale are reported at fair market value. The following table sets forth the cost basis and fair value of the Company's investment portfolio as of the periods indicated:

Investment securities available for sale at:

	AT DECEMBER 31, 2019	2018	2017
	(IN THOUSANDS)		
U.S. Agency	**$ 5,084**	$ 7,685	$ 6,612
Municipal	**14,678**	13,301	7,198
Corporate bonds	**39,769**	37,359	35,886
U.S. Agency mortgage-backed securities	**80,046**	90,169	79,854
Total cost basis of investment securities available for sale	**$139,577**	$148,514	$129,550
Total fair value of investment securities available for sale	**$141,749**	$146,731	$129,138

Investment securities held to maturity at:

	AT DECEMBER 31, 2019	2018	2017
	(IN THOUSANDS)		
Municipal	**$24,438**	$24,740	$22,970
U.S. Agency mortgage-backed securities	**9,466**	9,983	9,740
Corporate bonds and other securities	**6,032**	6,037	6,042
Total cost basis of investment securities held to maturity	**$39,936**	$40,760	$38,752
Total fair value of investment securities held to maturity	**$41,082**	$40,324	$38,811

DEPOSITS

The Bank has a stable core deposit base made up of traditional commercial bank products that exhibits modest fluctuation, other than jumbo certificates of deposits (CDs) and certain municipal deposits, which demonstrate some seasonality. The Company also utilizes certain Trust Company specialty deposits related to the ERECT Fund as a funding source which serve as an alternative to wholesale borrowings and can exhibit some limited degree of volatility.

The following table sets forth the average balance of the Company's deposits and average rates paid thereon for the past three calendar years:

	AT DECEMBER 31, 2019		2018		2017	
	(IN THOUSANDS, EXCEPT PERCENTAGES)					
Demand:						
Non-interest bearing	**$151,292**	**—%**	$174,108	—%	$182,301	—%
Interest bearing	**170,326**	**0.94**	138,572	0.82	129,589	0.49
Savings	**96,783**	**0.17**	98,035	0.17	97,405	0.17
Money market	**234,387**	**1.08**	249,618	0.87	275,636	0.52
Certificates of deposit in denominations of $100,000 or more	**36,324**	**2.33**	31,893	1.66	29,002	1.10
Other time	**290,543**	**2.09**	267,498	1.70	262,473	1.41
Total deposits	**$979,655**	**1.35%**	$959,724	1.07%	$976,406	0.79%

The maturities on certificates of deposit of $100,000 or more as of December 31, 2019, are as follows:

MATURING IN:	(IN THOUSANDS)
Three months or less	**$ 4,893**
Over three through six months	**10,325**
Over six through twelve months	**18,227**
Over twelve months	**5,325**
Total	**$38,770**

LOANS

The loan portfolio of the Company consisted of the following:

	AT DECEMBER 31, 2019	2018	2017	2016	2015
	(IN THOUSANDS)				
Commercial:					
Commercial and industrial	**$174,021**	$158,306	$159,219	$171,570	$181,117
Commercial loans secured by owner occupied real estate[1]	**91,693**	91,938	89,979	91,861	97,172
Commercial loans secured by non-owner occupied real estate[1]	**363,882**	356,805	374,173	355,172	324,971
Real estate – residential mortgage[1]	**235,239**	237,964	247,278	245,765	257,937
Consumer	**18,255**	17,591	19,383	19,872	20,344
Total loans	**883,090**	862,604	890,032	884,240	881,541
Less: Unearned income	**384**	322	399	476	557
Total loans, net of unearned income	**$882,706**	$862,282	$889,633	$883,764	$880,984

(1) For each of the periods presented beginning with December 31, 2019, real estate-construction loans constituted 4.9%, 3.5%, 4.1%, 4.7%, and 3.0% of the Company's total loans, net of unearned income, respectively.

Secondary Market Activities

The residential lending department of the Bank continues to originate one-to-four family mortgage loans for customers, the majority of which are sold to outside investors in the secondary market and some of which are retained for the Bank's portfolio. Mortgages sold in the secondary market are sold to investors on a "flow" basis; mortgages are priced and delivered on a "best efforts" pricing basis, with servicing released to the investor. Fannie Mae/Freddie Mac guidelines are used in underwriting all mortgages with the exception of a limited amount of CRA loans. Mortgages with longer terms, such as 20-year, 30-year, FHA, and VA loans, are usually sold. The remaining production of the department includes construction, adjustable rate mortgages, and quality non-salable loans. These loans are usually kept in the Bank's portfolio.

Non-performing Assets

The following table presents information concerning non-performing assets:

	AT DECEMBER 31,				
	2019	2018	2017	2016	2015
	(IN THOUSANDS, EXCEPT PERCENTAGES)				
Non-accrual loans:					
Commercial and industrial	**$ —**	$ —	$ 353	$ 496	$4,260
Commercial loans secured by owner occupied real estate	**—**	—	859	—	—
Commercial loans secured by non-owner occupied real estate	**8**	11	547	178	18
Real estate – residential mortgage	**1,479**	1,210	1,257	929	1,788
Total	**1,487**	1,221	3,016	1,603	6,066
Other real estate owned:					
Commercial loans secured by owner occupied real estate	**—**	157	—	—	—
Real estate – residential mortgage	**37**	—	18	21	75
Total	**37**	157	18	21	75
Total restructured loans not in non-accrual (TDR)	**815**	—	—	—	156
Total non-performing assets including TDR	**$2,339**	$1,378	$3,034	$1,624	$6,297
Total non-performing assets as a percent of loans, net of unearned income, and other real estate owned	**0.26%**	0.16%	0.34%	0.18%	0.71%

The Company is unaware of any additional loans which are required to either be charged-off or added to the non-performing asset totals disclosed above. Other real estate owned (OREO) is measured at fair value based on appraisals, less cost to sell at the date of foreclosure. The Company had no loans past due 90 days or more, still accruing, for the periods presented.

The following table sets forth, for the periods indicated, (1) the gross interest income that would have been recorded if non-accrual loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination if held for part of the period, (2) the amount of interest income actually recorded on such loans, and (3) the net reduction in interest income attributable to such loans.

	YEAR ENDED DECEMBER 31,				
	2019	2018	2017	2016	2015
	(IN THOUSANDS)				
Interest income due in accordance with original terms	**$57**	$75	$103	$118	$94
Interest income recorded	**—**	—	(75)	—	—
Net reduction in interest income	**$57**	$75	$ 28	$118	$94

AMERISERV FINANCIAL NON-BANKING SUBSIDIARIES

AMERISERV TRUST AND FINANCIAL SERVICES COMPANY

AmeriServ Trust and Financial Services Company is a trust company organized under Pennsylvania law in October 1992. Its staff of approximately 45 professionals administers assets valued at approximately $2.2 billion that are not recognized on the Company's balance sheet at December 31, 2019. The Trust Company focuses on wealth management. Wealth management includes personal trust products and services such as personal portfolio investment management, estate planning and administration, custodial services and pre-need trusts. Also, institutional trust products and services such as 401(k) plans, defined benefit and defined contribution employee benefit plans, and individual retirement accounts are included in this segment. This segment also includes financial services, which include the sale of mutual funds, annuities, and insurance products. The wealth management business also includes the union collective investment funds, namely the ERECT funds which are designed to use union pension dollars in construction projects that utilize union labor. The BUILD fund continues in the process of liquidation. At December 31, 2019, the Trust Company had total assets of $6.5 million and total stockholder's equity of $6.5 million. In 2019, the Trust Company contributed earnings to the Company as its gross revenue amounted to $9.3 million and the net income contribution was $1.5 million. The Trust Company is subject to regulation and supervision by the Federal Reserve Bank of Philadelphia and the PDB.

AMERISERV LIFE

AmeriServ Life is a captive insurance company organized under the laws of the State of Arizona. AmeriServ Life engages in underwriting as reinsurer of credit life and disability insurance within the Company's market area. Operations of AmeriServ Life are conducted in each office of the Company's banking subsidiary. AmeriServ Life is subject to supervision and regulation by the Arizona Department of Insurance, the Pennsylvania Insurance Department, and the Board of Governors of the Federal Reserve System (the Federal Reserve). At December 31, 2019, AmeriServ Life had total assets of $272,000.

MONETARY POLICIES

Commercial banks are affected by policies of various regulatory authorities including the Federal Reserve. An important function of the Federal Reserve is to regulate the national supply of bank credit. Among the instruments of monetary policy used by the Federal Reserve are: open market operations in U.S. Government securities, changes in the federal funds rate and discount rate on member bank borrowings, and changes in reserve requirements on bank deposits. These means are used in varying combinations to influence overall growth of bank loans, investments, and deposits, and may also affect interest rate charges on loans or interest paid for deposits. The monetary policies of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

COMPETITION

Our subsidiaries face strong competition from other commercial banks, savings banks, credit unions, savings and loan associations, and other financial or investment service institutions for business in the communities they serve. Several of these institutions are affiliated with major banking and financial institutions which are substantially larger and have greater financial resources than the Bank and the Trust Company. As the financial services industry continues to consolidate, the scope of potential competition affecting our subsidiaries will also increase. Brokerage houses, consumer finance companies, insurance companies, and pension trusts are important competitors for various types of financial services. Personal and corporate trust investment counseling services are offered by insurance companies, other firms, and individuals. In addition, some of these competitors, such as credit unions, are subject to a lesser degree of regulation or taxation than that imposed on us.

MARKET AREA & ECONOMY

Johnstown, Pennsylvania, where the Company is headquartered, continues to have a cost of living that is lower than the national average. Johnstown is home to The University of Pittsburgh at Johnstown, Pennsylvania Highlands Community College and Conemaugh Health System. The high-tech defense industry is now the main non-health care staple of the Johnstown economy, with the region fulfilling many Federal government contracts, punctuated by one of the premier defense trade shows in the U.S., the annual Showcase for Commerce. The city also hosts annual events such as the Flood City Music Festival and the Thunder in the Valley Motorcycle Rally, which draw several thousand visitors. The Johnstown, PA MSA unemployment rate decreased from a 5.2% average in 2018 to a 5.0% average in 2019. The Johnstown, PA MSA continues to have one of the highest jobless rates among the 18 metropolitan statistical areas across the state. This coupled with a declining population trend creates a challenge moving forward.

Economic conditions are stronger in the State College market and have demonstrated the same improvement experienced in the national economy. The community is a college town, dominated economically and demographically by the presence of the University Park campus of the Pennsylvania State University. "Happy Valley" is another often-used term to refer to the State College area, including the borough and the townships of College, Harris, Patton, and Ferguson. The unemployment rate for the State College MSA decreased from a 3.2% average in 2018 to a 3.1% average in 2019 and remains one of the lowest of all regions in the Commonwealth. A large percentage of the population in State College falls into the 18 to 34-year-old age group, while potential customers in the Cambria/Somerset markets tend to be over 50 years of age.

Hagerstown in Washington County, Maryland offers a rare combination of business advantages providing a major crossroads location that is convenient to the entire East Coast at the intersection of I-81 and I-70. It has a workforce of over 400,000 with strengths in manufacturing and technology. It also offers an affordable cost of doing business and living, all within an hour of the Washington, D.C./Baltimore regions. There are also plenty of facilities and land slated for industrial/commercial development. Hagerstown has become a choice location for manufacturers, financial services, and distribution companies. The Hagerstown, MD-Martinsburg, WV MSA unemployment rate decreased from a 4.2% average in 2018 to a 3.7% average in 2019.

The Company also has loan production offices in Wilkins Township in Allegheny County and Altoona in Blair County, Pennsylvania. Wilkins Township in Allegheny County, Pennsylvania is located 15 miles east of the city of Pittsburgh. While the city is historically known for its steel industry, today its economy is largely based on healthcare, education, technology and financial services. The city of Pittsburgh is home to many colleges, universities and research facilities, the most well-known of which are Carnegie Mellon University, Duquesne University and the University of Pittsburgh. Pittsburgh is rich in art and culture. Pittsburgh museums and cultural sites include the Andy Warhol Museum, the Carnegie Museum of Art, the Frick Art & Historical Center, and Pittsburgh Center for the Arts among numerous others. Pittsburgh is also the home of the Pirates, Steelers and Penguins. The unemployment rate for the Pittsburgh MSA decreased from a 4.3% average in 2018 to a 4.1% average in 2019.

Altoona is the business center of Blair County, Pennsylvania with a strong retail, government and manufacturing base. The top field of employment in Altoona and the metro area is healthcare. Its location along I-99 draws from a large trade area over a wide geographic area that extends to State College and Johnstown. It serves as the headquarters for Sheetz Corporation, which ranks on Forbes list of the top privately owned companies. In addition to being located adjacent to I-99 and a major highway system, Altoona also has easy access to rail and air transportation. The average unemployment rate in the Altoona MSA remained stable in 2019 at the 2018 level of 4.2%.

EMPLOYEES

The Company employed 328 people as of December 31, 2019 in full- and part-time positions. Approximately 155 non-supervisory employees of the Company are represented by the United Steelworkers, AFL-CIO-CLC, Local Union 2635-06. The Company is under a four-year labor contract with the United Steelworkers Local that will expire on October 15, 2021. The contract calls for annual wage increases of 3.0%. The Company has not experienced a work stoppage since 1979. The Company is one of an estimated ten union represented banks nationwide.

INDUSTRY REGULATION

The banking and trust industry, and the operation of bank holding companies, is highly regulated by federal and state law, and by numerous regulations adopted by the federal and state banking agencies. Bank regulation affects all aspects of conducting business as a bank, including such major items as minimum capital requirements, limits on types and amounts of investments, loans and other assets, as well as borrowings and other liabilities, and numerous restrictions or requirements on the loan terms and other products made available to customers, particularly consumers. Federal deposit insurance from the Federal Deposit Insurance Corporation (the FDIC) is required for all banks in the United States, and maintaining FDIC insurance requires observation of the various rules of the FDIC, as well as payment of deposit insurance premiums. New branches, or acquisitions or mergers, are required to be pre-approved by the responsible

agency, which in the case of the Company and the Bank is the Federal Reserve and the PDB. The Bank provides detailed financial information to its regulators, including a quarterly call report that is filed pursuant to detailed prescribed instructions to ensure that all U.S. banks report the same way. The U.S. banking laws and regulations are frequently updated and amended, especially in response to crises in the financial industry, such as the global financial crisis of 2008, which resulted in the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in 2010 (the Dodd-Frank Act), a statute affecting many facets of the financial industry. The Economic Growth, Regulatory Relief, and Consumer Protection Act was enacted into law in 2018 and was designed to ease certain restrictions imposed by the Dodd-Frank Act.

While it is impractical to discuss all laws and regulations that regularly affect the business of the Company and its subsidiaries, set forth below is an overview of some of the major provisions and statutes that apply.

CAPITAL REQUIREMENTS

One of the most significant regulatory requirements for banking institutions is minimum capital, imposed as a ratio of capital to assets. The Federal Deposit Insurance Act, as amended (the FDIA), identifies five capital categories for insured depository institutions: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. It requires U.S. federal bank regulatory agencies to implement systems for "prompt corrective action" for insured depository institutions that do not meet minimum capital requirements based on these categories. Both federal and state banking regulation impose progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Unless a bank is well capitalized, it is subject to restrictions on its ability to utilize brokered deposits and on other aspects of its operations. Generally, a bank is prohibited from paying any dividend or making any capital distribution or paying any management fee to its holding company if the bank would thereafter be undercapitalized.

As of December 31, 2019, the Company believes that its bank subsidiary was well capitalized, based on the prompt corrective action guidelines described above. On January 1, 2015, U.S. federal banking agencies implemented the new Basel III capital standards, which establish the minimum capital levels to be considered well-capitalized and revise the prompt corrective action requirements under banking regulations. The revisions from the previous standards include a revised definition of capital, the introduction of a minimum common equity tier 1 capital ratio and changed risk weightings for certain assets. The implementation of the new rules was phased in over a four-year period ending January 1, 2019 with minimum capital requirements becoming increasingly stricter each year of the transition. The capital to risk-adjusted assets requirements for minimum capital plus the applicable buffer, and the requirement to be "well capitalized," are as follows:

	Minimum Capital Plus Buffer As of December 31, 2018	Minimum Capital Plus Buffer As of December 31, 2019	Well Capitalized
Common equity tier 1 capital ratio	6.38%	7.00%	6.50%
Tier 1 capital ratio	7.88%	8.50%	8.00%
Total capital ratio	9.88%	10.50%	10.00%

Under the current rules, in order to avoid limitations on capital distributions (including dividend payments and certain discretionary bonus payments to executive officers), a banking organization must hold a capital conservation buffer above its minimum risk-based capital requirements of 2.50% of total risk weighted assets.

DIVIDEND RESTRICTIONS

The primary source of cash to pay dividends, if any, to the Company's shareholders and to meet the Company's obligations is dividends paid to the Company by the Bank and the Trust Company. Dividend payments by the Bank to the Company are subject to the laws of the Commonwealth of Pennsylvania, the Banking Code, the FDIA and the regulation of the PDB and of the Federal Reserve. Under the Banking Act and the FDIA, a bank may not pay any dividends if, after paying such dividends, it would be undercapitalized under applicable capital requirements. In addition to these explicit limitations, the federal regulatory agencies are authorized to prohibit a banking subsidiary or bank holding company from engaging in unsafe or unsound banking practices. Depending upon the circumstances, the agencies could take the position that paying a dividend would constitute an unsafe or unsound banking practice.

It is the policy of the Federal Reserve that bank holding companies should pay cash dividends on common stock only out of income available from the immediately preceding year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. The policy provides that bank holding companies should not maintain a level of cash dividend that undermines the bank holding company's ability to serve as a source of strength to its banking subsidiary. A bank holding company may not pay dividends when it is insolvent.

For more information regarding quarterly cash dividends, see Part II, Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities below.

SARBANES-OXLEY ACT OF 2002

The Sarbanes-Oxley Act of 2002 is not a banking law, but contains important requirements for public companies in the area of financial disclosure and corporate governance. In accordance with Section 302(a) of the Sarbanes-Oxley Act, written certifications by the Company's principal executive officer and principal financial officer are required. These certifications attest, among other things, that the Company's quarterly and annual reports filed with the SEC do not contain any untrue statement of a material fact. In response to the Sarbanes-Oxley Act of 2002, the Company adopted a series of procedures to further strengthen its corporate governance practices. The Company also requires signed certifications from managers who are responsible for internal controls throughout the Company as to the integrity of the information they prepare. These procedures supplement the Company's Code of Conduct Policy and other procedures that were previously in place. The Company maintains a program designed to comply with Section 404 of the Sarbanes-Oxley Act. This program included the identification of key processes and accounts, documentation of the design of control effectiveness over the key processes and entity level controls, and testing of the effectiveness of key controls.

PRIVACY PROVISIONS

Federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about customers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to non-affiliated third parties. The privacy provisions affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. The Company believes it is in compliance with the various provisions.

USA PATRIOT ACT

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA Patriot Act substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The United States Treasury Department has issued and, in some cases, proposed a number of regulations that apply various requirements of the USA Patriot Act to financial institutions. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the Company.

DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT

The Dodd-Frank Act was signed into law on July 21, 2010. This law significantly changed the previous bank regulatory structure and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies.

A provision of the Dodd-Frank Act eliminated the federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest bearing checking accounts. The Dodd-Frank Act also broadened the base for FDIC insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor.

Bank and thrift holding companies with assets of less than $15 billion as of December 31, 2009, such as the Company, are permitted to include trust preferred securities that were issued before May 19, 2010, such as the Company's 8.45% Trust Preferred Securities, as Tier 1 capital; however, trust preferred securities issued by a bank or thrift holding company (other than those with assets of less than $500 million) after May 19, 2010, will no longer count as Tier 1 capital. Such trust preferred securities still will be entitled to be treated as Tier 2 capital.

The Dodd-Frank Act created the Consumer Financial Protection Bureau (the CFPB), a new independent regulatory agency with broad powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The CFPB has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Banks and savings institutions with $10 billion or less in assets such as the Company will continue to be examined for compliance with the consumer laws by their primary bank regulators. The Dodd-Frank Act also weakens the federal preemption rules that have been applicable for national banks and federal savings associations and gives state attorney generals the ability to enforce federal consumer protection laws.

ECONOMIC GROWTH, REGULATORY RELIEF, AND CONSUMER PROTECTION ACT

The Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Act"), which was designed to ease certain restrictions imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, was enacted into law on May 24, 2018. Most of the changes made by the Act can be grouped into five general areas: mortgage lending; certain regulatory relief for "community" banks; enhanced consumer protections in specific areas, including subjecting credit reporting agencies to additional requirements; certain regulatory relief for large financial institutions, including increasing the threshold at which institutions are classified a systemically important financial institutions (from $50 billion to $250 billion) and therefore subject to stricter oversight, and revising the rules for larger institution stress testing; and certain changes to federal securities regulations designed to promote capital formation.

Some of the key provisions of the Act as it relates to community banks and bank holding companies include, but are not limited to: (i) designating mortgages held in portfolio as "qualified mortgages" for banks with less than $10 billion in assets, subject to certain documentation and product limitations; (ii) exempting banks with less than $10 billion in assets from Volcker Rule requirements relating to proprietary trading; (iii) simplifying capital calculations for banks with less than $10 billion in assets by requiring federal banking agencies to establish a community bank leverage ratio of tangible equity to average consolidate assets not less than 8% or more than 10% and provide that banks that maintain tangible equity in excess of such ratio will be deemed to be in compliance with risk-based capital and leverage requirements; (iv) assisting smaller banks with obtaining stable funding by providing an exception for reciprocal deposits from FDIC restrictions on acceptance of brokered deposits; (v) raising the eligibility for use of short-form call reports from $1 billion to $5 billion in assets; and (vi) clarifying definitions pertaining to high volatility commercial real estate loans (HVCRE), which require higher capital allocations, so that only loans with increased risk are subject to higher risk weightings.

In September 2019, as directed pursuant to the Act, the federal bank regulatory agencies issued final rules for a community bank leverage ratio ("CBLR") for certain community banking organizations, which will be available to use in call reports filed for the period beginning January 1, 2020 or April 1, 2020 pursuant to subsequent final rules adopted in October 2019. Under the final rules, a bank or holding company would be eligible to elect the CBLR framework if the institution had less than $10.0 billion in total consolidated assets, met certain risk-based qualifying criteria and had a CBLR greater than 9%. A qualifying community banking organization that elected to opt in to the CBLR framework would not be subject to risk-based and leverage capital requirements under the Basel III rules. In July 2019, the federal bank regulatory agencies issued final rules pursuant to the Act simplifying several requirements in the agencies' regulatory capital rules for banks generally less than $250 billion in assets. As directed pursuant to the Act, the federal bank regulatory agencies issued final rules increasing the asset thresholds for management interlocks between depository institutions, which became effective in October 2019. Also, in October 2019, the federal bank regulatory agencies issued final rules to, among other things, increase the threshold for appraisals in a residential real estate transaction from $250,000 to $400,000 and make conforming changes to add to the list of exempt transactions those transactions secured by residential property in rural areas that have been exempted from the agencies' appraisal requirements pursuant to the Act. Additionally, the Act requires the enactment of a number of other implementing regulations, the details of which may have a material effect on the ultimate impact of the law. The Company continues to analyze the changes implemented by the Act and further rulemaking from federal banking regulators, but, at this time, does not believe that such changes will materially impact the Company's business, operations, or financial results.

AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. These filings are available to the public on the internet at the SEC's website at *http://www.sec.gov*.

Our internet address is *http://www.ameriserv.com*. We make available, free of charge on *http://www.ameriserv.com*, our annual, quarterly and current reports, and amendments to those reports, as soon as reasonably practical after we electronically file such material with, or furnish it to, the SEC.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved staff comments from the SEC for the reporting periods presented.

ITEM 2. PROPERTIES

The principal offices of the Company and the Bank occupy the five-story AmeriServ Financial building at the corner of Main and Franklin Streets in Johnstown plus eleven floors of the building adjacent thereto. The Company occupies the main office and its subsidiary entities have 13 other locations which are owned. Seven additional locations are leased with terms expiring from September 30, 2020 to June 30, 2033.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to a number of asserted and unasserted potential legal claims encountered in the normal course of business. In the opinion of both management and legal counsel, there is no present basis to conclude that the resolution of these claims will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

COMMON STOCK

As of January 31, 2020, the Company had 2,798 shareholders of record for its common stock. The Company's common stock is traded on The NASDAQ Stock Market under the symbol "ASRV." The following table sets forth the actual high and low closing prices and the cash dividends declared per share for the periods indicated:

	PRICES		CASH
	HIGH	LOW	DIVIDENDS DECLARED
Year ended December 31, 2019:			
First Quarter	**$4.24**	**$3.97**	**$0.020**
Second Quarter	**4.30**	**4.03**	**0.025**
Third Quarter	**4.24**	**4.08**	**0.025**
Fourth Quarter	**4.30**	**4.11**	**0.025**
Year ended December 31, 2018:			
First Quarter	$4.20	$4.00	$0.015
Second Quarter	4.30	4.00	0.020
Third Quarter	4.55	4.10	0.020
Fourth Quarter	4.43	3.98	0.020

The declaration of cash dividends on the Company's common stock is at the discretion of the Board, and any decision to declare a dividend is based on a number of factors, including, but not limited to, earnings, prospects, financial condition, regulatory capital levels, applicable covenants under any credit agreements and other contractual restrictions, Pennsylvania law, federal and Pennsylvania bank regulatory law, and other factors deemed relevant.

On July 17, 2018, the Company announced a common stock repurchase program that called for AmeriServ Financial, Inc. to buy back up to 3%, or approximately 540,000 shares, of its outstanding common stock over a 12-month time period. As of the end of the first quarter of 2019, all shares authorized under this plan had been repurchased.

On April 16, 2019, the Company announced a new program to repurchase up to 3%, or approximately 526,000 shares, of the Company's outstanding common stock during the next 12 months. Following are the Company's monthly common stock purchases during the fourth quarter of 2019. All shares are repurchased under Board of Directors authorization.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plan	Maximum number of shares that may yet be purchased under the plan
October 1 – 31, 2019	15,107	$4.21	15,107	111,698
November 1 – 30, 2019	51,486	4.24	51,486	60,212
December 1 – 31, 2019	24,250	4.24	24,250	35,962
Total	90,843		90,843	

During 2019, the Company was able to repurchase a total of 602,349 shares at an average price of $4.23 under these repurchase programs.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FIVE-YEAR CONSOLIDATED FINANCIAL DATA

	AT OR FOR THE YEAR ENDED DECEMBER 31,				
	2019	2018	2017	2016	2015
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA AND RATIOS)				
SUMMARY OF INCOME STATEMENT DATA:					
Total interest income	**$ 49,767**	$ 47,094	$ 44,356	$ 41,869	$ 41,881
Total interest expense	**14,325**	11,600	8,795	7,735	6,520
Net interest income	**35,442**	35,494	35,561	34,134	35,361
Provision (credit) for loan losses	**800**	(600)	800	3,950	1,250
Net interest income after provision (credit) for loan losses	**34,642**	36,094	34,761	30,184	34,111
Total non-interest income	**14,773**	14,224	14,645	14,638	15,267
Total non-interest expense	**41,815**	40,873	40,726	41,615	41,038
Income before income taxes	**7,600**	9,445	8,680	3,207	8,340
Provision for income taxes	**1,572**	1,677	5,387	897	2,343
Net income	**$ 6,028**	$ 7,768	$ 3,293	$ 2,310	$ 5,997
Net income available to common shareholders	**$ 6,028**	$ 7,768	$ 3,293	$ 2,295	$ 5,787
PER COMMON SHARE DATA:					
Basic earnings per share	**$ 0.35**	$ 0.43	$ 0.18	$ 0.12	$ 0.31
Diluted earnings per share	**0.35**	0.43	0.18	0.12	0.31
Cash dividends declared	**0.095**	0.075	0.060	0.050	0.040
Book value at period end	**5.78**	5.56	5.25	5.05	5.19
BALANCE SHEET AND OTHER DATA:					
Total assets	**$1,171,184**	$1,160,680	$1,167,655	$1,153,780	$1,148,497
Loans and loans held for sale, net of unearned income	**887,574**	863,129	892,758	886,858	883,987
Allowance for loan losses	**9,279**	8,671	10,214	9,932	9,921
Investment securities available for sale	**141,749**	146,731	129,138	127,077	119,467
Investment securities held to maturity	**39,936**	40,760	38,752	30,665	21,419
Deposits	**960,513**	949,171	947,945	967,786	903,294
Total borrowed funds	**100,574**	108,177	115,701	78,645	117,058
Stockholders' equity	**98,614**	97,977	95,102	95,395	118,973
Full-time equivalent employees	**309**	303	302	305	318
SELECTED FINANCIAL RATIOS:					
Return on average assets	**0.51%**	0.67%	0.28%	0.20%	0.54%
Return on average total equity	**6.02**	8.08	3.42	2.30	5.10
Loans and loans held for sale, net of unearned income, as a percent of deposits, at period end	**92.41**	90.94	94.18	91.64	97.86
Ratio of average total equity to average assets	**8.52**	8.28	8.24	8.79	10.65
Common stock cash dividends as a percent of net income available to common shareholders	**27.36**	17.31	33.80	41.18	13.03
Interest rate spread	**3.05**	3.08	3.14	3.08	3.33
Net interest margin	**3.29**	3.31	3.32	3.26	3.49
Allowance for loan losses as a percentage of loans, net of unearned income, at period end	**1.05**	1.00	1.14	1.12	1.13
Non-performing assets as a percentage of loans and other real estate owned, at period end	**0.26**	0.16	0.34	0.18	0.71
Net charge-offs as a percentage of average loans	**0.02**	0.11	0.06	0.44	0.11
Cumulative one year interest rate sensitivity gap ratio, at period end	**1.41**	1.15	1.22	1.44	1.23

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

The following discussion and analysis of financial condition and results of operations of the Company should be read in conjunction with the consolidated financial statements of the Company including the related notes thereto, included elsewhere herein.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017

2019 SUMMARY OVERVIEW:

On January 21, 2020, AmeriServ issued a press release detailing our financial results for the fourth quarter and the full year of 2019. Results included net income of $669,000, or $0.04 per share, as compared with the fourth quarter of 2018, when net income was $1,928,000, or $0.11 per share. The full year of 2019 resulted in net income of $6,028,000, or $0.35 per share, as compared with net income of $7,768,000, or $0.43 per share, for 2018. This decline is explained primarily by two specific events during the fourth quarter of 2019.

First, financial institutions such as AmeriServ are required to invest in positive economic progress within the markets where the institution conducts business. This Community Reinvestment Act (CRA) was passed into law by Congress in the latter half of the last century. Fortunately, there are occasions when such programs result in economic growth in areas where growth is needed. However, there are also occasions when the programs fail. AmeriServ previously provided $500,000 for such a program, but, in late 2019, AmeriServ was notified by a specific Federal agency that the managing company of this particular fund was placed into receivership. Consequently, a $500,000 impairment charge was recognized on this CRA investment in the fourth quarter of 2019, and there will be no further developments or losses. It should be noted that the Company only has one other similar CRA related investment that totals $100,000 that has been performing as expected.

Secondly, shortly after Christmas in 2019, we were informed of the unexpected death of one of our large commercial borrowers. The $6.5 million loan had been on the books since the spring of 2018 and was performing as agreed. AmeriServ's legal counsel has already begun to work with the attorneys for the estate. In such situations, while AmeriServ regrets the passing of this individual, necessary actions are being taken to protect the interests of AmeriServ. As a result, an additional reserve of $675,000 was allocated against this loan while the legal discussions take place. Since the date of the borrower's passing was December 26, 2019, it was necessary for this reserve to be established in the fourth quarter of 2019.

On a brighter note, the quarter and the year contained several positive results:

1) In spite of the disarray in the national economy from time to time, 2019 was a very strong year for loan closings. Both November and December were quite active, and this trend may continue in 2020.

2) The 2019 deposit performance has been strong. Consumer and commercial customers were very active which resulted in solid growth that permitted AmeriServ to report the highest average level of deposits in the history of the company.

3) In 2018, fees in our wealth management activities set a record. We are excited to report that, in 2019, wealth management reported an even higher total of fees. This is a new record for the second consecutive year. Additionally, our sizable wealth management company is well positioned for further revenue growth in 2020 with the equity markets reaching record highs to close out 2019.

4) Additionally, during 2019, the tangible book value(1) of AmeriServ shares passed $5.00. This was an increase of $0.20 per share, or 4.1%, over December 2018 and reflects the benefits of active capital management. As of December 31, 2019, our book value per share was $5.78.

This progress indicates that our business model is healthy. AmeriServ continues to lend approximately 90% of our deposits to small and medium size businesses and consumers in our region. We want this economic

(1) See reconciliation of non-GAAP tangible book value later in this MD&A.

expansion to continue. Our energies are focused on helping to keep our region economically strong while providing a competitive return to our shareholders. Specifically, in 2019, as a result of the increased cash dividend and the repurchase of 602,349 shares of AmeriServ common stock, we were able to return approximately 70% of our 2019 earnings to our shareholders while still maintaining a strong balance sheet which is conservatively constructed and maintained.

PERFORMANCE OVERVIEW. The following table summarizes some of the Company's key profitability performance indicators for each of the past three years.

	YEAR ENDED DECEMBER 31,		
	2019	2018	2017
	(IN THOUSANDS, EXCEPT PER SHARE DATA AND RATIOS)		
Net income	**$6,028**	$7,768	$3,293
Diluted earnings per share	**0.35**	0.43	0.18
Return on average assets	**0.51%**	0.67%	0.28%
Return on average equity	**6.02**	8.08	3.42

The Company reported net income of $6,028,000, or $0.35 per diluted common share in 2019. This represents an 18.6% decrease in earnings per share from the full year of 2018 when net income totaled $7,768,000, or $0.43 per diluted common share. The Company's return on average equity declined to 6.02% for the 2019 year from 8.08% in 2018. Finally, the Company increased tangible book value per share by 4.1% during 2019 and returned almost 70% of net income to its shareholders through accretive common stock buybacks and an increased cash dividend.

The Company reported net income of $7.8 million, or $0.43 per diluted common share, for 2018. This represented an 139% increase in earnings per share from 2017 where net income totaled $3.3 million, or $0.18 per diluted common share. The strong growth in earnings resulted from a favorable combination of lower income tax expense, outstanding asset quality, and well controlled non-interest expense.

The Company reported net income of $3.3 million, or $0.18 per diluted common share, for 2017. This represented a 50% increase in earnings per share from 2016 where net income totaled $2.3 million, or $0.12 per diluted share. In the fourth quarter of 2017, the enactment into law of "H.R.1.", known as the "Tax Cuts and Jobs Act", 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. The additional income tax expense negatively impacted diluted earnings per share by $0.14 for both the fourth quarter and full year of 2017.

NET INTEREST INCOME AND MARGIN. The Company's net interest income represents the amount by which interest income on earning assets exceeds interest paid on interest bearing liabilities. Net interest income is a primary source of the Company's earnings; it is affected by interest rate fluctuations as well as changes in the amount and mix of earning assets and interest bearing liabilities. The following table summarizes the Company's net interest income performance for each of the past three years:

	YEAR ENDED DECEMBER 31,		
	2019	2018	2017
	(IN THOUSANDS, EXCEPT RATIOS)		
Interest income	**$49,767**	$47,094	$44,356
Interest expense	**14,325**	11,600	8,795
Net interest income	**35,442**	35,494	35,561
Net interest margin	**3.29%**	3.31%	3.32%

2019 NET INTEREST PERFORMANCE OVERVIEW. The Company's net interest income for the full year of 2019 decreased by $52,000, or 0.1%, when compared to the full year of 2018. The Company's net interest margin was 3.29% for the full year of 2019 representing a two basis point decline from the full year

of 2018. Our net interest margin performance was challenged throughout 2019 as the U.S. Treasury Yield Curve shifted downward, flattened and became inverted in certain segments, at various times during the year. The lower interest rate environment along with a lower full year average total loan portfolio balance resulted in the modest year over year unfavorable comparison for net interest income. Positively impacting net interest income during 2019 was a favorable shift experienced in the mix of total average interest bearing liabilities as the amount of total interest bearing deposits increased and resulted in less reliance on higher cost borrowings to fund interest earning assets. Total average earning assets increased by $6.7 million, or 0.6% in 2019. Specifically, total investment securities averaged $194 million in 2019 which is $9.5 million, or 5.1%, higher than the 2018 full year average. Total loans averaged $875 million in 2019 which is $6.6 million, or 0.7%, lower than the 2018 full year average.

Total average interest bearing liabilities increased by $31.5 million, or 3.6%, as a lower level of total average FHLB borrowings was more than offset by a higher level of interest bearing deposits. Total interest bearing deposits averaged $828 million in 2019 and increased when compared to the 2018 average by $42.7 million, or 5.4%. The 2019 full year average of FHLB borrowed funds was $63.4 million, which represented a decrease of $14.7 million, or 18.8%. Total deposits, including non-interest bearing demand deposits, averaged $980 million for the full year of 2019, which was $19.9 million, or 2.1%, higher than the $960 million average for the full year of 2018. Overall, the Company's loan to deposit ratio averaged 89.1% in the fourth quarter of 2019 which we believe indicates that the Company has ample capacity to grow its loan portfolio.

COMPONENT CHANGES IN NET INTEREST INCOME: 2019 VERSUS 2018. Regarding the separate components of net interest income, the Company's total interest income in 2019 increased by $2.7 million, or 5.7%, when compared to 2018. Total average earning assets increased by $6.7 million, or 0.6%, in 2019 as a lower level of total average loans were more than offset by an increased level of total investment securities. Also contributing to the higher level of interest income was the earning asset yield increasing by 22 basis points from 4.39% to 4.61%. All categories within the earning asset base demonstrated an interest income increase between years. The average total loan portfolio yield increased by 25 basis points from 4.66% to 4.91% in 2019 while the yield on total investment securities increased by 19 basis points from 3.17% to 3.36%. Total investment securities averaged $194 million for the full year of 2019 which is $9.5 million, or 5.1%, higher than the $185 million average in 2018. The growth in the investment securities portfolio occurred primarily as the year progressed during 2018 and is the result of management taking advantage of the rising interest rate environment experienced during 2018 which provided an attractive market for additional security purchases. Purchases primarily focused on federal agency mortgage backed securities due to the ongoing cash flow that these securities provide. Also, management continued its portfolio diversification strategy through purchases of high quality corporate and taxable municipal securities. Investment security purchase activity slowed significantly during 2019 as the interest rate market was less favorable. Total loans averaged $875 million for the full year of 2019 which is $6.6 million, or 0.7%, lower than the 2018 full year average. Overall, total loan originations in 2019 exceeded the prior year's level by $50.4 million and also exceeded another strong level of loan payoffs during the year. However, because of the high level of loan payoffs received late in 2018, the full year average comparison between years is unfavorable. Loan pipelines remained strong throughout 2019. Loan interest income increased by $1.9 million, or 4.6%, between the full year of 2019 and the full year of 2018. The higher loan interest income primarily reflects the Federal Reserve increasing the federal funds interest rate in 2018. This resulted in new loans originating at higher yields throughout 2018 and during the first half of 2019 and also caused the upward repricing of certain loans tied to LIBOR or the prime rate as both of these indices moved up with the federal funds rate increases in 2018. Certain floating rate loans, however, did reprice down in the second half of 2019 as the Federal Reserve reduced the federal funds rate by a total of 75 basis points in the second half of 2019. Also, included in the favorable year over year loan interest income increase was a higher level of loan fee income by $325,000, due primarily to prepayment fees collected on certain early loan payoffs.

Total interest expense for the twelve months of 2019 increased by $2.7 million, or 23.5%, when compared to 2018, due to higher levels of deposit interest expense which more than offset a slight decrease in borrowings interest expense. Deposit interest expense in 2019 was higher by $2.7 million, or 32.5%, for the full the year which reflects the higher level of total average interest bearing deposits and certain indexed money market accounts repricing upward due to the impact of the Federal Reserve increasing interest rates during 2018. The full year average cost of total interest bearing deposits increased between years by 28 basis points from

1.07% in 2018 to 1.35% in 2019. Even though total average interest bearing deposit cost increased for the full year of 2019, the Company did experience deposit pricing relief during the third and fourth quarters of 2019 because of the Federal Reserve easing interest rates late in July, September and October of 2019. Specifically, the Company's cost of interest bearing deposits declined by 10 basis points between the third and fourth quarters of 2019. However, the Company continues to experience competitive market pressure to retain existing deposit customers and attract new customer deposits. Customer product preference changed as well in 2019 resulting in movement of funds from non-interest bearing demand deposit accounts and lower yielding money market accounts into higher yielding certificates of deposits. Overall, total deposits grew during the year and averaged $980 million for the full year of 2019, which was $19.9 million, or 2.1%, higher than the 2018 full year average.

The Company experienced a $21,000, or 0.7%, decrease in the interest cost of borrowings for the full year of 2019. The decline is a result of the lower total average borrowings balance between years combined with the impact from the Federal Reserve's action to decrease interest rates three times in 2019 and the immediate impact that these rate decreases had on the cost of overnight borrowed funds and the replacement of matured FHLB term advances. The total full year average term advance borrowings balance increased by approximately $7.3 million, or 16.3%, when compared to the full year 2018. This increase is due to the inversion demonstrated by the U.S. Treasury Yield Curve in 2019 and resulted in certain term advances costing less than overnight borrowed funds. Overall, the 2019 full year average of FHLB borrowed funds was $63.4 million, which represented a decrease of $14.7 million, or 18.8%, due to the increase in total average deposits.

2018 NET INTEREST PERFORMANCE OVERVIEW. The Company's net interest income for the full year of 2018 decreased by $67,000, or 0.2%, when compared to the full year of 2017. The net interest margin remained relatively stable in 2018 for a second consecutive year, even though rising interest rates and competitive pricing pressure to retain and attract new deposits resulted in the net interest margin decreasing during the fourth quarter of 2018. The Company's net interest margin was 3.31% for the full year of 2018 representing a one basis point decline from the full year of 2017. The 2018 decrease in net interest income is a result of a reduced level of total average earning assets as lower total loans more than offset an increased level of total investment securities. Total average earning assets decreased modestly by $1.4 million, or 0.1% in 2018. Specifically, total investment securities averaged $185 million in 2018 which is $11.9 million, or 6.9%, higher than the 2017 full year average. Total loans averaged $882 million in 2018 which is $12.1 million, or 1.4%, lower than the 2017 full year average. This combined with the upward repricing of interest bearing liabilities, as well as a higher level of average interest bearing liabilities, resulted in net interest income decreasing between years.

Total average interest bearing liabilities increased by $7.0 million, or 0.8%, as a lower level of interest bearing deposits was more than offset by a higher level of total average borrowings. Total interest bearing deposits averaged $786 million in 2018 and decreased when compared to 2017 average by $8.5 million, or 1.1%. This decrease to average interest bearing deposits was more than offset by total average FHLB borrowings of $78.1 million increasing by $15.5 million, or 24.7%, between years. Total deposits, including non-interest bearing demand deposits, averaged $960 million for the full year of 2018 which was $16.7 million, or 1.7%, lower than the $976 million average for the full year of 2017. Overall, the Company's loan to deposit ratio averaged 90.4% in the fourth quarter of 2018.

COMPONENT CHANGES IN NET INTEREST INCOME: 2018 VERSUS 2017. Regarding the separate components of net interest income, the Company's total interest income in 2018 increased by $2.7 million, or 6.2%, when compared to 2017. Total average earning assets decreased modestly by $1.4 million, or 0.1% in 2018 as a lower level of total loans more than offset an increased level of total investment securities. The modest decrease in total average earning assets was more than offset by a 25 basis point increase in the earning asset yield from 4.14% to 4.39%. Within the earning asset base, deposits with banks, short term investments in money market funds, and investment securities interest revenue increased by $927,000 or 18.0% in 2018 due to the increase in the average investment securities portfolio and the yield on total investment securities increasing by 27 basis points from 2.90% to 3.17%. 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 in 2018 primarily focused on federal agency mortgage backed securities due to the ongoing liquid cash flow that these securities provide. Also, management continued its portfolio diversification strategy through purchases of high quality corporate and taxable municipal securities. Even though total average loans decreased since 2017, loan interest income increased by $1.8 million, or 4.6%, for the full year of 2018 when compared to 2017 as the yield on the total loan portfolio increased by 27 basis points from 4.39% to 4.66%. 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 program to increase the target federal funds interest rate. Overall, total loan originations were consistent with the prior year's level. However, loan payoffs exceeded what we experienced in 2017 and also exceeded loan originations in 2018, resulting in a net reduction to the loan portfolio. Included in the total level of payoffs experienced in 2018 was the successful workout of several criticized but performing loans which favorably impacted the quality of the loan portfolio.

Total interest expense for the full year of 2018 increased $2.8 million, or 31.9%, when compared to 2017, due to higher levels of both deposit and borrowing interest expense. Deposit interest expense in 2018 was higher by $2.2 million which reflects certain indexed money market accounts and term CDs repricing upward after the Federal Reserve interest rate increases. The cost of interest bearing deposits increased by 28 basis points in 2018 to 1.07% due to the impact of increasing national interest rates. The higher national interest rate environment in 2018 resulted in increasing market competitive pressure to retain existing deposit customers and attract new customer deposits. Additionally, there has been customer movement of some funds out of lower yielding money market accounts into higher yielding certificates of deposits. 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. The Company experienced a $617,000, or 24.3%, increase in the interest cost for borrowings in the full year 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. Overall, total interest bearing funding costs increased by 31 basis points to 1.31%.

The table that follows provides an analysis of net interest income on a tax-equivalent basis setting forth (i) average assets, liabilities, and stockholders' equity, (ii) interest income earned on interest earning assets and interest expense paid on interest bearing liabilities, (iii) average yields earned on interest earning assets and average rates paid on interest bearing liabilities, (iv) interest rate spread (the difference between the average yield earned on interest earning assets and the average rate paid on interest bearing liabilities), and (v) net interest margin (net interest income as a percentage of average total interest earning assets). For purposes of these tables, loan balances include non-accrual loans, and interest income on loans includes loan fees or amortization of such fees which have been deferred, as well as interest recorded on certain non-accrual loans as cash is received. Regulatory stock is included within available for sale investment securities for this analysis. Additionally, a tax rate of 21% was used to compute tax-equivalent interest income and yields (non-GAAP) during 2019 and 2018, while a tax rate of 34% was used for 2017. The tax equivalent adjustments to interest income on loans and municipal securities for the years ended December 31, 2019, 2018, and 2017 was 24,000, 21,000, and 40,000, respectively, which is reconciled to the corresponding GAAP measure at the bottom of the table. Differences between the net interest spread and margin from a GAAP basis to a tax-equivalent basis were not material.

	YEAR ENDED DECEMBER 31,								
	2019			2018			2017		
	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE
	(IN THOUSANDS, EXCEPT PERCENTAGES)								
Interest earning assets:									
Loans, net of unearned income	**$ 875,198**	**$42,957**	**4.91%**	$ 881,767	$41,049	4.66%	$ 893,849	$39,257	4.39%
Deposits with banks	**1,018**	**24**	**2.32**	1,023	20	1.90	1,028	11	1.11
Short-term investment in money market funds	**10,552**	**293**	**2.77**	6,725	201	3.00	7,996	130	1.63
Investment securities:									
Available for sale	**153,458**	**5,090**	**3.32**	145,162	4,527	3.12	135,131	3,800	2.81
Held to maturity	**40,553**	**1,427**	**3.52**	39,388	1,318	3.35	37,484	1,198	3.20
Total investment securities	**194,011**	**6,517**	**3.36**	184,550	5,845	3.17	172,615	4,998	2.90
TOTAL INTEREST EARNING ASSETS/ INTEREST INCOME	**1,080,779**	**49,791**	**4.61**	1,074,065	47,115	4.39	1,075,488	44,396	4.14
Non-interest earning assets:									
Cash and due from banks	**20,239**			23,067			22,393		
Premises and equipment	**17,928**			12,480			12,273		
Other assets	**64,083**			62,040			67,169		
Allowance for loan losses	**(8,404)**			(9,866)			(10,241)		
TOTAL ASSETS	**$1,174,625**			$1,161,786			$1,167,082		
Interest bearing liabilities:									
Interest bearing deposits:									
Interest bearing demand	**$ 170,326**	**$ 1,595**	**0.94%**	$ 138,572	$ 1,134	0.82%	$ 129,589	$ 638	0.49%
Savings	**96,783**	**162**	**0.17**	98,035	163	0.17	97,405	162	0.17
Money market	**234,387**	**2,525**	**1.08**	249,618	2,183	0.87	275,636	1,446	0.52
Other time	**326,867**	**6,907**	**2.11**	299,391	4,963	1.66	291,475	4,009	1.38
Total interest bearing deposits	**828,363**	**11,189**	**1.35**	785,616	8,443	1.07	794,105	6,255	0.79
Federal funds purchased and other short-term borrowings	**11,088**	**288**	**2.59**	33,126	720	2.17	16,972	206	1.21
Advances from Federal Home Loan Bank	**52,309**	**1,090**	**2.09**	44,974	797	1.77	45,657	694	1.52
Guaranteed junior subordinated deferrable interest debentures	**13,085**	**1,121**	**8.57**	13,085	1,120	8.57	13,085	1,120	8.57
Subordinated debt	**7,650**	**520**	**6.80**	7,650	520	6.80	7,650	520	6.80
Lease liabilities	**3,444**	**117**	**3.40**	—	—	—	—	—	—
TOTAL INTEREST BEARING LIABILITIES/INTEREST EXPENSE	**915,939**	**14,325**	**1.56**	884,451	11,600	1.31	877,469	8,795	1.00
Non-interest bearing liabilities:									
Demand deposits	**151,292**			174,108			182,301		
Other liabilities	**7,271**			7,077			11,119		
Stockholders' equity	**100,123**			96,150			96,193		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$1,174,625**			$1,161,786			$1,167,082		
Interest rate spread			**3.05**			3.08			3.14
Net interest income/net interest margin		**35,466**	**3.29%**		35,515	3.31%		35,601	3.32%
Tax-equivalent adjustment		**(24)**			(21)			(40)	
Net interest income		**$35,442**			$35,494			$35,561	

Net interest income may also be analyzed by segregating the volume and rate components of interest income and interest expense. The table below sets forth an analysis of volume and rate changes in net interest income on a tax-equivalent basis. For purposes of this table, changes in interest income and interest expense are allocated to volume and rate categories based upon the respective percentage changes in average balances and average rates. Changes in net interest income that could not be specifically identified as either a rate or volume change were allocated proportionately to changes in volume and changes in rate.

	2019 vs. 2018			2018 vs. 2017		
	INCREASE (DECREASE) DUE TO CHANGE IN:			INCREASE (DECREASE) DUE TO CHANGE IN:		
	AVERAGE VOLUME	RATE	TOTAL	AVERAGE VOLUME	RATE	TOTAL
	(IN THOUSANDS)					
INTEREST EARNED ON:						
Loans, net of unearned income	**$(308)**	**$2,216**	**$1,908**	$(505)	$2,297	$1,792
Deposits with banks	—	**4**	**4**	(1)	10	9
Short-term investments in money market funds	**106**	**(14)**	**92**	(17)	88	71
Investment securities:						
Available for sale	**265**	**298**	**563**	292	435	727
Held to maturity	**40**	**69**	**109**	62	58	120
Total investment securities	**305**	**367**	**672**	354	493	847
Total interest income	**103**	**2,573**	**2,676**	(169)	2,888	2,719
INTEREST PAID ON:						
Interest bearing demand deposits	**281**	**180**	**461**	46	450	496
Savings deposits	**(1)**	**—**	**(1)**	1	—	1
Money market	**(116)**	**458**	**342**	(120)	857	737
Other time deposits	**492**	**1,452**	**1,944**	113	841	954
Federal funds purchased and other short-term borrowings	**(609)**	**177**	**(432)**	280	234	514
Advances from Federal Home Loan Bank	**139**	**154**	**293**	(10)	113	103
Guaranteed junior subordinated deferrable interest debentures	—	**1**	**1**	—	—	—
Lease liabilities	**117**	—	**117**	—	—	—
Total interest expense	**303**	**2,422**	**2,725**	310	2,495	2,805
Change in net interest income	**$(200)**	**$ 151**	**$ (49)**	$(479)	$ 393	$ (86)

LOAN QUALITY. The Company's written lending policies require underwriting, loan documentation, and credit analysis standards to be met prior to funding any loan. After the loan has been approved and funded, continued periodic credit review is required. The Company's policy is to individually review, as circumstances warrant, each of its commercial and commercial mortgage loans to determine if a loan is impaired. At a minimum, credit reviews are mandatory for all commercial and commercial mortgage loan relationships with aggregate balances in excess of $1,000,000 within a 12-month period. The Company has also identified three pools of small dollar value homogeneous loans which are evaluated collectively for impairment. These separate pools are for small business relationships with aggregate balances of $250,000 or less, residential mortgage loans and consumer loans. Individual loans within these pools are reviewed and removed from the pool if factors such as significant delinquency in payments of 90 days or more, bankruptcy, or other negative economic concerns indicate impairment. The following table sets forth information concerning the Company's loan delinquency and other non-performing assets.

	AT DECEMBER 31,		
	2019	2018	2017
	(IN THOUSANDS, EXCEPT PERCENTAGES)		
Total accruing loans past due 30 to 89 days	**$ 2,956**	$4,752	$8,178
Total non-accrual loans	**1,487**	1,221	3,016
Total non-performing assets including TDRs[1]	**2,339**	1,378	3,034
Loan delinquency as a percentage of total loans, net of unearned income	**0.33%**	0.55%	0.92%
Non-accrual loans as a percentage of total loans, net of unearned income	**0.17**	0.14	0.34
Non-performing assets as a percentage of total loans, net of unearned income, and other real estate owned	**0.26**	0.16	0.34
Non-performing assets as a percentage of total assets	**0.20**	0.12	0.26
Total classified loans (loans rated substandard or doubtful)[2]	**$16,338**	$4,302	$5,433

(1) Non-performing assets are comprised of (i) loans that are on a non-accrual basis, (ii) loans that are contractually past due 90 days or more as to interest and principal payments, (iii) performing loans classified as troubled debt restructuring and (iv) other real estate owned.

(2) Total includes residential real estate and consumer loans that are considered non-performing.

The Company continues to maintain good asset quality. Non-performing assets increased by $961,000 since the prior year-end and now total $2.3 million. The continued successful ongoing problem credit resolution efforts of the Company is demonstrated in the table above as levels of non-accrual loans, non-performing assets, and loan delinquency are below 1% of total loans. The Company did experience an increase in classified loans in the second half of 2019 due to the downgrade of several commercial loans, the largest of which was a $6.5 million C&I loan due to the unexpected death of the borrower in late 2019 (see further discussion on this loan later in the MD&A). We continue to closely monitor the loan portfolio given the number of relatively large-sized commercial and CRE loans within the portfolio. As of December 31, 2019, the 25 largest credits represented 24.3% of total loans outstanding.

ALLOWANCE AND PROVISION FOR LOAN LOSSES. As described in more detail in the Critical Accounting Policies and Estimates section of this MD&A, the Company uses a comprehensive methodology and procedural discipline to maintain an ALL to absorb inherent losses in the loan portfolio. The Company believes this is a critical accounting policy since it involves significant estimates and judgments. The following table sets forth changes in the ALL and certain ratios for the periods ended.

	YEAR ENDED DECEMBER 31,				
	2019	2018	2017	2016	2015
	(IN THOUSANDS, EXCEPT RATIOS AND PERCENTAGES)				
Balance at beginning of year	**$ 8,671**	$ 10,214	$ 9,932	$ 9,921	$ 9,623
Charge-offs:					
Commercial	**(9)**	(574)	(311)	(3,662)	(404)
Commercial loans secured by non-owner occupied real estate	**(63)**	—	(132)	(82)	(365)
Real estate – residential mortgage	**(98)**	(380)	(313)	(208)	(403)
Consumer	**(262)**	(251)	(172)	(344)	(188)
Total charge-offs	**(432)**	(1,205)	(928)	(4,296)	(1,360)
Recoveries:					
Commercial	**22**	31	27	169	174
Commercial loans secured by non-owner occupied real estate	**48**	51	56	58	76
Real estate – residential mortgage	**118**	119	207	100	132
Consumer	**52**	61	120	30	26
Total recoveries	**240**	262	410	357	408
Net charge-offs	**(192)**	(943)	(518)	(3,939)	(952)
Provision (credit) for loan losses	**800**	(600)	800	3,950	1,250
Balance at end of year	**$ 9,279**	$ 8,671	$ 10,214	$ 9,932	$ 9,921
Loans and loans held for sale, net of unearned income:					
Average for the year	**$875,198**	$881,767	$893,849	$887,679	$857,015
At December 31	**887,574**	863,129	892,758	886,858	883,987
As a percent of average loans:					
Net charge-offs	**0.02%**	0.11%	0.06%	0.44%	0.11%
Provision (credit) for loan losses	**0.09**	(0.07)	0.09	0.44	0.15
Allowance as a percent of each of the following:					
Total loans, net of unearned income	**1.05**	1.00	1.14	1.12	1.13
Total accruing delinquent loans (past due 30 to 89 days)	**313.90**	182.47	124.90	302.99	225.68
Total non-accrual loans	**624.01**	710.16	338.66	619.59	163.55
Total non-performing assets	**396.71**	629.25	336.65	611.58	157.55
Allowance as a multiple of net charge-offs	**48.33x**	9.20x	19.72x	2.52x	10.42x

For 2019, the Company recorded an $800,000 provision expense for loan losses compared to a $600,000 provision recovery in 2018 which resulted in a net unfavorable shift of $1.4 million between years. The rating downgrade of a $6.5 million performing commercial loan to substandard as a result of the unexpected death of a borrower caused a $675,000 increase in fourth quarter 2019 provision expense. This rating action was prudent due to the inherent uncertainties associated with a large estate liquidation. Recent updates related to this loan indicate that the estate is presently illiquid due to holds placed on deposit accounts and significant real estate holdings and other unique assets that will need to be unwound. As such there is heightened risk that this loan may move into non-performing status in 2020 as a result of payment delays. The Company experienced net loan charge-offs of only $192,000, or 0.02% of total loans, in 2019 compared to net loan charge-offs of $943,000, or 0.11% of total loans, in 2018. Overall, nonperforming assets totaled $2.3 million, or only 0.26% of total loans, at December 31, 2019. In summary, the allowance for loan losses provided 397% coverage of non-performing assets, and 1.05% of total loans, at December 31, 2019, compared to 629% coverage of non-performing assets, and 1.00% of total loans, at December 31, 2018.

For 2018, the Company recorded a $600,000 provision recovery compared to an $800,000 provision for loan losses in 2017, or a decrease of $1.4 million between years. The 2018 provision recovery reflects our overall strong asset quality, reduced loan portfolio balance and the successful workout of several criticized loans which resulted in the release of reserves after two criticized loans that had balances totaling in excess of $11 million fully paid off during the third and fourth quarters of 2018. The Company experienced net loan charge-offs of $943,000, or 0.11% of total loans in 2018 compared to net loan charge-offs of $518,000, or 0.06%, of total loans in 2017. Overall, the Company continued to maintain outstanding asset quality as its nonperforming assets totaled $1.4 million, or only 0.16% of total loans, at December 31, 2018.

The following schedule sets forth the allocation of the ALL among various loan categories. This allocation is determined by using the consistent quarterly procedural discipline that was previously discussed. The entire ALL is available to absorb future loan losses in any loan category.

	AT DECEMBER 31,									
	2019		2018		2017		2016		2015	
	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS
	(IN THOUSANDS, EXCEPT PERCENTAGES)									
Commercial	**$3,951**	**30.1%**	$3,057	29.0%	$ 4,298	28.0%	$4,041	29.8%	$4,243	31.6%
Commercial loans secured by non-owner occupied real estate	**3,119**	**41.2**	3,389	41.4	3,666	42.0	3,584	40.2	3,449	36.9
Real estate – residential mortgage	**1,159**	**26.6**	1,235	27.6	1,102	27.8	1,169	27.8	1,174	29.2
Consumer	**126**	**2.1**	127	2.0	128	2.2	151	2.2	151	2.3
Allocation to general risk	**924**	**—**	863	—	1,020	—	987	—	904	—
Total	**$9,279**	**100.0%**	$8,671	100.0%	$10,214	100.0%	$9,932	100.0%	$9,921	100.0%

Even though residential real estate-mortgage loans comprise 26.6% of the Company's total loan portfolio, only $1.2 million or 12.5% of the total ALL is allocated against this loan category. The residential real estate-mortgage loan allocation is based upon the Company's three-year historical average of actual loan charge-offs experienced in that category and other qualitative factors. The disproportionately higher allocations for commercial loans and commercial loans secured by non-owner occupied real estate reflect the increased credit risk associated with those types of lending, the Company's historical loss experience in these categories, and other qualitative factors. The stability in the part of the allowance allocated to each loan category reflects the continued good asset quality of each sector.

Based on the Company's current ALL methodology and the related assessment of the inherent risk factors contained within the Company's loan portfolio, we believe that the ALL is adequate at December 31, 2019 to cover losses within the Company's loan portfolio.

NON-INTEREST INCOME. Non-interest income for 2019 totaled $14.8 million, an increase of $549,000, or 3.9%, from 2018. Factors contributing to this higher level of non-interest income in 2019 included:

- the Company recognized a $500,000 impairment charge on other investments related to a Community Reinvestment Act (CRA) investment. The Small Business Administration (SBA) recently gave formal notice that the managing company of this particular fund was placed into receivership which caused us to write off the full investment and no further action or loss will occur. It should be noted that the Company only has one other similar CRA related investment that totals $100,000 that has been performing as expected;

- Net realized gains on loans held for sale increased by $376,000, or 76.9% between years due to increased residential mortgage loan sales in the secondary market as the lower interest rate environment in the second half of 2019 resulted in a greater level of residential mortgage loan production. In addition to increased residential mortgage originations, the full year favorable comparison in 2019 was also due to the sale of the guaranteed portion of a SBA loan that resulted in a $197,000 gain;
- The Company recognized a net investment security sale gain of $118,000 in 2019 compared to a $439,000 net loss in 2018 as the opportunity existed to capture gains on certain securities that demonstrated higher than typical market appreciation in this low interest rate environment. The 2018 net loss resulted from the Company repositioning a portion of the investment portfolio for stronger future returns;
- a $149,000, or 10.5%, decrease in revenue from deposit service charges was due primarily to a reduced level of overdraft fee income;
- a $106,000, or 54.1%, increase in mortgage related fees was due to the higher level of residential mortgage loan production;
- a $103,000, or 4.4%, increase in other income was due to higher letter of credit fees and increased revenue from check supply sales as a result of a favorable vendor contract renegotiation; and
- a $71,000, or 0.7%, increase in wealth management fees was primarily due to the Company benefitting from a continuing increase in market values for assets under management as well as management's effective execution of managing client accounts. Wealth management continues to be an important strategic focus.

Non-interest income for 2018 totaled $14.2 million, a decrease of $421,000, or 2.9%, from 2017. Factors contributing to this lower level of non-interest income in 2018 included:

- a $554,000 negative change in the net realized gain/loss on investment securities primarily results from two security sell transactions. Early in 2018, management viewed the gain recognized on the sale of equity securities, described in the third bulleted item, as an opportunity to rid the investment securities portfolio of certain investments having a low yield and a small balance. Similarly, because of the negative loan loss provision recognized during the fourth quarter of 2018, management viewed this as another opportunity to, again, sell certain low yielding securities. The funds from both sells were reinvested in securities with higher current market coupon rates. Both security sell transactions were negatively impacted by the market value of sold securities decreasing since 2017 due to the higher interest rate environment in 2018. However, because of the reinvestment of the sold funds into higher yielding instruments, the result of both transactions positions the Company for an increased future return from the investment securities portfolio;
- a $489,000 increase in wealth management fees was primarily due to the Company benefitting from increased market values for assets under management in 2018 as well as management's effective execution of managing client accounts;
- a $285,000 increase in other income primarily was due to a $156,000 gain realized on the sale of certain equity method investments that the Company owned from a previous acquisition. The Company also benefitted from higher interchange fees, increased revenue from business services, and higher letter of credit fees;
- a combined $279,000 decrease in net gains on loans sold into the secondary market and mortgage related fees was due to lower production and reduced refinance activity of residential mortgage loans;
- a $201,000 decrease in revenue from bank owned life insurance (BOLI) occurred after the Company received a death claim in 2017 and there was no such claim in 2018; and
- a $161,000 decrease in revenue from deposit service charges was due to a reduced level of overdraft fee income.

NON-INTEREST EXPENSE. Non-interest expense for 2019 totaled $41.8 million, which represents a $942,000, or 2.3%, increase from 2018. Factors contributing to the higher non-interest expense in 2019 included:

- a $1.1 million, or 4.4%, increase in salaries & benefits expense was due to annual merit increases, the addition of several employees to address management succession planning as well as our expansion into the Hagerstown, Maryland market. Increased pension and health care costs also contributed to the higher employee costs between years;
- a $457,000, or 82.0%, reduction in FDIC insurance expense. As part of the application of the Small Bank Assessment Credit regulation, the FDIC awarded community banks under $10 billion in assets an assessment credit because the banking industry reserve ratio exceeded its 1.38% target. The Company currently expects to receive one additional assessment credit of less than $100,000 in the first quarter of 2020.;
- a $397,000, or 7.6%, increase in other expense was due to additional expense for the unfunded commitment reserve as a result of increased loan approvals in 2019, as well as, an increased investment in technology as evidenced by higher website costs and additional telecommunications expense; and
- a $154,000, or 3.1%, decrease in professional fees was due to lower legal fees and other professional fees.

Non-interest expense for 2018 totaled $40.9 million, which represents a $170,000, or 0.4%, increase from 2017. Factors contributing to the higher non-interest expense in 2018 included:

- a $438,000, or 1.8%, increase in salaries & benefits expense due to higher salaries and incentive compensation as a result of the typical annual salary merit increases and additional incentives paid primarily within our Wealth Management division due to the increased level of fee income mentioned previously. Also in the fourth quarter of 2018, four additional employees were hired for our new Hagerstown, Maryland financial banking center; and
- a combined $259,000 reduction in occupancy & equipment costs is 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.

INCOME TAX EXPENSE. The Company recorded an income tax expense of $1.6 million, or an effective tax rate of 20.7%, in 2019, compared to income tax expense of $1.7 million, or a 17.8% effective tax rate, in 2018, and compared to income tax expense of $5.4 million, or a 62.1% effective tax rate, in 2017. The lower effective tax rate in 2019 and 2018 reflected 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, because of the enactment of this new tax law, the Company was able to achieve a greater income tax benefit in the third quarter of 2018 by making a one-time additional contribution to the defined benefit pension plan. The tax benefit of this additional pension contribution favorably reduced income tax expense by $264,000 in the third quarter of 2018. Finally, the higher income tax expense in 2017 resulted from an additional income tax charge of $2.6 million recorded in the fourth quarter of 2017 as corporate income tax reform necessitated the revaluation of the Company's deferred tax asset because of the new lower corporate tax rate. The Company's deferred tax asset was $4.0 million at December 31, 2019.

SEGMENT RESULTS. The community banking segment reported a net income contribution of $10.9 million in 2019 which decreased from the $11.1 million contribution in 2018 and increased from the $8.6 million contribution in 2017. The primary driver for the lower level of net income in 2019 was the Company recording an $800,000 provision expense for loan losses compared to a $600,000 provision recovery in 2018 which resulted in a net unfavorable shift of $1.4 million between years. This is discussed previously in the "Allowance and Provision for Loan Losses" section within this document. Also, unfavorably impacting net income was total employee costs increasing, a higher level of funding for the unfunded commitment reserve due to increased loan approvals within the commercial lending division and the lower level of deposit service charge income within the retail banking division. Nearly offsetting these unfavorable items was

total loan interest income increasing between years which primarily reflects the Federal Reserve increasing the federal funds interest rate in 2018. This resulted in new commercial loans originating at higher yields throughout 2018 and during the first half of 2019 and also caused the upward repricing of certain loans tied to LIBOR or the prime rate as both of these indices moved up with the federal funds rate increases in 2018. Also, included in the favorable year over year loan interest income comparison was a higher level of commercial loan fee income by $325,000, due primarily to prepayment fees collected on certain early loan payoffs. Within the retail banking division, net interest income increased between years as the funding benefit for deposits improved due to the growth of total deposits. This funding benefit more than offset the impact of the immediate upward repricing of money market deposit accounts because of the increases to the federal funds rate during 2018 and the corresponding incremental increase to other term deposit products. Note that the retail banking division did experience deposit cost relief during the second half of 2019 because of the Federal Reserve's action to decrease the fed funds rate in July, September and October. Retail banking was also positively impacted by the lower level of FDIC insurance expense due to the application of the assessment credit during 2019. Finally, there was a higher level of net gains on loan sales into the secondary market as well as a higher level of mortgage related fee income due to increased residential mortgage loan production.

The wealth management segment's net income contribution was $1.9 million in 2019 compared to $1.8 million in 2018 and $1.4 million in 2017. The increase is due to wealth management fees increasing as this segment has benefitted from increased market values for assets under management which occurred as the year progressed as well as management's effective execution of managing client accounts. Also, positively impacting the wealth management segment's net income was a lower level of incentive compensation and decreased professional fees due to lower legal fees and costs for other professional services. Slightly offsetting these items was higher employee costs due to higher salaries because of annual merit increases and a greater level of pension cost. Also, there was a decrease in the volume of life insurance sales within the financial services division. Overall, the fair market value of trust assets under administration totaled $2.238 billion at December 31, 2019, an increase of $132 million, or 6.3%, from the December 31, 2018 total of $2.106 billion.

The investment/parent segment reported a net loss of $6.8 million in 2019, which was greater than the net loss of $5.1 million in 2018 and $6.7 million in 2017. The increased loss between years is reflective of the previously discussed $500,000 impairment charge on other investments related to a CRA investment. Also, the increased loss was the result of overnight borrowed funds having a higher cost due to the increase in national interest rates during 2018 and the immediate impact that the rising interest rates had on overnight borrowed funds. Additionally, the replacement of maturing FHLB term advances repriced upward during the first nine months of 2019. Slightly offsetting these unfavorable items was the Company recognizing a net investment security sale gain of $118,000 in 2019 compared to a $439,000 net loss in 2018 as the opportunity existed to capture gains on certain securities that demonstrated higher than typical market appreciation in this low interest rate environment. The 2018 net loss resulted from the Company repositioning a portion of the investment portfolio for stronger future returns.

For greater discussion on the future strategic direction of the Company's key business segments, see "Management's Discussion and Analysis — Forward Looking Statements." For a more detailed analysis of the segment results, see Note 24.

BALANCE SHEET. The Company's total consolidated assets of $1.171 billion at December 31, 2019 increased by $10.5 million, or 0.9% from the $1.161 billion level at December 31, 2018. The increase to total consolidated assets was due primarily to a $24.4 million, or 2.8%, increase in total loans which more than offset total investment securities decreasing by $5.8 million, or 3.1% and cash balances declining by $12 million. Overall, total loan originations in 2019 exceeded the prior year's level by $50 million and also exceeded another strong level of loan payoffs in 2019. Loan pipelines remained strong throughout 2019. The Company experienced growth in the investment securities portfolio during 2018 as a result of management taking advantage of the rising interest rate environment during 2018 which provided an attractive market for additional security purchases. Investment security purchase activity slowed significantly during 2019 as the interest rate market was less favorable resulting in a decrease of total investment securities between years. Also, as a result of the adoption of ASU 2016-02, *Leases (Topic 842)*, the Company reported $3.9 million of right of use assets within the fixed assets line of the Consolidated Balance Sheets at December 31, 2019.

The Company's deposits at period end increased by $11.3 million and was offset by a decrease in FHLB borrowings of $11.7 million. The decrease in FHLB borrowings was the result of an $18.6 million, or 45.4%, decline in overnight borrowed funds. The substantial decrease in short term borrowings was partially offset by an increase in FHLB term advances. Specifically, total FHLB term advances increased by $6.9 million, or 14.9%, and totaled $53.7 million. The Company has utilized these term advances to help manage interest rate risk and the inversion demonstrated by the U.S. Treasury Yield Curve at certain times in 2019 resulted in certain term advances costing less than overnight borrowed funds. In addition, the Company reported $4.0 million of lease liabilities as a result of the adoption of ASU 2016-02, *Leases (Topic 842)*. Other liabilities increased by $6.1 million primarily due to an increase in the Company's pension liability.

Total stockholders' equity increased by $637,000, or 0.7%, since year-end 2018. Capital decreased during 2019 by the Company's common stock repurchase program and the annual revaluation of the Company's pension obligation which negatively impacted other comprehensive income by $5.1 million due to an approximate 1% decline in the discount rate between years. Offsetting these decreases, was the Company's $6.0 million of net income and the positive $3.1 million impact capital experienced due to the improved market value of the available for sale investment securities portfolio. The Company returned approximately 70% of our 2019 earnings to our shareholders through the accretive common stock repurchases and an increased quarterly common stock cash dividend. The Company continues to be considered well capitalized for regulatory purposes with a risk based capital ratio of 13.49% and an asset leverage ratio of 9.87% at December 31, 2019. The Company's book value per common share was $5.78, its tangible book value per common share (non-GAAP) was $5.08 and its tangible common equity to tangible assets ratio (non-GAAP) was 7.48% at December 31, 2019.

The tangible common equity ratio and tangible book value per share are considered to be non-GAAP measures and are calculated by dividing tangible equity by tangible assets or shares outstanding. The following table sets forth the calculation of the Company's tangible common equity ratio and tangible book value per share at December 31, 2019, 2018, and 2017 (in thousands, except share and ratio data):

	AT DECEMBER 31,		
	2019	**2018**	**2017**
Total shareholders' equity	**$ 98,614**	$ 97,977	$ 95,102
Less: Goodwill	**11,944**	11,944	11,944
Tangible equity	**86,670**	86,033	83,158
Total assets	**1,171,184**	1,160,680	1,167,655
Less: Goodwill	**11,944**	11,944	11,944
Tangible assets	**1,159,240**	1,148,736	1,155,711
Tangible common equity ratio (non-GAAP)	**7.48%**	7.49%	7.20%
Total shares outstanding	**17,057,871**	17,619,303	18,128,247
Tangible book value per share (non-GAAP)	**$ 5.08**	$ 4.88	$ 4.59

LIQUIDITY. The Company's liquidity position continues to be strong. Our core retail deposit base has remained relatively stable over the past several years and demonstrated growth during 2019. The core deposit base is adequate to fund the Company's operations. Cash flow from maturities, prepayments and amortization of securities is used to help fund loan growth. We strive to operate our loan to deposit ratio in a range of 85% to 100%. At December 31, 2019, the Company's loan to deposit ratio was 92.4%. Given current commercial loan pipelines and the continued development of our existing loan production offices, we are optimistic that we can grow our loan to deposit ratio and remain within our guideline parameters.

Liquidity can also be analyzed by utilizing the Consolidated Statements of Cash Flows. Cash and cash equivalents decreased by $12.7 million from December 31, 2018, to $22.2 million at December 31, 2019, due to $4.9 million of cash provided by operating activities being more than offset by $13.0 million of cash used in investing activities and $4.6 million of cash used in financing activities. Within investing activities,

cash advanced for new loan fundings and participations purchased totaled $205.6 million and was $20.5 million higher than the $185.1 million of cash received from loan principal payments and participations sold. Within financing activities, deposits increased by $11.3 million while total FHLB borrowings declined as short term borrowings decreased by $18.6 million and advances, both short-term and long term, increased by $6.9 million.

The holding company had a total of $6.4 million of cash, short-term investments, and investment securities at December 31, 2019. Additionally, dividend payments from our subsidiaries can also provide ongoing cash to the holding company. At December 31, 2019, our subsidiary Bank had $10.2 million of cash available for immediate dividends to the holding company under applicable regulatory formulas. As such, the holding company has good liquidity to meet its trust preferred debt service requirements, its subordinated debt interest payments, and its common stock dividends, which in total should approximate $3.2 million over the next twelve months.

Financial institutions must maintain liquidity to meet day-to-day requirements of depositors and borrowers, take advantage of market opportunities, and provide a cushion against unforeseen needs. Liquidity needs can be met by either reducing assets or increasing liabilities. Sources of asset liquidity are provided by short-term investment securities, time deposits with banks, federal funds sold, and short-term investments in money market funds. These assets totaled $22.2 million and $34.9 million at December 31, 2019 and 2018, respectively. Maturing and repaying loans, as well as the monthly cash flow associated with mortgage-backed securities and security maturities are other significant sources of asset liquidity for the Company.

Liability liquidity can be met by attracting deposits with competitive rates, using repurchase agreements, buying federal funds, or utilizing the facilities of the Federal Reserve or the FHLB systems. The Company utilizes a variety of these methods of liability liquidity. Additionally, the Company's subsidiary bank is a member of the FHLB, which provides the opportunity to obtain short- to longer-term advances based upon the Company's investment in certain residential mortgage, commercial real estate, and commercial and industrial loans. At December 31, 2019, the Company had $358 million of overnight borrowing availability at the FHLB, $30 million of short-term borrowing availability at the Federal Reserve Bank and $35 million of unsecured federal funds lines with correspondent banks. The Company believes it has ample liquidity available to fund outstanding loan commitments if they were fully drawn upon.

CAPITAL RESOURCES. The Company meaningfully exceeds all regulatory capital ratios for each of the periods presented and is considered well capitalized. The Company's common equity tier 1 capital ratio was 10.47%, the tier 1 capital ratio was 11.68%, and the total capital ratio was 13.49% at December 31, 2019. The Company's tier 1 leverage ratio was 9.87% at December 31, 2019. We anticipate that we will maintain our strong capital ratios throughout 2020.

Capital generated from earnings will be utilized to pay the common stock cash dividend, fund the stock repurchase program and will also support controlled balance sheet growth. Our common dividend payout ratio for the full year 2019 was 27.1%. Total Parent Company cash was $6.4 million at December 31, 2019. There is a particular emphasis on ensuring that the subsidiary bank has appropriate levels of capital to support its non-owner occupied commercial real estate loan concentration, which stood at 334% of regulatory capital at December 31, 2019.

The Basel III capital standards establish the minimum capital levels in addition to the well capitalized requirements under the federal banking regulations prompt corrective action. The capital rules also impose a capital conservation buffer ("CCB") on top of the three minimum risk-weighted asset ratios. As of January 1, 2019, the CCB was 2.5%. Banking institutions that fail to meet the effective minimum ratios once the CCB is taken into account will be subject to constraints on capital distributions, including dividends and share repurchases, and certain discretionary executive compensation. The severity of the constraints depends on the amount of the shortfall and the institution's "eligible retained income" (four quarter trailing net income, net of distributions and tax effects not reflected in net income). The Company and the Bank meet all capital requirements, including the CCB, and continue to be committed to maintaining strong capital levels that exceed regulatory requirements while also supporting balance sheet growth and providing a return to our shareholders.

Under the Basel III capital standards, the minimum capital ratios are:

	MINIMUM CAPITAL RATIO	MINIMUM CAPITAL RATIO PLUS CAPITAL CONSERVATION BUFFER
Common equity tier 1 capital to risk-weighted assets	4.5%	7.0%
Tier 1 capital to risk-weighted assets	6.0	8.5
Total capital to risk-weighted assets	8.0	10.5
Tier 1 capital to total average consolidated assets	4.0	

In the first quarter of 2019, the Company completed the previous common stock repurchase program where it bought back 540,000 shares, or 3% of its common stock, over a 9-month period at a total cost of $2.38 million. Specifically, during the first three months of 2019, the Company was able to repurchase 112,311 shares of its common stock and return $476,000 of capital to its shareholders through this program.

On April 16, 2019, the Company announced that its Board of Directors approved a new common stock repurchase program which calls for AmeriServ Financial, Inc. to buy back up to 3%, or approximately 526,000 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. The Company was able to repurchase 490,038 shares of its common stock and return $2.1 million of capital to its shareholders through this program. Overall in 2019, this latest common stock buyback program, combined with the first quarter completion of the previously authorized common stock buyback program, resulted in the Company returning $2.6 million to its shareholders through the repurchase of 602,349 shares of its common stock. When including the increased cash dividend payments on our common stock, total capital returned to our shareholders was approximately 70% of net income for 2019. At December 31, 2019, the Company had approximately 17.1 million common shares outstanding.

INTEREST RATE SENSITIVITY. Asset/liability management involves managing the risks associated with changing interest rates and the resulting impact on the Company's net interest income, net income and capital. The management and measurement of interest rate risk at the Company is performed by using the following tools: 1) simulation modeling, which analyzes the impact of interest rate changes on net interest income, net income and capital levels over specific future time periods. The simulation modeling forecasts earnings under a variety of scenarios that incorporate changes in the absolute level of interest rates, the shape of the yield curve, prepayments and changes in the volumes and rates of various loan and deposit categories. The simulation modeling incorporates assumptions about reinvestment and the repricing characteristics of certain assets and liabilities without stated contractual maturities; 2) market value of portfolio equity sensitivity analysis; and 3) static GAP analysis, which analyzes the extent to which interest rate sensitive assets and interest rate sensitive liabilities are matched at specific points in time. The overall interest rate risk position and strategies are reviewed by senior management and the Company's Board of Directors on an ongoing basis.

The following table presents a summary of the Company's static GAP positions at December 31, 2019:

INTEREST SENSITIVITY PERIOD	3 MONTHS OR LESS	OVER 3 MONTHS THROUGH 6 MONTHS	OVER 6 MONTHS THROUGH 1 YEAR	OVER 1 YEAR	TOTAL
	(IN THOUSANDS, EXCEPT RATIOS AND PERCENTAGES)				
RATE SENSITIVE ASSETS:					
Loans and loans held for sale	**$290,368**	**$51,288**	**$ 95,376**	**$450,542**	**$ 887,574**
Investment securities	**38,832**	**7,223**	**12,092**	**123,538**	**181,685**
Short-term assets	**6,526**	**—**	**—**	**—**	**6,526**
Regulatory stock	**3,985**	**—**	**—**	**2,125**	**6,110**
Bank owned life insurance	**—**	**—**	**38,916**	**—**	**38,916**
Total rate sensitive assets	**$339,711**	**$58,511**	**$146,384**	**$576,205**	**$1,120,811**
RATE SENSITIVE LIABILITIES:					
Deposits:					
Non-interest bearing demand deposits	**$ —**	**$ —**	**$ —**	**$136,462**	**$ 136,462**
Interest bearing demand deposits	**56,910**	**834**	**1,667**	**118,356**	**177,767**
Savings	**512**	**512**	**1,024**	**93,885**	**95,933**
Money market	**56,252**	**5,177**	**10,354**	**136,560**	**208,343**
Certificates of deposit of $100,000 or more	**4,893**	**10,325**	**18,227**	**5,325**	**38,770**
Other time deposits	**115,850**	**19,427**	**42,005**	**125,956**	**303,238**
Total deposits	**234,417**	**36,275**	**73,277**	**616,544**	**960,513**
Borrowings	**28,981**	**4,110**	**8,324**	**59,159**	**100,574**
Total rate sensitive liabilities	**$263,398**	**$40,385**	**$ 81,601**	**$675,703**	**$1,061,087**
INTEREST SENSITIVITY GAP:					
Interval	**76,313**	**18,126**	**64,783**	**(99,498)**	**—**
Cumulative	**$ 76,313**	**$94,439**	**$159,222**	**$ 59,724**	**$ 59,724**
Period GAP ratio	**1.29X**	**1.45X**	**1.79X**	**0.85X**	
Cumulative GAP ratio	**1.29**	**1.31**	**1.41**	**1.06**	
Ratio of cumulative GAP to total assets	**6.52%**	**8.06%**	**13.59%**	**5.10%**	

When December 31, 2019 is compared to December 31, 2018, the Company's cumulative GAP ratio through one year indicates that the Company's balance sheet is still asset sensitive and the level of asset sensitivity increased between years. We continue to see loan customer preference for fixed rate loans given the low overall level of interest rates. The increase in total deposits resulted in overnight borrowings decreasing which are immediately impacted by changes to national interest rates. We continue to have a relatively consistent level of term advances with the FHLB to help manage our interest rate risk position. It should be noted that the level of term advances increased by $6.9 million in 2019 for interest rate risk management purposes. Due to the U.S. Treasury Yield curve becoming inverted in certain segments at various times during the year, term advances had a lower interest rate cost than overnight borrowed funds.

Management places primary emphasis on simulation modeling to manage and measure interest rate risk. The Company's asset/liability management policy seeks to limit net interest income variability over the first twelve months of the forecast period to -5.0% and -7.5%, which include interest rate movements of 100 and 200 basis points, respectively. Additionally, the Company also uses market value sensitivity measures to further evaluate the balance sheet exposure to changes in interest rates. The Company monitors the trends in market value of portfolio equity sensitivity analysis on a quarterly basis.

The following table presents an analysis of the sensitivity inherent in the Company's net interest income and market value of portfolio equity. The interest rate scenarios in the table compare the Company's base forecast, which was prepared using a flat interest rate scenario, to scenarios that reflect immediate interest rate changes of 100 and 200 basis points. Note that we suspended the 200 basis point downward rate shock since it has little value due to the absolute low level of interest rates. Each rate scenario contains unique prepayment and repricing assumptions that are applied to the Company's existing balance sheet that was developed under the flat interest rate scenario.

INTEREST RATE SCENARIO	VARIABILITY OF NET INTEREST INCOME	CHANGE IN MARKET VALUE OF PORTFOLIO EQUITY
200 bp increase	5.5%	26.6%
100 bp increase	3.3	16.1
100 bp decrease	(4.1)	(24.6)

The Company believes that its overall interest rate risk position is well controlled. The variability of net interest income is positive in the upward rate shocks due to the Company's short duration investment securities portfolio, the scheduled repricing of loans tied to LIBOR or prime, and the reduction to overnight borrowed funds. Also, the Company will continue its disciplined approach to price its core deposit accounts in a controlled but competitive manner. The variability of net interest income is negative in the 100 basis point downward rate scenario as the Company has more exposure to assets repricing downward to a greater extent than liabilities due to the absolute low level of interest rates with the fed funds rate currently at a targeted range of 1.50% to 1.75%. The market value of portfolio equity increases in the upward rate shocks due to the improved value of the Company's core deposit base. Negative variability of market value of portfolio equity occurs in the downward rate shock due to a reduced value for core deposits.

Within the investment portfolio at December 31, 2019, 78.5% of the portfolio is classified as available for sale and 21.5% as held to maturity. The available for sale classification provides management with greater flexibility to manage the securities portfolio to better achieve overall balance sheet rate sensitivity goals and provide liquidity if needed. The mark to market of the available for sale securities does inject more volatility in the book value of equity, but has no impact on regulatory capital. There are 54 securities that are temporarily impaired at December 31, 2019. The Company reviews its securities quarterly and has asserted that at December 31, 2019, the impaired value of securities represents temporary declines due to movements in interest rates and the Company does have the ability and intent to hold those securities to maturity or to allow a market recovery. Furthermore, it is the Company's intent to manage its long-term interest rate risk by continuing to sell a portion of newly originated fixed-rate 30-year mortgage loans into the secondary market (excluding construction and any jumbo loans). The Company also sells 15-year fixed-rate mortgage loans into the secondary market as well, depending on market conditions. For the year 2019, 76% of all residential mortgage loan production was sold into the secondary market.

The amount of loans outstanding by category as of December 31, 2019, which are due in (i) one year or less, (ii) more than one year through five years, and (iii) over five years, are shown in the following table. Loan balances are also categorized according to their sensitivity to changes in interest rates.

	ONE YEAR OR LESS	MORE THAN ONE YEAR THROUGH FIVE YEARS	OVER FIVE YEARS	TOTAL LOANS
	(IN THOUSANDS, EXCEPT RATIOS)			
Commercial and industrial	$40,194	$ 93,467	$ 40,261	$173,922
Commercial loans secured by owner occupied real estate	603	29,233	61,819	91,655
Commercial loans secured by non-owner occupied real estate	29,955	118,755	214,925	363,635
Real estate – residential mortgage	10,581	39,109	190,417	240,107
Consumer	6,712	4,488	7,055	18,255
Total	$88,045	$285,052	$514,477	$887,574
Loans with fixed-rate	$36,237	$189,670	$197,217	$423,124
Loans with floating-rate	51,808	95,382	317,260	464,450
Total	$88,045	$285,052	$514,477	$887,574
Percent composition of maturity	9.9%	32.1%	58.0%	100.0%
Fixed-rate loans as a percentage of total loans				47.7%
Floating-rate loans as a percentage of total loans				52.3%

The loan maturity information is based upon original loan terms and is not adjusted for principal paydowns and rollovers. In the ordinary course of business, loans maturing within one year may be renewed, in whole or in part, as to principal amount at interest rates prevailing at the date of renewal.

OFF BALANCE SHEET ARRANGEMENTS. The Company incurs off-balance sheet risks in the normal course of business in order to meet the financing needs of its customers. These risks derive from commitments to extend credit and standby letters of credit. Such commitments and standby letters of credit involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. The Company's exposure to credit loss in the event of nonperformance by the other party to these commitments to extend credit and standby letters of credit is represented by their contractual amounts. The Company uses the same credit and collateral policies in making commitments and conditional obligations as for all other lending. The Company had various outstanding commitments to extend credit approximating $195.5 million and standby letters of credit of $14.7 million as of December 31, 2019. The Company can also use various interest rate contracts, such as interest rate swaps, caps, floors and swaptions to help manage interest rate and market valuation risk exposure, which is incurred in normal recurrent banking activities. As of December 31, 2019, the Company had $63.3 million in the notional amount of interest rate swaps outstanding.

As of December 31, 2019 and 2018, municipal deposit letters of credit issued by the Federal Home Loan Bank of Pittsburgh on behalf of AmeriServ Financial Bank naming applicable municipalities as beneficiaries totaled $41.5 million and $52.3 million, respectively. The letters of credit serve as collateral, in place of pledged securities, for municipal deposits maintained at AmeriServ Financial Bank.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES. The accounting and reporting policies of the Company are in accordance with Generally Accepted Accounting Principles (GAAP) and conform to general practices within the banking industry. Accounting and reporting policies for the pension liability, allowance for loan losses, goodwill, income taxes, and investment securities are deemed critical because they involve the use of estimates and require significant management judgments. Application of assumptions different than those used by the Company could result in material changes in the Company's financial position or results of operation.

ACCOUNT — Pension liability
BALANCE SHEET REFERENCE — Other liabilities
INCOME STATEMENT REFERENCE — Salaries and employee benefits and Other expense
DESCRIPTION

Pension costs and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, benefits earned, interest costs, expected return on plan assets, mortality rates, and other factors. In accordance with GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation of future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the Company's pension obligations and future expense. Our pension benefits are described further in Note 18 of the Notes to Consolidated Financial Statements.

ACCOUNT — Allowance for loan losses
BALANCE SHEET REFERENCE — Allowance for loan losses
INCOME STATEMENT REFERENCE — Provision (credit) for loan losses
DESCRIPTION

The allowance for loan losses is calculated with the objective of maintaining reserve levels believed by management to be sufficient to absorb estimated probable credit losses. Management's determination of the adequacy of the allowance is based on periodic evaluations of the credit portfolio and other relevant factors. However, this quarterly evaluation is inherently subjective as it requires material estimates, including, among others, likelihood of customer default, loss given default, exposure at default, the amounts and timing of expected future cash flows on impaired loans, value of collateral, estimated losses on consumer loans and residential mortgages, and general amounts for historical loss experience. This process also considers economic conditions, uncertainties in estimating losses and inherent risks in the various credit portfolios. All of these factors may be susceptible to significant change. Also, the allocation of the allowance for credit losses to specific loan pools is based on historical loss trends and management's judgment concerning those trends.

Commercial and commercial real estate loans are the largest category of credits and the most sensitive to changes in assumptions and judgments underlying the determination of the allowance for loan losses. Approximately $7.1 million, or 76%, of the total allowance for loan losses at December 31, 2019 has been allocated to these two loan categories. This allocation also considers other relevant factors such as actual versus estimated losses, economic trends, delinquencies, levels of non-performing and troubled debt restructured (TDR) loans, concentrations of credit, trends in loan volume, experience and depth of management, examination and audit results, effects of any changes in lending policies and trends in policy, financial information and documentation exceptions. To the extent actual outcomes differ from management estimates, additional provision for loan losses may be required that would adversely impact earnings in future periods.

ACCOUNT — Goodwill
BALANCE SHEET REFERENCE — Goodwill
INCOME STATEMENT REFERENCE — Goodwill impairment
DESCRIPTION

The Company considers our accounting policies related to goodwill to be critical because the assumptions or judgment used in determining the fair value of assets and liabilities acquired in past acquisitions are subjective and complex. As a result, changes in these assumptions or judgment could have a significant impact on our financial condition or results of operations.

The fair value of acquired assets and liabilities, including the resulting goodwill, was based either on quoted market prices or provided by other third party sources, when available. When third party information was not available, estimates were made in good faith by management primarily through the use of internal cash flow modeling techniques. The assumptions that were used in the cash flow modeling were subjective and are susceptible to significant changes. The Company routinely utilizes the services of an independent third party that is regarded within the banking industry as an expert in valuing core deposits to monitor the ongoing

value and changes in the Company's core deposit base. These core deposit valuation updates are based upon specific data provided from statistical analysis of the Company's own deposit behavior to estimate the duration of these non-maturity deposits combined with market interest rates and other economic factors.

Goodwill arising from business combinations represents the value attributable to unidentifiable intangible elements in the business acquired. The Company's goodwill relates to value inherent in the banking and wealth management businesses, and the value is dependent upon the Company's ability to provide quality, cost-effective services in the face of free competition from other market participants on a regional basis. This ability relies upon continuing investments in processing systems, the development of value-added service features and the ease of use of the Company's services. As such, goodwill value is supported ultimately by revenue that is driven by the volume of business transacted and the loyalty of the Company's deposit and customer base over a longer time frame. The quality and value of a Company's assets is also an important factor to consider when performing goodwill impairment testing. A decline in earnings as a result of a lack of growth or the inability to deliver cost-effective value added services over sustained periods can lead to the impairment of goodwill.

Goodwill which has an indefinite useful life is tested for impairment at least annually and written down and charged to results of operations only in periods in which the recorded value is more than the estimated fair value.

ACCOUNT — Income Taxes
BALANCE SHEET REFERENCE — Net deferred tax asset
INCOME STATEMENT REFERENCE — Provision for income taxes
DESCRIPTION

The provision for income taxes is the sum of income taxes both currently payable and deferred. The changes in deferred tax assets and liabilities are determined based upon the changes in differences between the basis of assets and liabilities for financial reporting purposes and the basis of assets and liabilities as measured by the enacted tax rates that management estimates will be in effect when the differences reverse. This income tax review is completed on a quarterly basis.

In relation to recording the provision for income taxes, management must estimate the future tax rates applicable to the reversal of tax differences, make certain assumptions regarding whether tax differences are permanent or temporary and the related timing of the expected reversal. Also, estimates are made as to whether taxable operating income in future periods will be sufficient to fully recognize any gross deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. Alternatively, we may make estimates about the potential usage of deferred tax assets that decrease our valuation allowances. As of December 31, 2019, we believe that all of the deferred tax assets recorded on our balance sheet will ultimately be recovered and that no valuation allowances were needed.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional taxes will be due. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We record an additional charge in our provision for taxes in the period in which we determine that the recorded tax liability is less than we expect the ultimate assessment to be.

ACCOUNT — Investment Securities
BALANCE SHEET REFERENCE — Investment securities
INCOME STATEMENT REFERENCE — Net realized gains (losses) on investment securities
DESCRIPTION

Available-for-sale and held-to-maturity securities are reviewed quarterly for possible other-than-temporary impairment. The review includes an analysis of the facts and circumstances of each individual investment such as the severity of loss, the length of time the fair value has been below cost, the expectation for that security's performance, the creditworthiness of the issuer and the Company's intent and ability to hold the security to recovery. A decline in value that is considered to be other-than-temporary is recorded as a loss within non-interest income in the Consolidated Statements of Operations. At December 31, 2019, the unrealized losses in the available-for-sale security portfolio were comprised of securities issued by government agencies or government sponsored agencies and certain high quality corporate and taxable municipal securities. The Company believes the unrealized losses are primarily a result of increases in market yields from the time of purchase. In general, as market yields rise, the value of securities will decrease; as market yields fall, the fair value of securities will increase. Management generally views changes in fair value caused by changes in interest rates as temporary; therefore, these securities have not been classified as other-than-temporarily impaired. Management has also concluded that based on current information we expect to continue to receive scheduled interest payments as well as the entire principal balance. Furthermore, management does not intend to sell these securities and does not believe it will be required to sell these securities before they recover in value.

FORWARD LOOKING STATEMENTS

THE STRATEGIC FOCUS:

AmeriServ Financial is committed to increasing shareholder value by striving for consistently improving financial performance; providing our customers with products and exceptional service for every step in their lifetime financial journey; cultivating an employee atmosphere rooted in trust, empowerment and growth; and serving our communities through employee involvement and a philanthropic spirit. We will strive to provide our shareholders with consistently improved financial performance; the products, services and know-how needed to forge lasting banking for life customer relationships; a work environment that challenges and rewards staff; and the manpower and financial resources needed to make a difference in the communities we serve. Our strategic initiatives will focus on these four key constituencies:

- Shareholders — We strive to increase earnings per share; identifying and managing revenue growth and expense control and reduction; and managing risk. Our goal is to increase value for AmeriServ shareholders by growing earnings per share and narrowing the financial performance gap between AmeriServ and its peer banks. We try to return up to 75 percent of earnings to shareholders through a combination of dividends and share repurchases subject to maintaining sufficient capital to support balance sheet growth. We strive to educate our employee base as to the meaning/importance of earnings per share as a performance measure. We will develop a value added combination for increasing revenue and controlling expenses that is rooted in developing and offering high-quality financial products and services; an existing branch network; electronic banking capabilities with 24/7 convenience; and providing truly exceptional customer service. We will explore branch consolidation opportunities and further leverage union affiliated revenue streams, prudently manage the Company's risk profile to improve asset yields and increase profitability and continue to identify and implement technological opportunities and advancements to drive efficiency for the holding company and its affiliates.
- Customers — The Company expects to provide exceptional customer service, identifying opportunities to enhance the Banking for Life philosophy by providing products and services to meet the financial needs in every step through a customer's life cycle, and further defining the role technology plays in anticipating and satisfying customer needs. We anticipate providing leading banking systems and solutions to improve and enhance customers' Banking for Life experience. We will provide customers with a comprehensive offering of financial solutions including retail and business banking, home mortgages and wealth management at one location. We have upgraded and modernized select branches to be more inviting and technologically savvy to meet the needs of the next generation of AmeriServ customers without abandoning the needs of our existing demographic.
- Staff — We are committed to developing high-performing employees, establishing and maintaining a culture of trust and effectively and efficiently managing staff attrition. We will employ a work force succession plan to manage anticipated staff attrition while identifying and grooming high performing staff members to assume positions with greater responsibility within the organization. We will employ technological systems and solutions to provide staff with the tools they need to perform more efficiently and effectively.

- Communities — We will continue to promote and encourage employee community involvement and leadership while fostering a positive corporate image. This will be accomplished by demonstrating our commitment to the communities we serve through assistance in providing affordable housing programs for low-to-moderate-income families; donations to qualified charities; and the time and talent contributions of AmeriServ staff to a wide-range of charitable and civic organizations.

This Form 10-K contains various forward-looking statements and includes assumptions concerning the Company's beliefs, plans, objectives, goals, expectations, anticipations, estimates, intentions, operations, future results, and prospects, including statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "project," "plan" or similar expressions. These forward-looking statements are based upon current expectations, are subject to risk and uncertainties and are applicable only as of the dates of such statements. Forward-looking statements involve risks, uncertainties and assumptions. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. You should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Form 10-K, even if subsequently made available on our website or otherwise, and we undertake no obligation to update or revise these statements to reflect events or circumstances occurring after the date of this Form 10-K. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary statement identifying important factors (some of which are beyond the Company's control) which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions.

Such factors include the following: (i) the effect of changing regional and national economic conditions; (ii) the effects of trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve; (iii) significant changes in interest rates and prepayment speeds; (iv) inflation, stock and bond market, and monetary fluctuations; (v) credit risks of commercial, real estate, consumer, and other lending activities; (vi) changes in federal and state banking and financial services laws and regulations; (vii) the presence in the Company's market area of competitors with greater financial resources than the Company; (viii) the timely development of competitive new products and services by the Company and the acceptance of those products and services by customers and regulators (when required); (ix) the willingness of customers to substitute competitors' products and services for those of the Company and vice versa; (x) changes in consumer spending and savings habits; (xi) unanticipated regulatory or judicial proceedings; and (xii) other external developments which could materially impact the Company's operational and financial performance.

The foregoing list of important factors is not exclusive, and neither such list nor any forward-looking statement takes into account the impact that any future acquisition may have on the Company and on any such forward-looking statement.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk identification and management are essential elements for the successful management of the Company. In the normal course of business, the Company is subject to various types of risk, including interest rate, credit, and liquidity risk. The Company controls and monitors these risks with policies, procedures, and various levels of managerial and Board oversight. The Company's objective is to optimize profitability while managing and controlling risk within Board approved policy limits.

Interest rate risk is the sensitivity of net interest income and the market value of financial instruments to the magnitude, direction, and frequency of changes in interest rates. Interest rate risk results from various repricing frequencies and the maturity structure of assets, liabilities, and hedges. The Company uses its asset liability management policy and hedging policy to control and manage interest rate risk. For information regarding the effect of changing interest rates on the Company's net interest income and market value of its investment portfolio, see "Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations — Interest Rate Sensitivity."

Liquidity risk represents the inability to generate cash or otherwise obtain funds at reasonable rates to satisfy commitments to borrowers, as well as, the obligations to depositors, debtholders and to fund operating expenses. The Company uses its asset liability management policy and contingency funding plan to control and manage liquidity risk. See "Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations — Liquidity."

Credit risk represents the possibility that a customer may not perform in accordance with contractual terms. Credit risk results from extending credit to customers, purchasing securities, and entering into certain off-balance sheet loan funding commitments. The Company's primary credit risk occurs in the loan portfolio. The Company uses its credit policy and disciplined approach to evaluating the adequacy of the allowance for loan losses to control and manage credit risk. The Company's investment policy and hedging policy strictly limit the amount of credit risk that may be assumed in the investment portfolio and through hedging activities.

For information regarding the market risk of the Company's financial instruments, see "Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations — Interest Rate Sensitivity." The Company's principal market risk exposure is to interest rates.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AMERISERV FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS

	AT DECEMBER 31, 2019	AT DECEMBER 31, 2018
	(IN THOUSANDS, EXCEPT SHARE DATA)	
ASSETS		
Cash and due from depository institutions	**$ 15,642**	$ 27,970
Interest bearing deposits	**2,755**	2,740
Short-term investments in money market funds	**3,771**	4,184
Cash and cash equivalents	**22,168**	34,894
Investment securities:		
Available for sale	**141,749**	146,731
Held to maturity (fair value $41,082 at December 31, 2019 and $40,324 at December 31, 2018)	**39,936**	40,760
Loans held for sale	**4,868**	847
Loans	**883,090**	862,604
Less: Unearned income	**384**	322
Allowance for loan losses	**9,279**	8,671
Net loans	**873,427**	853,611
Premises and equipment:		
Operating lease right-of-use asset	**846**	—
Financing lease right-of-use asset	**3,078**	—
Other premises and equipment, net	**14,643**	13,348
Accrued interest income receivable	**3,449**	3,489
Goodwill	**11,944**	11,944
Bank owned life insurance	**38,916**	38,395
Net deferred tax asset	**3,976**	3,637
Federal Home Loan Bank stock	**3,985**	4,520
Federal Reserve Bank stock	**2,125**	2,125
Other assets	**6,074**	6,379
TOTAL ASSETS	**$1,171,184**	$1,160,680
LIABILITIES		
Non-interest bearing deposits	**$ 136,462**	$ 150,627
Interest bearing deposits	**824,051**	798,544
Total deposits	**960,513**	949,171
Short-term borrowings	**22,412**	41,029
Advances from Federal Home Loan Bank	**53,668**	46,721
Operating lease liabilities	**865**	—
Financing lease liabilities	**3,163**	—
Guaranteed junior subordinated deferrable interest debentures	**12,955**	12,939
Subordinated debt	**7,511**	7,488
Total borrowed funds	**100,574**	108,177
Other liabilities	**11,483**	5,355
TOTAL LIABILITIES	**1,072,570**	1,062,703
STOCKHOLDERS' EQUITY		
Common stock, par value $0.01 per share; 30,000,000 shares authorized: 26,650,728 shares issued and 17,057,871 shares outstanding on December 31, 2019; 30,000,000 shares authorized: 26,609,811 shares issued and 17,619,303 shares outstanding on December 31, 2018	**267**	266
Treasury stock at cost, 9,592,857 shares on December 31, 2019 and 8,990,508 shares on December 31, 2018	**(83,129)**	(80,579)
Capital surplus	**145,888**	145,782
Retained earnings	**51,759**	46,733
Accumulated other comprehensive loss, net	**(16,171)**	(14,225)
TOTAL STOCKHOLDERS' EQUITY	**98,614**	97,977
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$1,171,184**	$1,160,680

See accompanying notes to consolidated financial statements.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,		
	2019	**2018**	**2017**
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
INTEREST INCOME			
Interest and fees on loans:			
Taxable	**$42,832**	$40,938	$39,122
Tax exempt	**101**	90	95
Interest bearing deposits	**24**	20	11
Short-term investments in money market funds	**293**	201	130
Investment securities:			
Available for sale	**5,090**	4,527	3,800
Held to maturity	**1,427**	1,318	1,198
Total Interest Income	**49,767**	47,094	44,356
INTEREST EXPENSE			
Deposits	**11,189**	8,443	6,255
Short-term borrowings	**288**	720	206
Advances from Federal Home Loan Bank	**1,090**	797	694
Financing lease liabilities	**117**	—	—
Guaranteed junior subordinated deferrable interest debentures	**1,121**	1,120	1,120
Subordinated debt	**520**	520	520
Total Interest Expense	**14,325**	11,600	8,795
Net Interest Income	**35,442**	35,494	35,561
Provision (credit) for loan losses	**800**	(600)	800
Net Interest Income after Provision (Credit) for Loan Losses	**34,642**	36,094	34,761
NON-INTEREST INCOME			
Wealth management fees	**9,730**	9,659	9,170
Service charges on deposit accounts	**1,271**	1,420	1,581
Net gains on loans held for sale	**865**	489	679
Mortgage related fees	**302**	196	285
Net realized gains (losses) on investment securities	**118**	(439)	115
Impairment charge on other investments	**(500)**	—	—
Bank owned life insurance	**521**	536	737
Other income	**2,466**	2,363	2,078
Total Non-Interest Income	**14,773**	14,224	14,645
NON-INTEREST EXPENSE			
Salaries and employee benefits	**25,429**	24,358	23,920
Net occupancy expense	**2,497**	2,462	2,600
Equipment expense	**1,510**	1,464	1,585
Professional fees	**4,885**	5,039	5,058
Supplies, postage, and freight	**605**	674	676
Miscellaneous taxes and insurance	**1,135**	1,062	1,194
Federal deposit insurance expense	**100**	557	628
Other expense	**5,654**	5,257	5,065
Total Non-Interest Expense	**41,815**	40,873	40,726
PRETAX INCOME	**7,600**	9,445	8,680
Provision for income taxes	**1,572**	1,677	5,387
NET INCOME	**$ 6,028**	$ 7,768	$ 3,293
PER COMMON SHARE DATA:			
Basic:			
Net income	**$ 0.35**	$ 0.43	$ 0.18
Average number of shares outstanding	**17,359**	17,933	18,498
Diluted:			
Net income	**$ 0.35**	$ 0.43	$ 0.18
Average number of shares outstanding	**17,440**	18,037	18,600
Cash dividends declared	**$ 0.095**	$ 0.075	$ 0.060

See accompanying notes to consolidated financial statements.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	YEAR ENDED DECEMBER 31,		
	2019	**2018**	**2017**
	(IN THOUSANDS)		
COMPREHENSIVE INCOME (LOSS)			
Net income	**$ 6,028**	$ 7,768	$3,293
Other comprehensive income (loss), before tax:			
Pension obligation change for defined benefit plan	**(6,418)**	(244)	1,303
Income tax effect	**1,348**	51	(442)
Unrealized holding gains (losses) on available for sale securities arising during period	**4,072**	(1,810)	(40)
Income tax effect	**(855)**	381	13
Reclassification adjustment for net realized (gains) losses on available for sale securities included in net income	**(118)**	439	(115)
Income tax effect	**25**	(92)	39
Other comprehensive income (loss)	**(1,946)**	(1,275)	758
Comprehensive income	**$ 4,082**	$ 6,493	$4,051

See accompanying notes to consolidated financial statements.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	YEAR ENDED DECEMBER 31,		
	2019	2018	2017
	(IN THOUSANDS)		
COMMON STOCK			
Balance at beginning of period	**266**	266	265
New common shares issued for exercise of stock options	**1**	—	1
Balance at end of period	**267**	266	266
TREASURY STOCK			
Balance at beginning of period	**(80,579)**	(78,233)	(74,829)
Treasury stock, purchased at cost (602,349, 533,352, and 839,337 shares in 2019, 2018, and 2017, respectively)	**(2,550)**	(2,346)	(3,404)
Balance at end of period	**(83,129)**	(80,579)	(78,233)
CAPITAL SURPLUS			
Balance at beginning of period	**145,782**	145,707	145,535
New common shares issued for exercise of stock options (40,917, 24,408, and 64,112 shares in 2019, 2018, and 2017, respectively)	**99**	61	159
Stock option expense	**7**	14	13
Balance at end of period	**145,888**	145,782	145,707
RETAINED EARNINGS			
Balance at beginning of period	**46,733**	40,312	36,001
Net income	**6,028**	7,768	3,293
Cash dividend declared on common stock ($0.095, $0.075, and $0.060 in 2019, 2018, and 2017 respectively)	**(1,642)**	(1,347)	(1,113)
Reclassification of certain income tax effects from accumulated other comprehensive income	**—**	—	2,131
Cumulative effect adjustment for change in accounting principal	**640**	—	—
Balance at end of period	**51,759**	46,733	40,312
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET			
Balance at beginning of period	**(14,225)**	(12,950)	(11,577)
Reclassification of certain income tax effects from accumulated other comprehensive income	**—**	—	(2,131)
Other comprehensive income (loss)	**(1,946)**	(1,275)	758
Balance at end of period	**(16,171)**	(14,225)	(12,950)
TOTAL STOCKHOLDERS' EQUITY	**$ 98,614**	$ 97,977	$ 95,102

See accompanying notes to consolidated financial statements.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31		
	2019	2018	2017
	(IN THOUSANDS)		
OPERATING ACTIVITIES			
Net income	**$ 6,028**	$ 7,768	$ 3,293
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision (credit) for loan losses	**800**	(600)	800
Depreciation and amortization expense	**1,873**	1,530	1,665
Net amortization of investment securities	**279**	347	436
Net realized (gains) losses on investment securities – available for sale	**(118)**	439	(115)
Impairment charge on other investments	**500**	—	—
Net gains on loans held for sale	**(865)**	(489)	(679)
Amortization of deferred loan fees	**(142)**	(149)	(162)
Origination of mortgage loans held for sale	**(49,460)**	(28,916)	(45,637)
Sales of mortgage loans held for sale	**46,304**	31,683	46,285
Decrease (increase) in accrued interest receivable	**40**	114	(487)
Increase in accrued interest payable	**546**	302	114
Earnings on bank-owned life insurance	**(521)**	(536)	(571)
Deferred income taxes	**179**	2,665	4,303
Stock compensation expense	**7**	14	13
Net change in operating leases	**(67)**	—	—
Other, net	**(493)**	(6,188)	(1,737)
Net cash provided by operating activities	**4,890**	7,984	7,521
INVESTING ACTIVITIES			
Purchase of investment securities – available for sale	**(18,084)**	(45,427)	(32,889)
Purchase of investment securities – held to maturity	**(2,257)**	(5,746)	(10,572)
Proceeds from maturities of investment securities – available for sale	**23,559**	16,299	22,311
Proceeds from maturities of investment securities – held to maturity	**3,007**	3,651	2,383
Proceeds from sales of investment securities – available for sale	**3,374**	9,466	8,143
Purchase of regulatory stock	**(13,557)**	(18,681)	(17,661)
Proceeds from redemption of regulatory stock	**14,092**	18,836	16,345
Long-term loans originated	**(205,603)**	(155,191)	(154,054)
Principal collected on long-term loans	**185,054**	181,582	147,752
Purchases of premises and equipment	**(2,821)**	(2,144)	(2,705)
Proceeds from sale of other real estate owned	**214**	46	108
Proceeds from life insurance policies	**—**	—	614
Net cash provided by (used in) investing activities	**(13,022)**	2,691	(20,225)
FINANCING ACTIVITIES			
Net (decrease) increase in deposit balances	**11,342**	1,226	(19,841)
Net increase (decrease) in other short-term borrowings	**(18,617)**	(8,055)	36,330
Principal borrowings on advances from Federal Home Loan Bank	**22,527**	12,492	12,687
Principal repayments on advances from Federal Home Loan Bank	**(15,580)**	(12,000)	(12,000)
Principal payments on financing lease liabilities	**(173)**	—	—
Stock options exercised	**99**	61	160
Purchases of treasury stock	**(2,550)**	(2,346)	(3,404)
Common stock dividend paid	**(1,642)**	(1,347)	(1,113)
Net cash provided by (used in) financing activities	**(4,594)**	(9,969)	12,819
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(12,726)**	706	115
CASH AND CASH EQUIVALENTS AT JANUARY 1	**34,894**	34,188	34,073
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**$ 22,168**	$ 34,894	$ 34,188

See accompanying notes to consolidated financial statements.

AMERISERV FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS AND NATURE OF OPERATIONS:

AmeriServ Financial, Inc. (the Company) is a bank holding company, headquartered in Johnstown, Pennsylvania. Through its banking subsidiary the Company operates 16 banking locations in five southwestern Pennsylvania counties and Hagerstown, Maryland. These branches provide a full range of consumer, mortgage, and commercial financial products. The AmeriServ Trust and Financial Services Company (Trust Company) offers a complete range of trust and financial services and administers assets valued at approximately $2.2 billion that are not recognized on the Company's Consolidated Balance Sheets at December 31, 2019.

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of AmeriServ Financial, Inc. and its wholly-owned subsidiaries, AmeriServ Financial Bank (the Bank), Trust Company, and AmeriServ Life Insurance Company (AmeriServ Life). The Bank is a state-chartered full service bank with 15 locations in Pennsylvania and 1 location in Maryland. AmeriServ Life is a captive insurance company that engages in underwriting as a reinsurer of credit life and disability insurance.

Intercompany accounts and transactions have been eliminated in preparing the Consolidated Financial Statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles, or GAAP) requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Actual results may differ from these estimates and the differences may be material to the Consolidated Financial Statements. The Company's most significant estimates relate to the allowance for loan losses, goodwill, income taxes, investment securities, pension, and the fair value of financial instruments.

INVESTMENT SECURITIES:

Securities are classified at the time of purchase as investment securities held to maturity if it is management's intent and the Company has the ability to hold the securities until maturity. These held to maturity securities are carried on the Company's books at cost, adjusted for amortization of premium and accretion of discount which is computed using the level yield method which approximates the effective interest method. Alternatively, securities are classified as available for sale if it is management's intent at the time of purchase to hold the securities for an indefinite period of time and/or to use the securities as part of the Company's asset/liability management strategy. Securities classified as available for sale include securities which may be sold to effectively manage interest rate risk exposure, prepayment risk, and other factors (such as liquidity requirements). These available for sale securities are reported at fair value with unrealized aggregate appreciation/depreciation excluded from income and credited/charged to accumulated other comprehensive income/loss within stockholders' equity on a net of tax basis. Any securities classified as trading assets are reported at fair value with unrealized aggregate appreciation/depreciation included in income on a net of tax basis. The Company does not engage in trading activity.

Realized gains or losses on securities sold are computed upon the adjusted cost of the specific securities sold. Available-for-sale and held-to-maturity securities are reviewed quarterly for possible other-than-temporary impairment. The review includes an analysis of the facts and circumstances of each individual investment such as the severity of loss, the length of time the fair value has been below cost, the expectation for that security's performance, the creditworthiness of the issuer and the Company's intent and ability to hold the security to recovery. The Company believes the unrealized losses are primarily a result of increases in market yields from the time of purchase. In general, as market yields rise, the value of securities will decrease; as market yields fall, the fair value of securities will increase. Management generally views changes in fair value caused by changes in interest rates as temporary; therefore, these securities have not been

classified as other-than-temporarily impaired. Management has also concluded that based on current information we expect to continue to receive scheduled interest payments as well as the entire principal balance. Furthermore, management does not intend to sell these securities and does not believe it will be required to sell these securities before they recover in value.

FEDERAL HOME LOAN BANK STOCK:

The Bank is a member of the Federal Home Loan Bank of Pittsburgh (FHLB) and as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is bought from and sold to the FHLB based upon its $100 par value. The stock does not have a readily determinable fair value and as such is classified as restricted stock, carried at cost and evaluated for impairment by management. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and the length of time any such situation has persisted; (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance; (3) the impact of legislative and regulatory changes on the customer base of FHLB; and (4) the liquidity position of the FHLB. Management evaluated the stock and concluded that the stock was not impaired for the periods presented herein.

LOANS:

Interest income is recognized using the level yield method related to principal amounts outstanding. The Company discontinues the accrual of interest income when loans become 90 days past due in either principal or interest. In addition, if circumstances warrant, the accrual of interest may be discontinued prior to 90 days. Payments received on non-accrual loans are credited to principal until full recovery of principal has been recognized; or the loan has been returned to accrual status. The only exception to this policy is for residential mortgage loans wherein interest income is recognized on a cash basis as payments are received. A non-accrual commercial loan is placed on accrual status after becoming current and remaining current for twelve consecutive payments. Residential mortgage loans are placed on accrual status upon becoming current.

LOAN FEES:

Loan origination and commitment fees, net of associated direct costs, are deferred and amortized into interest and fees on loans over the loan or commitment period. Fee amortization is determined by the effective interest method.

LOANS HELD FOR SALE:

Certain newly originated residential mortgage loans are classified as held for sale, because it is management's intent to sell these residential mortgage loans. The residential mortgage loans held for sale are carried at the lower of aggregate cost or fair value.

TRANSFERS OF FINANCIAL ASSETS:

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

PREMISES AND EQUIPMENT:

Premises and equipment are stated at cost less accumulated depreciation and amortization. Land is carried at cost. Depreciation is charged to operations over the estimated useful lives of the premises and equipment using the straight-line method with a half-year convention. Useful lives of up to 30 years for buildings and up to 10 years for equipment are utilized. Leasehold improvements are amortized using the straight-line method over the terms of the respective leases or useful lives of the improvements, whichever is shorter. Maintenance, repairs, and minor alterations are charged to current operations as expenditures are incurred.

LEASES:

The Company has operating and financing leases for several branch locations and office space. Generally, the underlying lease agreements do not contain any material residual value guarantees or material restrictive covenants. Many of our leases include both lease (e.g., minimum rent payments) and non-lease components, such as common area maintenance charges, utilities, real estate taxes, and insurance. The Company has elected to account for the variable non-lease components separately from the lease component. Such variable non-lease components are reported in net occupancy expense on the Consolidated Statements of Operations when incurred. These variable non-lease components were excluded from the calculation of the present value of the remaining lease payments, therefore, they are not included in the right-of-use assets and lease liabilities reported on the Consolidated Balance Sheets.

Certain of the Company's leases contain options to renew the lease after the initial term. Management considers the Company's historical pattern of exercising renewal options on leases and the performance of the leased locations, when determining whether it is reasonably certain that the leases will be renewed. If management concludes that there is reasonable certainty about the renewal option, it is included in the calculation of the remaining term of each applicable lease. The discount rate utilized in calculating the present value of the remaining lease payments for each lease was the Federal Home Loan Bank of Pittsburgh advance rate corresponding to the remaining maturity of the lease.

Under Topic 842, the lessee can elect to not record on the Consolidated Balance Sheets a lease whose term is twelve months or less and does not include a purchase option that the lessee is reasonably certain to exercise. As of December 31, 2019, the Company had one short-term equipment lease which it has elected to not record on the Consolidated Balance Sheets.

ALLOWANCE FOR LOAN LOSSES AND CHARGE-OFF PROCEDURES:

As a financial institution, which assumes lending and credit risks as a principal element of its business, the Company anticipates that credit losses will be experienced in the normal course of business. Accordingly, the Company consistently applies a comprehensive methodology and procedural discipline to perform an analysis which is updated on a quarterly basis at the Bank level to determine both the adequacy of the allowance for loan losses and the necessary provision for loan losses to be charged against earnings. This methodology includes:

- Review of all criticized, classified and impaired commercial and commercial real estate loans to determine if any specific reserve allocations are required on an individual loan basis. In addition, consumer and residential mortgage loans with a balance of $150,000 or more are evaluated for impairment and specific reserve allocations are established, if applicable. All required specific reserve allocations are based on careful analysis of the loan's performance, the related collateral value, cash flow considerations and the financial capability of any guarantor. For impaired loans the measurement of impairment may be based upon (1) the present value of expected future cash flows discounted at the loan's effective interest rate; (2) the observable market price of the impaired loan; or (3) the fair value of the collateral of a collateral dependent loan.
- The application of formula driven reserve allocations for all commercial and commercial real estate loans by using a three-year migration analysis of net losses incurred within each risk grade for the entire commercial loan portfolio. The difference between estimated and actual losses is reconciled through the nature of the migration analysis.
- The application of formula driven reserve allocations to consumer and residential mortgage loans which are based upon historical net charge-off experience for those loan types. The residential mortgage loan and consumer loan allocations are based upon the Company's three-year historical average of actual loan net charge-offs experienced in each of those categories.
- The application of formula driven reserve allocations to all outstanding loans is based upon review of historical losses and qualitative factors, which include but are not limited to, economic trends, delinquencies, levels of non-accrual and TDR loans, concentrations of credit, trends in loan volume, experience and depth of management, examination and audit results, effects of any changes in lending policies and trends in policy, financial information and documentation exceptions.
- Management recognizes that there may be events or economic factors that have occurred affecting specific borrowers or segments of borrowers that may not yet be fully reflected in the information that the Company uses for arriving at reserves for a specific loan or portfolio segment. Therefore, the Company believes that there is estimation risk associated with the use of specific and formula driven allowances.

After completion of this process, a formal meeting of the Loan Loss Reserve Committee is held to evaluate the adequacy of the reserve.

When it is determined that the prospects for recovery of the principal of a loan have significantly diminished, the loan is charged against the allowance account; subsequent recoveries, if any, are credited to the allowance account. In addition, non-accrual and large delinquent loans are reviewed monthly to determine potential losses.

The Company's policy is to individually review, as circumstances warrant, its commercial and commercial mortgage loans to determine if a loan is impaired. At a minimum, credit reviews are mandatory for all commercial and commercial mortgage loan relationships with aggregate balances in excess of $1,000,000 within a 12-month period. The Company defines classified loans as those loans rated substandard or doubtful. The Company has also identified three pools of small dollar value homogeneous loans which are evaluated collectively for impairment. These separate pools are for small business relationships with aggregate balances of $250,000 or less, residential mortgage loans and consumer loans. Individual loans within these pools are reviewed and evaluated for specific impairment if factors such as significant delinquency in payments of 90 days or more, bankruptcy, or other negative economic concerns indicate impairment.

ALLOWANCE FOR UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT:

The allowance for unfunded loan commitments and letters of credit is maintained at a level believed by management to be sufficient to absorb estimated losses related to these unfunded credit facilities. The determination of the adequacy of the allowance is based on periodic evaluations of the unfunded credit facilities including an assessment of the probability of commitment usage, credit risk factors for loans outstanding to these same customers and the terms and expiration dates of the unfunded credit facilities. Net adjustments to the allowance for unfunded loan commitments and letters of credit are provided for in the unfunded commitment reserve expense line item within Other expense in the Consolidated Statements of Operations and a separate reserve is recorded within the Other liabilities line item of the Consolidated Balance Sheets.

BANK-OWNED LIFE INSURANCE:

The Company has purchased life insurance policies on certain employees. These policies are recorded on the Consolidated Balance Sheets at their cash surrender value, or the amount that can be realized. Income from these policies and changes in the cash surrender value are recorded in Bank owned life insurance within non-interest income.

INTANGIBLE ASSETS:

Goodwill arising from business combinations represents the value attributable to unidentifiable intangible elements in the business acquired. The Company accounts for goodwill using a two-step process for testing the impairment of goodwill on at least an annual basis. This approach could cause more volatility in the Company's reported net income because impairment losses, if any, could occur irregularly and in varying amounts.

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 to purchase 12,000, 5,000, and 10,000 shares of common stock were outstanding during 2019, 2018 and 2017, respectively, but were not included in the computation of diluted earnings per common share because to do so would be anti-dilutive. Exercise prices of anti-dilutive options to purchase common stock outstanding were $4.19-$4.22, $4.22, and $4.00 during 2019, 2018 and 2017, respectively.

	YEAR ENDED DECEMBER 31,		
	2019	2018	2017
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Numerator:			
Net income	**$ 6,028**	$ 7,768	$ 3,293
Denominator:			
Weighted average common shares outstanding (basic)	**17,359**	17,933	18,498
Effect of stock options	**81**	104	102
Weighted average common shares outstanding (diluted)	**17,440**	18,037	18,600
Earnings per common share:			
Basic	**$ 0.35**	$ 0.43	$ 0.18
Diluted	**0.35**	0.43	0.18

STOCK-BASED COMPENSATION:

The Company uses the modified prospective method for accounting of stock-based compensation. The fair value of each option grant is estimated on the grant date using the Binomial option pricing model and the expense is recognized ratably over the service period. Forfeitures are recognized as they occur. See Note 20 for details on the assumptions used.

ACCUMULATED OTHER COMPREHENSIVE LOSS:

The Company presents the components of other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income (Loss). These components are comprised of the change in the defined benefit pension obligation and the unrealized holding gains (losses) on available for sale securities, net of any reclassification adjustments for realized gains and losses.

CONSOLIDATED STATEMENT OF CASH FLOWS:

On a consolidated basis, cash and cash equivalents include cash and due from depository institutions, interest bearing deposits, and short-term investments in money market funds. The Company made $785,000 in income tax payments in 2019; $875,000 in 2018; and $1,075,000 in 2017. The Company had non-cash transfers to other real estate owned (OREO) in the amounts of $75,000 in 2019; $166,000 in 2018; and $77,000 in 2017. As a result of the adoption of ASU 2016-02, *Leases (Topic 842)* as of January 1, 2019, the Company had non-cash transactions associated with the recognition of the right-of-use assets and lease liabilities. Specifically, the Company recognized a right-of-use asset and lease liability of $932,000 related to operating leases and a right-of-use asset and lease liability of $3.3 million related to financing leases. In addition, as a result of the adoption of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the Company had a non-cash transaction in the amount of $640,000 associated with the recognition of a receivable for wealth management fees as of December 31, 2019. The Company also had a non-cash transfer of the AMT credit carryforward to other assets in the amount of $287,000 in 2018. The Company made total interest payments of $13,779,000 in 2019; $11,298,000 in 2018; and $8,681,000 in 2017.

INCOME TAXES:

Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate. Deferred income tax expenses or credits are based on the changes in the corresponding asset or liability from period to period.

Deferred tax assets are reduced, if necessary, by the amounts of such benefits that are not expected to be realized based upon available evidence.

INTEREST RATE CONTRACTS:

The Company recognizes all derivatives as either assets or liabilities on the Consolidated Balance Sheets and measures those instruments at fair value. For derivatives designated as fair value hedges, changes in the fair value of the derivative and hedged item related to the hedged risk are recognized in earnings. Changes in fair value of derivatives designated and accounted as cash flow hedges, to the extent they are effective as hedges, are recorded in "Other Comprehensive Income," net of deferred taxes and are subsequently reclassified to earnings when the hedged transaction affects earnings. Any hedge ineffectiveness would be recognized in the income statement line item pertaining to the hedged item.

The Company periodically enters into derivative instruments to meet the financing, interest rate and equity risk management needs of its customers. Upon entering into these instruments to meet customer needs, the Company enters into offsetting positions to minimize interest rate and equity risk to the Company. These derivative financial instruments are reported at fair value with any resulting gain or loss recorded in current period earnings. These instruments and their offsetting positions are recorded in Other assets and Other liabilities on the Consolidated Balance Sheets.

PENSION:

Pension costs and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, benefits earned, interest costs, expected return on plan assets, mortality rates, and other factors. In accordance with GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation of future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the Company's pension obligations and future expense.

The service cost component of net periodic benefit cost is determined by aggregating the product of the discounted cash flows of the plan's service cost for each year and an individual spot rate (referred to as the "spot rate" approach). The interest cost component is determined by aggregating the product of the discounted cash flows of the plan's projected benefit obligations for each year and an individual spot rate. Management believes this methodology an appropriate measure of the service cost and interest cost as each year's cash flows are specifically linked to the interest rates of bond payments in the same respective year. Our pension benefits are described further in Note 18 of the Notes to Consolidated Financial Statements.

FAIR VALUE OF FINANCIAL INSTRUMENTS:

We group our assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level I — Valuation is based upon quoted prices for identical instruments traded in active markets.

Level II — Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level III — Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset.

We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy in generally accepted accounting principles.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which changes the impairment model for most financial assets. This Update is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the Update is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be affected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted for annual and interim periods beginning after December 15, 2018. With certain exceptions, transition to the new requirements will be through a cumulative effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance is adopted.

In November 2019, the FASB issued ASU 2019-10, *Financial Instruments — Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. This update defers the effective date of ASU 2016-13 for SEC filers that are eligible to be smaller reporting companies, non-SEC filers, and all other companies to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company, as a smaller reporting company, continues to evaluate the impact that the Update will have on our consolidated financial statements. We are currently working with an industry leading third-party consultant and software provider to assist us in the implementation of this standard. We expect to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, but cannot yet determine the magnitude of any such one-time adjustment or the overall impact of the new guidance on the consolidated financial statements. The overall impact of the amendment will be affected by the portfolio composition and quality at the adoption date as well as economic conditions and forecasts at that time.

3. ADOPTION OF ACCOUNTING STANDARDS

Effective January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers — Topic 606* and all subsequent ASUs that modified ASC 606. The standard required a company to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers at the time the transfer of goods or services takes place. At the time of adoption, the Company completed an assessment of revenue streams and review of the related contracts potentially affected by the new standard and concluded that ASU 2014-09 did not materially change the method in which it recognizes revenue. However, in 2019, the change was determined to be material related to certain revenue recognized within our wealth management segment. As a result, the Company made a one-time cumulative effect adjustment to retained earnings of $640,000, net of tax. Additional disclosures related to revenue recognition can be found in Note 4.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. A short-term lease is defined as one in which (a) the lease term is 12 months or less and (b) there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For short-term leases, lessees may elect to recognize lease payments over the lease term on a straight-line basis. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) — Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company adopted ASU 2016-02 and its related amendments as of January 1, 2019, which resulted in the recognition of operating and financing right-of-use assets totaling $932,000 and $3.3 million, respectively, as well as operating and financing lease liabilities totaling $932,000 and $3.3 million, respectively. The Company elected to adopt the

transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2019, without restating any prior-year amounts or disclosures. The related policy elections made by the Company and the additional lease disclosures can be found in Notes 1 and 11. There was no cumulative effect adjustment to the opening balance of retained earnings required.

4. REVENUE RECOGNITION

ASU 2014-09, *Revenue from Contracts with Customers — Topic* 606, requires the Company to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers at the time the transfer of goods or services takes place. Management determined that the primary sources of revenue associated with financial instruments, including interest and fee income on loans and interest on investments, along with certain noninterest revenue sources including net realized gains (losses) on investment securities, mortgage related fees, net gains on loans held for sale, and bank owned life insurance are not within the scope of Topic 606. These sources of revenue cumulatively comprise 80.2% of the total revenue of the Company.

Noninterest income within the scope of Topic 606 are as follows:

- Wealth management fees — Wealth management fee income is primarily comprised of fees earned from the management and administration of trusts and customer investment portfolios. The Company's performance obligation is generally satisfied over a period of time and the resulting fees are billed monthly or quarterly, based upon the month end market value of the assets under management. Payment is generally received after month end through a direct charge to customers' accounts. Due to this delay in payment, a receivable of $825,000 has been established as of December 31, 2019 and is included in Other assets on the Consolidated Balance Sheets in order to properly recognize the revenue earned but not yet received. Other performance obligations (such as delivery of account statements to customers) are generally considered immaterial to the overall transactions price. Commissions on transactions are recognized on a trade-date basis as the performance obligation is satisfied at the point in time in which the trade is processed. Also included within wealth management fees are commissions from the sale of mutual funds, annuities, and life insurance products. Commissions on the sale of mutual funds, annuities, and life insurance products are recognized when sold, which is when the Company has satisfied its performance obligation.
- Service charges on deposit accounts — The Company has contracts with its deposit account customers where fees are charged for certain items or services. Service charges include account analysis fees, monthly service fees, overdraft fees, and other deposit account related fees. Revenue related to account analysis fees and service fees is recognized on a monthly basis as the Company has an unconditional right to the fee consideration. Fees attributable to specific performance obligations of the Company (i.e. overdraft fees, etc.) are recognized at a defined point in time based on completion of the requested service or transaction.
- Other non-interest income — Other non-interest income consists of other recurring revenue streams such as safe deposit box rental fees, gain (loss) on sale of other real estate owned and other miscellaneous revenue streams. Safe deposit box rental fees are charged to the customer on an annual basis and recognized when billed. However, if the safe deposit box rental fee is prepaid (i.e. paid prior to issuance of annual bill), the revenue is recognized upon receipt of payment. The Company has determined that since rentals and renewals occur consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation. Gains and losses on the sale of other real estate owned are recognized at the completion of the property sale when the buyer obtains control of the real estate and all the performance obligations of the Company have been satisfied.

The following presents non-interest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2019, 2018, and 2017 (in thousands).

	AT DECEMBER 31, 2019	2018	2017
Non-interest income:			
In-scope of Topic 606			
Wealth management fees	**$ 9,730**	$ 9,659	$ 9,170
Service charges on deposit accounts	**1,271**	1,420	1,581
Other	**1,759**	1,720	1,665
Non-interest income (in-scope of topic 606)	**12,760**	12,799	12,416
Non-interest income (out-of-scope of topic 606)	**2,013**	1,425	2,229
Total non-interest income	**$14,773**	$14,224	$14,645

5. CASH AND DUE FROM DEPOSITORY INSTITUTIONS

Included in "Cash and due from depository institutions" are required federal reserves of $3.0 million and $3.6 million for December 31, 2019 and 2018, respectively, for facilitating the implementation of monetary policy by the Federal Reserve System. The required reserves are computed by applying prescribed ratios to the classes of average deposit balances. These are held in the form of vault cash and a depository amount held with the Federal Reserve Bank.

6. INVESTMENT SECURITIES

The cost basis and fair values of investment securities are summarized as follows:

Investment securities available for sale:

	AT DECEMBER 31, 2019 COST BASIS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(IN THOUSANDS)			
U.S. Agency	**$ 5,084**	**$ 32**	**$ —**	**$ 5,116**
Municipal	**14,678**	**509**	**(17)**	**15,170**
Corporate bonds	**39,769**	**342**	**(281)**	**39,830**
U.S. Agency mortgage-backed securities	**80,046**	**1,681**	**(94)**	**81,633**
Total	**$139,577**	**$2,564**	**$(392)**	**$141,749**

Investment securities held to maturity:

	AT DECEMBER 31, 2019 COST BASIS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(IN THOUSANDS)			
U.S. Agency mortgage-backed securities	**$ 9,466**	**$ 251**	**$ (4)**	**$ 9,713**
Municipal	**24,438**	**941**	**(53)**	**25,326**
Corporate bonds and other securities	**6,032**	**58**	**(47)**	**6,043**
Total	**$39,936**	**$1,250**	**$(104)**	**$41,082**

Investment securities available for sale:

	AT DECEMBER 31, 2018 COST BASIS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(IN THOUSANDS)			
U.S. Agency	$ 7,685	$ 4	$ (160)	$ 7,529
Municipal	13,301	114	(234)	13,181
Corporate bonds	37,359	131	(996)	36,494
U.S. Agency mortgage-backed securities	90,169	516	(1,158)	89,527
Total	$148,514	$765	$(2,548)	$146,731

Investment securities held to maturity:

	AT DECEMBER 31, 2018 COST BASIS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(IN THOUSANDS)			
U.S. Agency mortgage-backed securities	$ 9,983	$ 78	$(132)	$ 9,929
Municipal	24,740	131	(404)	24,467
Corporate bonds and other securities	6,037	13	(122)	5,928
Total	$40,760	$222	$(658)	$40,324

Maintaining investment quality is a primary objective of the Company's investment policy which, subject to certain limited exceptions, prohibits the purchase of any investment security below a Moody's Investors Service or Standard & Poor's rating of A. At December 31, 2019, 53.4% of the portfolio was rated AAA as compared to 57.5% at December 31, 2018. Approximately 9.1% and 10.0% of the portfolio was rated below A or unrated on December 31, 2019 and 2018, respectively. The Company and its subsidiaries, collectively, did not hold securities of any single issuer, excluding U.S. treasury and U.S. agencies, that exceeded 10% of shareholders' equity at December 31, 2019.

The book value of securities, both available for sale and held to maturity, pledged to secure public and trust deposits was $117,076,000 at December 31, 2019 and $115,536,000 at December 31, 2018.

The Company realized $118,000 of gross investment security gains in 2019, $15,000 of gross investment security gains and $454,000 of gross investment security losses in 2018, and $115,000 of gross investment security gains in 2017. On a net basis, the realized gain for 2019 was $93,000 after factoring in tax expense of $25,000, the realized loss for 2018 was $347,000 after factoring in a tax benefit of $92,000, and the realized gain for 2017 was $76,000 after factoring in tax expense of $39,000. Proceeds from sales of investment securities available for sale were $3.4 million for 2019, $9.5 million for 2018, and $8.1 million during 2017.

The following table sets forth the contractual maturity distribution of the investment securities, cost basis and fair market values, and the weighted average yield for each type and range of maturity as of December 31, 2019. Yields are not presented on a tax-equivalent basis, but are based upon the cost basis and are weighted for the scheduled maturity. The Company's consolidated investment securities portfolio had an effective duration of approximately 3.07 years. The weighted average expected maturity for available for sale securities at December 31, 2019 for U.S. agency, U.S. agency mortgage-backed, corporate bond, and municipal securities was 10.19, 4.36, 4.05, and 5.19 years, respectively. The weighted average expected maturity for held to maturity securities at December 31, 2019 for U.S. agency mortgage-backed, corporate bond/other securities, and municipal securities 4.62, 3.21, and 5.92 years, respectively.

Investment securities available for sale:

	AT DECEMBER 31, 2019									
	U. S. AGENCY		MUNICIPAL		CORPORATE BONDS		U.S. AGENCY MORTGAGE-BACKED SECURITIES		TOTAL INVESTMENT SECURITIES AVAILABLE FOR SALE	
	(IN THOUSANDS, EXCEPT YIELDS)									
COST BASIS										
Within 1 year	$ —	—%	$ 500	2.25%	$ 1,500	3.10%	$ —	—%	$ 2,000	2.89%
After 1 year but within 5 years	—	—	3,121	3.09	18,695	3.43	1,200	2.46	23,016	3.33
After 5 years but within 10 years	2,557	2.93	11,057	3.26	19,574	4.11	7,882	2.99	41,070	3.59
After 10 years but within15 years	—	—	—	—	—	—	23,018	2.83	23,018	2.83
Over 15 years	2,527	2.68	—	—	—	—	47,946	2.90	50,473	2.89
Total	$5,084	2.81	$14,678	3.19	$39,769	3.75	$80,046	2.88	$139,577	3.16
FAIR VALUE										
Within 1 year	$ —		$ 500		$ 1,503		$ —		$ 2,003	
After 1 year but within 5 years	—		3,179		18,755		1,213		23,147	
After 5 years but within 10 years	2,570		11,491		19,572		8,075		41,708	
After 10 years but within15 years	—		—		—		23,538		23,538	
Over 15 years	2,546		—		—		48,807		51,353	
Total	$5,116		$15,170		$39,830		$81,633		$141,749	

Investment securities held to maturity:

	AT DECEMBER 31, 2019							
	U.S. AGENCY MORTGAGE-BACKED SECURITIES		MUNICIPAL		CORPORATE BONDS AND OTHER		TOTAL INVESTMENT SECURITIES HELD TO MATURITY	
	(IN THOUSANDS, EXCEPT YIELDS)							
COST BASIS								
Within 1 year	$ —	—%	$ —	—%	$ —	—%	$ —	—%
After 1 year but within 5 years	1,977	2.50	2,567	3.33	3,000	2.95	7,544	2.96
After 5 years but within 10 years	—	—	16,506	3.37	3,032	4.40	19,538	3.53
After 10 years but within15 years	2,232	3.62	5,050	4.10	—	—	7,282	3.95
Over 15 years	5,257	3.30	315	3.50	—	—	5,572	3.31
Total	$9,466	3.21	$24,438	3.52	$6,032	3.68	$39,936	3.47
FAIR VALUE								
Within 1 year	$ —		$ —		$ —		$ —	
After 1 year but within 5 years	2,009		2,644		2,953		7,606	
After 5 years but within 10 years	—		17,153		3,090		20,243	
After 10 years but within15 years	2,353		5,209		—		7,562	
Over 15 years	5,351		320		—		5,671	
Total	$9,713		$25,326		$6,043		$41,082	

The following table presents information concerning investments with unrealized losses as of December 31, 2019 (in thousands):

Total investment securities:

	LESS THAN 12 MONTHS		12 MONTHS OR LONGER		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
U.S. Agency	$ —	$ —	$ —	$ —	$ —	$ —
U.S. Agency mortgage-backed securities	7,084	(23)	8,562	(75)	15,646	(98)
Municipal	2,269	(18)	1,123	(52)	3,392	(70)
Corporate bonds and other securities	7,797	(85)	11,783	(243)	19,580	(328)
Total	$17,150	$(126)	$21,468	$(370)	$38,618	$(496)

The following table presents information concerning investments with unrealized losses as of December 31, 2018 (in thousands):

Total investment securities:

	LESS THAN 12 MONTHS		12 MONTHS OR LONGER		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
U.S. Agency	$ 244	$ (6)	$ 5,631	$ (154)	$ 5,875	$ (160)
U.S. Agency mortgage-backed securities	17,718	(177)	39,983	(1,113)	57,701	(1,290)
Municipal	6,601	(71)	15,880	(567)	22,481	(638)
Corporate bonds and other securities	15,221	(440)	17,038	(678)	32,259	(1,118)
Total	$39,784	$(694)	$78,532	$(2,512)	$118,316	$(3,206)

The unrealized losses are primarily a result of increases in market yields from the time of purchase. In general, as market yields rise, the value of securities will decrease; as market yields fall, the fair value of securities will increase. There are 54 positions that are considered temporarily impaired at December 31, 2019. Management generally views changes in fair value caused by changes in interest rates as temporary; therefore, these securities have not been classified as other-than-temporarily impaired. Management has also concluded that based on current information we expect to continue to receive scheduled interest payments as well as the entire principal balance. Furthermore, management does not intend to sell these securities and does not believe it will be required to sell these securities before they recover in value or mature.

As of December 31, 2019, the Company reported $366,000 of equity securities within Other assets on the Consolidated Balance Sheets. These equity securities are held within a nonqualified deferred compensation plan in which a select group of executives of the Company can participate. An eligible executive can defer a certain percentage of their current salary to be placed into the plan and held within a rabbi trust. The assets of the rabbi trust are invested in various publicly listed mutual funds. The gain or loss on the equity securities (both realized and unrealized) is reported within Other income on the Consolidated Statements of Operations. In 2019, the Company recorded a realized gain of $13,000 and an unrealized loss of $5,000 was recognized in income on these equity securities. Additionally, the Company has recognized a deferred compensation liability, which is equal to the balance of the equity securities and is reported within Other liabilities on the Consolidated Balance Sheets.

7. LOANS

The loan portfolio of the Company consisted of the following:

	AT DECEMBER 31, 2019	AT DECEMBER 31, 2018
	(IN THOUSANDS)	
Commercial:		
Commercial and industrial	**$173,922**	$158,279
Commercial loans secured by owner occupied real estate	**91,655**	91,905
Commercial loans secured by non-owner occupied real estate	**363,635**	356,543
Real estate – residential mortgage	**235,239**	237,964
Consumer	**18,255**	17,591
Loans, net of unearned income	**$882,706**	$862,282

Loan balances at December 31, 2019 and 2018 are net of unearned income of $384,000 and $322,000, respectively. Real estate construction loans comprised 4.9% and 3.5% of total loans net of unearned income at December 31, 2019 and 2018, respectively. The Company has no exposure to subprime mortgage loans in either the loan or investment portfolios. The Company has no direct loan exposure to foreign countries. Additionally, the Company has no significant industry lending concentrations. As of December 31, 2019 and 2018, loans to customers engaged in similar activities and having similar economic characteristics, as defined by standard industrial classifications, did not exceed 10% of total loans. Additionally, the majority of the Company's lending occurs within a 250-mile radius of the Johnstown market.

In the ordinary course of business, the subsidiaries have transactions, including loans, with their officers, directors, and their affiliated companies. In management's opinion, these transactions were on substantially the same terms as those prevailing at the time for comparable transactions with unaffiliated parties and do not involve more than the normal credit risk. These loans totaled $544,000 and $694,000 at December 31, 2019 and 2018, respectively.

8. ALLOWANCE FOR LOAN LOSSES

The following table summarizes the rollforward of the allowance for loan losses by portfolio segment (in thousands).

	BALANCE AT DECEMBER 31, 2018	CHARGE-OFFS	RECOVERIES	PROVISION (CREDIT)	BALANCE AT DECEMBER 31, 2019
Commercial	**$3,057**	**$ (9)**	**$ 22**	**$ 881**	**$3,951**
Commercial loans secured by non-owner occupied real estate	**3,389**	**(63)**	**48**	**(255)**	**3,119**
Real estate – residential mortgage	**1,235**	**(98)**	**118**	**(96)**	**1,159**
Consumer	**127**	**(262)**	**52**	**209**	**126**
Allocation for general risk	**863**	**—**	**—**	**61**	**924**
Total	**$8,671**	**$(432)**	**$240**	**$ 800**	**$9,279**

	BALANCE AT DECEMBER 31, 2017	CHARGE-OFFS	RECOVERIES	PROVISION (CREDIT)	BALANCE AT DECEMBER 31, 2018
Commercial	$ 4,298	$ (574)	$ 31	$(698)	$3,057
Commercial loans secured by non-owner occupied real estate	3,666	—	51	(328)	3,389
Real estate – residential mortgage	1,102	(380)	119	394	1,235
Consumer	128	(251)	61	189	127
Allocation for general risk	1,020	—	—	(157)	863
Total	$10,214	$(1,205)	$262	$(600)	$8,671

	BALANCE AT DECEMBER 31, 2016	CHARGE-OFFS	RECOVERIES	PROVISION	BALANCE AT DECEMBER 31, 2017
Commercial	$4,041	$(311)	$ 27	$541	$ 4,298
Commercial loans secured by non-owner occupied real estate	3,584	(132)	56	158	3,666
Real estate – residential mortgage	1,169	(313)	207	39	1,102
Consumer	151	(172)	120	29	128
Allocation for general risk	987	—	—	33	1,020
Total	$9,932	$(928)	$410	$800	$10,214

For 2019, the Company recorded an $800,000 provision expense for loan losses compared to a $600,000 provision recovery for 2018, or an increase of $1.4 million between years. The 2019 provision expense reflects the growth within the loan portfolio and the increase in classified loans. The Company experienced net loan charge-offs of only $192,000, or 0.02% of total loans, in 2019 compared to net loan charge-offs of $943,000, or 0.11% of total loans, in 2018. Overall, the Company continued to maintain strong asset quality as its nonperforming assets totaled $2.3 million, or only 0.26% of total loans, at December 31, 2019.

Specifically, the 2019 provision expense within the commercial segment was driven by the rating downgrade of a $6.5 million performing commercial and industrial loan to substandard as a result of the unexpected death of a borrower. This downgrade caused a $675,000 increase in the fourth quarter 2019 provision expense. This rating action was prudent due to the inherent uncertainties associated with a large estate liquidation. Recent updates related to this loan indicate that the estate is presently illiquid due to holds placed on deposit accounts and significant real estate holdings and other unique assets that will need to be unwound. As such there is heightened risk that this loan may move into non-performing status in 2020 as a result of payment delays.

Additionally, the 2019 provision credit within commercial loans secured by non-owner occupied real estate was driven, primarily, by a relaxation of the economic qualitative factors applied to the Pass rated portion of this loan segment.

For 2018, the Company recorded a $600,000 provision recovery compared to an $800,000 provision for loan losses in 2017, or a decrease of $1.4 million between years. The 2018 provision recovery reflects our overall strong asset quality, reduced loan portfolio balance and the successful workout of several criticized loans. The Company experienced net loan charge-offs of $943,000, or 0.11% of total loans, in 2018 compared to net loan charge-offs of $51,800, or 0.06%, 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. Nonperforming assets totaled $1.4 million, or only 0.16%, of total loans, at December 31, 2018.

The following tables summarize the loan portfolio and allowance for loan loss by the primary segments of the loan portfolio.

Loans:	AT DECEMBER 31, 2019 COMMERCIAL	COMMERCIAL LOANS SECURED BY NON-OWNER OCCUPIED REAL ESTATE	REAL ESTATE – RESIDENTIAL MORTGAGE	CONSUMER	TOTAL
	(IN THOUSANDS)				
Individually evaluated for impairment	**$ 816**	**$ 8**	**$ —**	**$ —**	**$ 824**
Collectively evaluated for impairment	**264,761**	**363,627**	**235,239**	**18,255**	**881,882**
Total loans	**$265,577**	**$363,635**	**$235,239**	**$18,255**	**$882,706**

Allowance for loan losses:	AT DECEMBER 31, 2019 COMMERCIAL	COMMERCIAL LOANS SECURED BY NON-OWNER OCCUPIED REAL ESTATE	REAL ESTATE – RESIDENTIAL MORTGAGE	CONSUMER	ALLOCATION FOR GENERAL RISK	TOTAL
	(IN THOUSANDS)					
Specific reserve allocation	**$ 84**	**$ 8**	**$ —**	**$ —**	**$ —**	**$ 92**
General reserve allocation	**3,867**	**3,111**	**1,159**	**126**	**924**	**9,187**
Total allowance for loan losses	**$3,951**	**$3,119**	**$1,159**	**$126**	**$924**	**$9,279**

Loans:	AT DECEMBER 31, 2018 COMMERCIAL	COMMERCIAL LOANS SECURED BY NON-OWNER OCCUPIED REAL ESTATE	REAL ESTATE – RESIDENTIAL MORTGAGE	CONSUMER	TOTAL
	(IN THOUSANDS)				
Individually evaluated for impairment	$ —	$ 11	$ —	$ —	$ 11
Collectively evaluated for impairment	250,184	356,532	237,964	17,591	862,271
Total loans	$250,184	$356,543	$237,964	$17,591	$862,282

	AT DECEMBER 31, 2018 COMMERCIAL	COMMERCIAL LOANS SECURED BY NON-OWNER OCCUPIED REAL ESTATE	REAL ESTATE – RESIDENTIAL MORTGAGE	CONSUMER	ALLOCATION FOR GENERAL RISK	TOTAL
	(IN THOUSANDS)					
Allowance for loan losses:						
Specific reserve allocation	$ —	$ 11	$ —	$ —	$ —	$ 11
General reserve allocation	3,057	3,378	1,235	127	863	8,660
Total allowance for loan losses	$3,057	$3,389	$1,235	$127	$863	$8,671

The segments of the Company's loan portfolio are disaggregated into classes that allows management to monitor risk and performance. The loan classes used are consistent with the internal reports evaluated by the Company's management and Board of Directors to monitor risk and performance within various segments of its loan portfolio. The commercial loan segment includes both the commercial and industrial and the owner occupied commercial real estate loan classes while the remaining segments are not separated into classes as management monitors risk in these loans at the segment level. The residential mortgage loan segment is comprised of first lien amortizing residential mortgage loans and home equity loans secured by residential real estate. The consumer loan segment consists primarily of installment loans and overdraft lines of credit connected with customer deposit accounts.

Management evaluates for possible impairment any individual loan in the commercial or commercial real estate segment that is in nonaccrual status or classified as a Troubled Debt Restructure (TDR). In addition, consumer and residential mortgage loans with a balance of $150,000 or more are evaluated for impairment. Loans are considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in evaluating impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Once the determination has been made that a loan is impaired, the determination of whether a specific allocation of the allowance is necessary is measured by comparing the recorded investment in the loan to the fair value of the loan using one of three methods: (a) the present value of expected future cash flows discounted at the loan's effective interest rate; (b) the loan's observable market price; or (c) the fair value of the collateral less selling costs for collateral dependent loans. The method is selected on a loan-by-loan basis, with management primarily utilizing the fair value of collateral method. The evaluation of the need and amount of a specific allocation of the allowance and whether a loan can be removed from impairment status is made on a quarterly basis. The Company's policy for recognizing interest income on impaired loans does not differ from its overall policy for interest recognition.

The need for an updated appraisal on collateral dependent loans is determined on a case-by-case basis. The useful life of an appraisal or evaluation will vary depending upon the circumstances of the property and the economic conditions in the marketplace. A new appraisal is not required if there is an existing appraisal which, along with other information, is sufficient to determine a reasonable value for the property and to support an appropriate and adequate allowance for loan losses. At a minimum, annual documented reevaluation of the property is completed by the Bank's internal Assigned Risk Department to support the value of the property.

When reviewing an appraisal associated with an existing real estate collateral dependent transaction, the Bank's internal Assigned Risk Department must determine if there have been material changes to the underlying assumptions in the appraisal which affect the original estimate of value. Some of the factors that could cause material changes to reported values include:

- the passage of time;
- the volatility of the local market;
- the availability of financing;
- natural disasters;
- the inventory of competing properties;
- new improvements to, or lack of maintenance of, the subject property or competing properties upon physical inspection by the Bank;
- changes in underlying economic and market assumptions, such as material changes in current and projected vacancy, absorption rates, capitalization rates, lease terms, rental rates, sales prices, concessions, construction overruns and delays, zoning changes, etc.; and/or
- environmental contamination.

The value of the property is adjusted to appropriately reflect the above listed factors and the value is discounted to reflect the value impact of a forced or distressed sale, any outstanding senior liens, any outstanding unpaid real estate taxes, transfer taxes and closing costs that would occur with sale of the real estate. If the Assigned Risk Department personnel determine that a reasonable value cannot be derived based on available information, a new appraisal is ordered. The determination of the need for a new appraisal, versus completion of a property valuation by the Bank's Assigned Risk Department personnel rests with the Assigned Risk Department and not the originating account officer.

The following tables present impaired loans by portfolio segment, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary.

	AT DECEMBER 31, 2019				
	IMPAIRED LOANS WITH SPECIFIC ALLOWANCE		IMPAIRED LOANS WITH NO SPECIFIC ALLOWANCE	TOTAL IMPAIRED LOANS	
	RECORDED INVESTMENT	RELATED ALLOWANCE	RECORDED INVESTMENT	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE
	(IN THOUSANDS)				
Commercial	**$816**	**$84**	**$ —**	**$816**	**$816**
Commercial loans secured by non-owner occupied real estate	**8**	**8**	**—**	**8**	**30**
Total impaired loans	**$824**	**$92**	**$ —**	**$824**	**$846**

	AT DECEMBER 31, 2018				
	IMPAIRED LOANS WITH SPECIFIC ALLOWANCE		IMPAIRED LOANS WITH NO SPECIFIC ALLOWANCE	TOTAL IMPAIRED LOANS	
	RECORDED INVESTMENT	RELATED ALLOWANCE	RECORDED INVESTMENT	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE
	(IN THOUSANDS)				
Commercial loans secured by non-owner occupied real estate	$11	$11	$ —	$11	$33
Total impaired loans	$11	$11	$ —	$11	$33

The following table presents the average recorded investment in impaired loans and related interest income recognized for the periods indicated.

	YEAR ENDED DECEMBER 31,		
	2019	2018	2017
	(IN THOUSANDS)		
Average impaired balance:			
Commercial	**$597**	$228	$1,075
Commercial loans secured by non-owner occupied real estate	**10**	12	838
Average investment in impaired loans	**$607**	$240	$1,913
Interest income recognized:			
Commercial	**$ 30**	$ —	$ 12
Commercial loans secured by non-owner occupied real estate	**—**	—	—
Interest income recognized on a cash basis on impaired loans	**$ 30**	$ —	$ 12

Management uses a nine-point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first six categories are considered not criticized. The first five "Pass" categories are aggregated, while the Pass-6, Special Mention, Substandard and Doubtful categories are disaggregated to separate pools. The criticized rating categories utilized by management generally follow bank regulatory definitions. The Special Mention category includes assets that are currently protected but are potentially weak, resulting in an undue and unwarranted credit risk, but not to the point of justifying a Substandard classification. Loans in the Substandard category have well-defined weaknesses that jeopardize the liquidation of the debt, and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. All loans greater than 90 days past due, or for which any portion of the loan represents a specific allocation of the allowance for loan losses are placed in Substandard or Doubtful.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Company has a structured loan rating process, which dictates that, at a minimum, credit reviews are mandatory for all commercial and commercial mortgage loan relationships with aggregate balances in excess of $1,000,000 within a 12-month period. Generally, consumer and residential mortgage loans are included in the Pass categories unless a specific action, such as bankruptcy, delinquency, or death occurs to raise awareness of a possible credit event. The Company's commercial relationship managers are responsible for the timely and accurate risk rating of the loans in their portfolios at origination and on an ongoing basis. Risk ratings are assigned by the account officer, but require independent review and rating concurrence from the Company's internal Loan Review Department. The Loan Review Department is an experienced, independent function which reports directly to the Board's Audit Committee. The scope of commercial portfolio coverage by the Loan Review Department is defined and presented to the Audit Committee for approval on an annual basis. The approved scope of coverage for 2019 required review of a minimum range of 50% to 55% of the commercial loan portfolio.

In addition to loan monitoring by the account officer and Loan Review Department, the Company also requires presentation of all credits rated Pass-6 with aggregate balances greater than $2,000,000, all credits rated Special Mention or Substandard with aggregate balances greater than $250,000, and all credits rated Doubtful with aggregate balances greater than $100,000 on an individual basis to the Company's Loan Loss Reserve Committee on a quarterly basis. Additionally, the Asset Quality Task Force, which is a group comprised of senior level personnel, meets monthly to monitor the status of problem loans.

The following table presents the classes of the commercial and commercial real estate loan portfolios summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard and Doubtful within the internal risk rating system.

	AT DECEMBER 31, 2019				
	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	TOTAL
			(IN THOUSANDS)		
Commercial and industrial	**$161,147**	**$ 853**	**$11,922**	**$—**	**$173,922**
Commercial loans secured by owner occupied real estate	**88,942**	**1,384**	**1,329**	**—**	**91,655**
Commercial loans secured by non-owner occupied real estate	**362,027**	**—**	**1,600**	**8**	**363,635**
Total	**$612,116**	**$2,237**	**$14,851**	**$ 8**	**$629,212**

	AT DECEMBER 31, 2018				
	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	TOTAL
			(IN THOUSANDS)		
Commercial and industrial	$154,510	$ 2,089	$1,680	$—	$158,279
Commercial loans secured by owner occupied real estate	86,997	3,769	1,139	—	91,905
Commercial loans secured by non-owner occupied real estate	349,954	6,316	262	11	356,543
Total	$591,461	$12,174	$3,081	$11	$606,727

It is generally the policy of the Bank that the outstanding balance of any residential mortgage loan that exceeds 90-days past due as to principal and/or interest is transferred to non-accrual status and an evaluation is completed to determine the fair value of the collateral less selling costs, unless the balance is minor. A charge down is recorded for any deficiency balance determined from the collateral evaluation. The remaining non-accrual balance is reported as impaired with no specific allowance. It is generally the policy of the Bank that the outstanding balance of any consumer loan that exceeds 90-days past due as to principal and/or interest is charged off. The following tables present the performing and non-performing outstanding balances of the residential and consumer portfolio classes.

	AT DECEMBER 31, 2019		
	PERFORMING	NON-PERFORMING	TOTAL
		(IN THOUSANDS)	
Real estate – residential mortgage	**$233,760**	**$1,479**	**$235,239**
Consumer	**18,255**	**—**	**18,255**
Total	**$252,015**	**$1,479**	**$253,494**

	AT DECEMBER 31, 2018		
	PERFORMING	NON-PERFORMING	TOTAL
		(IN THOUSANDS)	
Real estate – residential mortgage	$236,754	$1,210	$237,964
Consumer	17,591	—	17,591
Total	$254,345	$1,210	$255,555

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans.

	AT DECEMBER 31, 2019						
	CURRENT	30 – 59 DAYS PAST DUE	60 – 89 DAYS PAST DUE	90 DAYS PAST DUE	TOTAL PAST DUE	TOTAL LOANS	90 DAYS PAST DUE AND STILL ACCRUING
				(IN THOUSANDS)			
Commercial and industrial	**$173,922**	**$ —**	**$ —**	**$ —**	**$ —**	**$173,922**	**$ —**
Commercial loans secured by owner occupied real estate	**91,538**	**117**	**—**	**—**	**117**	**91,655**	**—**
Commercial loans secured by non-owner occupied real estate	**363,635**	**—**	**—**	**—**	**—**	**363,635**	**—**
Real estate – residential mortgage	**231,022**	**2,331**	**864**	**1,022**	**4,217**	**235,239**	**—**
Consumer	**18,190**	**42**	**23**	**—**	**65**	**18,255**	**—**
Total	**$878,307**	**$2,490**	**$887**	**$1,022**	**$4,399**	**$882,706**	**$ —**

	AT DECEMBER 31, 2018						
	CURRENT	30 – 59 DAYS PAST DUE	60 – 89 DAYS PAST DUE	90 DAYS PAST DUE	TOTAL PAST DUE	TOTAL LOANS	90 DAYS PAST DUE AND STILL ACCRUING
				(IN THOUSANDS)			
Commercial and industrial	$158,279	$ —	$ —	$ —	$ —	$158,279	$ —
Commercial loans secured by owner occupied real estate	91,905	—	—	—	—	91,905	—
Commercial loans secured by non-owner occupied real estate	355,963	580	—	—	580	356,543	—
Real estate – residential mortgage	232,465	3,651	472	1,376	5,499	237,964	—
Consumer	17,408	153	30	—	183	17,591	—
Total	$856,020	$4,384	$502	$1,376	$6,262	$862,282	$ —

An allowance for loan losses ("ALL") is maintained to support loan growth and cover charge-offs from the loan portfolio. The ALL is based on management's continuing evaluation of the risk characteristics and credit quality of the loan portfolio, assessment of current economic conditions, diversification and size of the portfolio, adequacy of collateral, past and anticipated loss experience, and the amount of non-performing loans.

Loans that are collectively evaluated for impairment are analyzed with general allowances being made as appropriate. For general allowances, historical loss trends are used in the estimation of losses in the current portfolio. These historical loss amounts are complemented by consideration of other qualitative factors.

Management tracks the historical net charge-off activity at each risk rating grade level for the entire commercial portfolio and at the aggregate level for the consumer, residential mortgage and small business portfolios. A historical charge-off factor is calculated utilizing a rolling 12 consecutive historical quarters for the commercial portfolios. This historical charge-off factor for the consumer, residential mortgage and small business portfolios are based on a three-year historical average of actual loss experience.

The Company uses a comprehensive methodology and procedural discipline to maintain an ALL to absorb inherent losses in the loan portfolio. The Company believes this is a critical accounting policy since it involves significant estimates and judgments. The allowance consists of three elements: (1) an allowance established on specifically identified problem loans, (2) formula driven general reserves established for loan categories based upon historical loss experience and other qualitative factors which include delinquency, non-performing and TDR loans, loan trends, economic trends, concentrations of credit, trends in loan volume, experience and depth of management, examination and audit results, effects of any changes in lending policies, and trends in policy, financial information, and documentation exceptions, and (3) a general risk reserve which provides support for variance from our assessment of the previously listed qualitative factors, provides protection against credit risks resulting from other inherent risk factors contained in the Company's loan portfolio, and recognizes the model and estimation risk associated with the specific and formula driven allowances. The qualitative factors used in the formula driven general reserves are evaluated quarterly (and revised if necessary) by the Company's management to establish allocations which accommodate each of the listed risk factors.

"Pass" rated credits are segregated from "Criticized" and "Classified" credits for the application of qualitative factors.

Management reviews the loan portfolio on a quarterly basis using a defined, consistently applied process in order to make appropriate and timely adjustments to the ALL. When information confirms all or part of specific loans to be uncollectible, these amounts are promptly charged off against the ALL.

9. NON-PERFORMING ASSETS INCLUDING TROUBLED DEBT RESTRUCTURINGS

Non-performing assets are comprised of (i) loans which are on a non-accrual basis, (ii) loans which are contractually past due 90 days or more as to interest or principal payments, (iii) performing loans classified as TDR and (iv) OREO (real estate acquired through foreclosure, in-substance foreclosures and repossessed assets).

The following table presents information concerning non-performing assets including TDR:

	AT DECEMBER 31, 2019	AT DECEMBER 31, 2018
	(IN THOUSANDS, EXCEPT PERCENTAGES)	
Non-accrual loans:		
Commercial loans secured by non-owner occupied real estate	**$ 8**	$ 11
Real estate – residential mortgage	**1,479**	1,210
Total	**1,487**	1,221
Other real estate owned:		
Commercial loans secured by owner occupied real estate	**—**	157
Real estate – residential mortgage	**37**	—
Total	**37**	157
TDR's not in non-accrual	**815**	—
Total non-performing assets including TDR	**$2,339**	$1,378
Total non-performing assets as a percent of loans, net of unearned income, and other real estate owned	**0.26%**	0.16%

The Company had no loans past due 90 days or more for the periods presented which were accruing interest.

Consistent with accounting and regulatory guidance, the Bank recognizes a TDR when the Bank, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that would not normally be considered. Regardless of the form of concession granted, the Bank's objective in offering a TDR is to increase the probability of repayment of the borrower's loan.

To be considered a TDR, both of the following criteria must be met:

- the borrower must be experiencing financial difficulties; and
- the Bank, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that would not otherwise be considered.

Factors that indicate a borrower is experiencing financial difficulties include, but are not limited to:

- the borrower is currently in default on their loan(s);
- the borrower has filed for bankruptcy;
- the borrower has insufficient cash flows to service their loan(s); or
- the borrower is unable to obtain refinancing from other sources at a market rate similar to rates available to a non-troubled debtor.

Factors that indicate that a concession has been granted include, but are not limited to:

- the borrower is granted an interest rate reduction to a level below market rates for debt with similar risk; or
- the borrower is granted a material maturity date extension, or extension of the amortization plan to provide payment relief. For purposes of this policy, a material maturity date extension will generally include any maturity date extension, or the aggregate of multiple consecutive maturity date extensions, that exceed 120 days. A restructuring that results in an insignificant delay in payment, i.e. 120 days or less, is not necessarily a TDR. Insignificant payment delays occur when the amount of the restructured payments subject to the delay is insignificant relative to the unpaid principal or collateral value, and will result in an insignificant shortfall in the originally scheduled contractual amount due, and/or the delay in timing of the restructured payment period is insignificant relative to the frequency of payments, the original maturity or the original amortization.

The determination of whether a restructured loan is a TDR requires consideration of all of the facts and circumstances surrounding the modification. No single factor is determinative of whether a restructuring is a TDR. An overall general decline in the economy or some deterioration in a borrower's financial condition does not automatically mean that the borrower is experiencing financial difficulty. Accordingly, determination of whether a modification is a TDR involves a large degree of judgment.

Any loan modification where the loan currently maintains a criticized or classified risk rating, i.e. Special Mention, Substandard or Doubtful, or where the loan will be assigned a criticized or classified rating after the modification is evaluated to determine the need for TDR classification. The specific ALL reserve for loans modified as TDR's was $92,000 and $11,000 as of December 31, 2019 and 2018, respectively.

The following table details the loans modified in TDRs during the year ended December 31, 2019 (dollars in thousands).

Loans in accrual status	# of Loans	Current Balance	Concession Granted
Commercial and industrial	2	$816	Extension of maturity date with a below market interest rate
Loans in non-accrual status			
Commercial loan secured by non-owner occupied real estate	1	8	Extension of maturity date

The following table details the loans modified in TDRs during the year ended December 31, 2018 (dollars in thousands).

Loans in non-accrual status	# of Loans	Current Balance	Concession Granted
Commercial loan secured by non-owner occupied real estate	1	$11	Extension of maturity date

In all instances where loans have been modified in troubled debt restructurings the pre- and post-modified balances are the same.

Once a loan is classified as a TDR, this classification will remain until documented improvement in the financial position of the borrower supports confidence that all principal and interest will be paid according to terms. Additionally, the customer must have re-established a track record of timely payments according to the restructured contract terms for a minimum of six consecutive months prior to consideration for removing the loan from non-accrual TDR status. However, a loan will continue to be on non-accrual status until, consistent with our policy, the borrower has made a minimum of six consecutive payments in accordance with the terms of the loan.

There were no loans that were modified as TDR's in the previous 12 months and defaulted during the reporting periods ending December 31, 2019, 2018 or 2017, respectively

All TDRs are individually evaluated for impairment and a related allowance is recorded, as needed.

The Company is unaware of any additional loans which are required to either be charged-off or added to the non-performing asset totals disclosed above. OREO is recorded at the lower of (1) fair value minus estimated costs to sell or (2) carrying cost.

Foreclosed assets acquired in settlement of loans carried at fair value less estimated costs to sell are included in Other assets on the Consolidated Balance Sheets. As of December 31, 2019, a total of $37,000 of residential real estate foreclosed assets were included in Other assets. As of December 31, 2018, there were no residential real estate foreclosed assets included in Other assets. As of December 31, 2019, the Company had initiated formal foreclosure procedures on $267,000 of consumer residential mortgages.

10. PREMISES AND EQUIPMENT

An analysis of premises and equipment follows:

	AT DECEMBER 31, 2019	AT DECEMBER 31, 2018
	(IN THOUSANDS)	
Land	**$ 1,198**	$ 1,198
Premises	**27,711**	27,160
Furniture and equipment	**8,632**	9,085
Leasehold improvements	**1,174**	461
Total at cost	**38,715**	37,904
Less: Accumulated depreciation and amortization	**24,072**	24,556
Premises and equipment, net	**$14,643**	$13,348

The Company recorded depreciation expense of $1.5 million for 2019 and 2018 and $1.7 million for 2017.

The Company utilizes a contract cleaner to provide janitorial services for several office locations. The contract cleaner is owned by a Director of the Company. The amount paid to this related party totaled $218,000, $221,000, and $216,000 for the years ended December 31, 2019, 2018, and 2017, respectively.

11. LEASE COMMITMENTS

Due to the adoption of ASU 2016-02, *Leases (Topic 842)*, the Company completed a comprehensive review and analysis of all its property and equipment contracts. As a result of this review, it was determined that the Company leases eight office locations under both operating and financing leases and one copy machine under a short-term lease. Several assumptions and judgments were made when applying the requirements of Topic 842 to the Company's existing lease commitments, including the allocation of consideration in the contracts between lease and non-lease components, determination of the lease term, and determination of the discount rate used in calculating the present value of the lease payments. See Note 1 for information on policy elections.

The following table presents the lease cost associated with both operating and financing leases for the year ended December 31, 2019 (in thousands). Total rent expense recorded during the years ended December 31, 2018 and 2017 was $415,000 and $571,000, respectively.

	YEAR ENDED DECEMBER 31, 2019
Lease cost	
Financing lease cost:	
Amortization of right-of-use asset	**$258**
Interest expense	**117**
Operating lease cost	**117**
Total lease cost	**$492**

The following table presents the weighted-average remaining lease term and discount rate for the leases outstanding at December 31, 2019.

	OPERATING	FINANCING
Weighted-average remaining term (years)	**11.9**	**17.1**
Weighted-average discount rate	**3.46%**	**3.60%**

The following table presents the undiscounted cash flows due related to operating and financing leases as of December 31, 2019, along with a reconciliation to the discounted amount recorded on the Consolidated Balance Sheets (in thousands).

	OPERATING	FINANCING
Undiscounted cash flows due:		
Within 1 year	**$ 118**	**$ 296**
After 1 year but within 2 years	**120**	**275**
After 2 years but within 3 years	**98**	**277**
After 3 years but within 4 years	**69**	**274**
After 4 years but within 5 years	**69**	**236**
After 5 years	**589**	**3,007**
Total undiscounted cash flows	**1,063**	**4,365**
Discount on cash flows	**(198)**	**(1,202)**
Total lease liabilities	**$ 865**	**$ 3,163**

12. DEPOSITS

The following table sets forth the balance of the Company's deposits:

	AT DECEMBER 31, 2019	AT DECEMBER 31, 2018
	(IN THOUSANDS)	
Demand:		
Non-interest bearing	**$136,462**	$150,627
Interest bearing	**177,767**	169,151
Savings	**95,933**	97,406
Money market	**208,343**	221,398
Certificates of deposit in denominations of $100,000 or more	**38,770**	34,841
Other time	**303,238**	275,748
Total deposits	**$960,513**	$949,171

The following table sets forth the balance of other time deposits and certificates of deposit of $100,000 or more as of December 31, 2019 maturing in the periods presented:

YEAR:	OTHER TIME DEPOSITS	CERTIFICATES OF DEPOSIT OF $100,000 OR MORE	TOTAL
		(IN THOUSANDS)	
2020	**$143,337**	**$33,445**	**$176,782**
2021	**102,425**	**4,818**	**107,243**
2022	**19,740**	**107**	**19,847**
2023	**20,242**	**400**	**20,642**
2024	**11,473**	**—**	**11,473**
2025 and after	**6,021**	**—**	**6,021**
Total	**$303,238**	**$38,770**	**$342,008**

The aggregate amount of time deposit accounts (including certificates of deposit) that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2019 and 2018 are $69.0 million and $61.1 million, respectively.

13. SHORT-TERM BORROWINGS

Short-term borrowings, which consist of federal funds purchased and other short-term borrowings are summarized as follows:

	AT DECEMBER 31, 2019	
	FEDERAL FUNDS PURCHASED	SHORT-TERM BORROWINGS
	(IN THOUSANDS, EXCEPT RATES)	
Balance	**$ —**	**$22,412**
Maximum balance at any month end	**—**	**49,615**
Average balance during year	**58**	**11,030**
Average rate paid for the year	**3.04%**	**2.59%**
Interest rate on year-end balance	**—**	**1.81**

	AT DECEMBER 31, 2018	
	FEDERAL FUNDS PURCHASED	SHORT-TERM BORROWINGS
	(IN THOUSANDS, EXCEPT RATES)	
Balance	$ —	$41,029
Maximum balance at any month end	—	82,932
Average balance during year	54	33,073
Average rate paid for the year	1.70%	2.17%
Interest rate on year-end balance	—	2.62

	AT DECEMBER 31, 2017	
	FEDERAL FUNDS PURCHASED	OTHER SHORT-TERM BORROWINGS
	(IN THOUSANDS, EXCEPT RATES)	
Balance	$ —	$49,084
Maximum balance at any month end	—	51,760
Average balance during year	54	16,918
Average rate paid for the year	0.95%	1.21%
Interest rate on year-end balance	—	1.54

Average amounts outstanding during the year represent daily averages. Average interest rates represent interest expense divided by the related average balances.

These borrowing transactions have an average maturity of overnight.

14. ADVANCES FROM FEDERAL HOME LOAN BANK, GUARANTEED JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES AND SUBORDINATED DEBT

Advances from the FHLB consist of the following:

	AT DECEMBER 31, 2019	
MATURING	WEIGHTED AVERAGE YIELD	BALANCE
	(IN THOUSANDS, EXCEPT RATES)	
2020	**1.75%**	**$18,729**
2021	**2.28**	**9,496**
2022	**2.21**	**17,838**
2023	**2.48**	**5,568**
2024	**1.86**	**2,037**
Total advances from FHLB	**2.08**	**$53,668**

	AT DECEMBER 31, 2018	
MATURING	WEIGHTED AVERAGE YIELD	BALANCE
	(IN THOUSANDS, EXCEPT RATES)	
2019	1.51%	$12,500
2020	1.74	16,729
2021	2.28	9,496
2022	2.86	6,996
2023	2.86	1,000
Total advances from FHLB	1.98	$46,721

The Company's subsidiary Bank is a member of the FHLB which provides this subsidiary with the opportunity to obtain short to longer-term advances based upon the Company's investment in assets secured by one- to four-family residential real estate and certain types of commercial and commercial real estate loans. The rate on open repo plus advances, which are typically overnight borrowings, can change daily, while the rates on the advances are fixed until the maturity of the advance. All FHLB stock along with an interest in certain residential mortgage, commercial real estate, and commercial and industrial loans with an aggregate statutory value equal to the amount of the advances, are pledged as collateral to the FHLB of Pittsburgh to support these borrowings. At December 31, 2019, the Company had immediately available $358 million of overnight borrowing capability at the FHLB, $30 million of short-term borrowing availability at the Federal Reserve Bank and $35 million of unsecured federal funds lines with correspondent banks.

Guaranteed Junior Subordinated Deferrable Interest Debentures:

On April 28, 1998, the Company completed a $34.5 million public offering of 8.45% Trust Preferred Securities, which represent undivided beneficial interests in the assets of a Delaware business trust, AmeriServ Financial Capital Trust I. The Trust Preferred Securities will mature on June 30, 2028, and are callable at par at the option of the Company after June 30, 2003. Proceeds of the issue were invested by AmeriServ Financial Capital Trust I in Junior Subordinated Debentures issued by the Company. The Trust Preferred Securities are listed on NASDAQ under the symbol ASRVP. The Company used $22.5 million of proceeds from a private placement of common stock to redeem Trust Preferred Securities in 2005 and 2004. The net balance as of December 31, 2019 and 2018 was $13.0 million and $12.9 million, respectively.

Subordinated Debt:

On December 29, 2015, the Company completed a private placement of $7.65 million in aggregate principal amount of fixed rate subordinated notes to certain accredited investors. The subordinated notes mature December 31, 2025 and have a 6.50% fixed interest rate for the entire term. This subordinated debt has been structured to qualify as Tier 2 capital under the Federal Reserve's capital guidelines and will be non-callable for five years. The Company used the proceeds from this private placement and other cash on hand to redeem all $21 million of its issued and outstanding SBLF preferred stock on January 27, 2016. The net balance as of December 31, 2019 and 2018 was $7.5 million.

15. DISCLOSURES ABOUT FAIR VALUE MEASUREMENTS

The following disclosures establish a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The three broad levels defined within this hierarchy are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.

Level III: Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Assets and Liability Measured and Recorded on a Recurring Basis

Equity securities are reported at fair value utilizing Level 1 inputs. These securities are mutual funds held within a rabbi trust for the Company's executive deferred compensation plan. The mutual funds held are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price.

Securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quoted market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

The fair values of the fair value swaps used for interest rate risk management represents the amount the Company would be expected to receive or pay to terminate such agreements. These fair values are based on an external derivative valuation model using data inputs as of the valuation date and classified Level 2.

The following table presents the assets and liability measured and reported on the Consolidated Balance Sheets on a recurring basis at their fair value as of December 31, 2019 and 2018, by level within the fair value hierarchy (in thousands).

	FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2019 USING			
	TOTAL	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Equity securities	**$ 366**	**$366**	**$ —**	**$ —**
Available for sale securities:				
U.S. Agency	**5,116**	**—**	**5,116**	**—**
Municipal	**15,170**	**—**	**15,170**	**—**
Corporate bonds	**39,830**	**—**	**39,830**	**—**
U.S. Agency mortgage-backed securities	**81,633**	**—**	**81,633**	**—**
Fair value swap asset	**959**	**—**	**959**	**—**
Fair value swap liability	**(959)**	**—**	**(959)**	**—**

	FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2018 USING			
	TOTAL	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Available for sale securities:				
U.S. Agency	$ 7,529	$ —	$ 7,529	$ —
Municipal	13,181	—	13,181	—
Corporate bonds	36,494	—	36,494	—
U.S. Agency mortgage-backed securities	89,527	—	89,527	—
Fair value swap asset	257	—	257	—
Fair value swap liability	(257)	—	(257)	—

Assets Measured and Recorded on a Non-Recurring Basis

Loans considered impaired are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are reported at the fair value of the underlying collateral if the repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs based on observable market data which at times are discounted. At December 31, 2019, impaired loans with a carrying value of $263,000 were reduced by a specific valuation allowance totaling $8,000 resulting in a net fair value of $255,000. At December 31, 2018, impaired loans with a carrying value of $11,000 were reduced by a specific valuation allowance totaling $11,000 resulting in a net fair value of zero.

Other real estate owned is measured at fair value based on appraisals, less estimated costs to sell at the date of foreclosure. Valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less cost to sell. Income and expenses from operations and changes in valuation allowance are included in the net expenses from OREO.

Assets measured and recorded at fair value on a non-recurring basis are summarized below (in thousands, except range data):

	FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2019 USING			
	TOTAL	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Impaired loans	**$255**	**$ —**	**$ —**	**$255**
Other real estate owned	**37**	**—**	**—**	**37**

	FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2018 USING			
	TOTAL	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Impaired loans	$ —	$ —	$ —	$ —
Other real estate owned	157	—	—	157

December 31, 2019	Quantitative Information About Level 3 Fair Value Measurements: Fair Value	Valuation Techniques	Unobservable Input	Range (Wgtd Ave)
Impaired loans	**$255**	**Appraisal of collateral(1)**	**Appraisal adjustments(2)**	**0% to 100% (3)%**
Other real estate owned	**37**	**Appraisal of collateral(1)**	**Appraisal adjustments(2)**	**0% to 57% (38)%**
			Liquidation expenses	**21% to 134% (30)%**

December 31, 2018	Quantitative Information About Level 3 Fair Value Measurements: Fair Value	Valuation Techniques	Unobservable Input	Range (Wgtd Ave)
Impaired loans	$ —	Appraisal of collateral(1)	Appraisal adjustments(2)	100% (100)%
Other real estate owned	157	Appraisal of collateral(1)	Appraisal adjustments(2)	0% to 39% (8)%
			Liquidation expenses	21% to 195% (40)%

(1) Fair Value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not identifiable. Also includes qualitative adjustments by management and estimated liquidation expenses.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions.

16. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

For the Company, as for most financial institutions, approximately 90% of its assets and liabilities are considered financial instruments. Many of the Company's financial instruments, however, lack an available trading market characterized by a willing buyer and willing seller engaging in an exchange transaction. Therefore, significant estimates and present value calculations were used by the Company for the purpose of this disclosure.

Fair values have been determined by the Company using independent third party valuations that use the best available data (Level 2) and an estimation methodology (Level 3) the Company believes is suitable for each category of financial instruments. Management believes that cash and cash equivalents, bank owned life insurance, regulatory stock, accrued interest receivable and payable, and short term borrowings have fair values which approximate the recorded carrying values. The fair value measurements for all of these financial instruments are Level 1 measurements.

The estimated fair values based on US GAAP measurements and recorded carrying values at December 31, 2019 and 2018, for the remaining financial instruments not required to be measured or reported at fair value were as follows:

	AT DECEMBER 31, 2019				
	Carrying Value	Fair Value	(Level 1)	(Level 2)	(Level 3)
	(IN THOUSANDS)				
FINANCIAL ASSETS:					
Investment securities – HTM	**$ 39,936**	**$ 41,082**	**$ —**	**$38,129**	**$ 2,953**
Loans held for sale	**4,868**	**4,970**	**4,970**	**—**	**—**
Loans, net of allowance for loan loss and unearned income	**873,427**	**873,908**	**—**	**—**	**873,908**
FINANCIAL LIABILITIES:					
Deposits with no stated maturities	**651,469**	**631,023**	**—**	**—**	**631,023**
Deposits with stated maturities	**309,044**	**310,734**	**—**	**—**	**310,734**
All other borrowings(1)	**74,134**	**76,323**	**—**	**—**	**76,323**

	AT DECEMBER 31, 2018				
	Carrying Value	Fair Value	(Level 1)	(Level 2)	(Level 3)
	(IN THOUSANDS)				
FINANCIAL ASSETS:					
Investment securities – HTM	$ 40,760	$ 40,324	$ —	$37,398	$ 2,926
Loans held for sale	847	871	871	—	—
Loans, net of allowance for loan loss and unearned income	853,611	836,122	—	—	836,122
FINANCIAL LIABILITIES:					
Deposits with no stated maturities	671,666	627,323	—	—	627,323
Deposits with stated maturities	277,505	277,010	—	—	277,010
All other borrowings(1)	67,148	69,692	—	—	69,692

(1) All other borrowings include advances from Federal Home Loan Bank, guaranteed junior subordinated deferrable interest debentures, and subordinated debt.

Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values. The Company's remaining assets and liabilities which are not considered financial instruments have not been valued differently than has been customary under historical cost accounting.

17. INCOME TAXES

The Tax Cuts and Jobs Act, enacted on December 22, 2017 lowered the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The expense for income taxes is summarized below and includes both federal and applicable state corporate income taxes:

	YEAR ENDED DECEMBER 31, 2019	2018	2017
	(IN THOUSANDS)		
Current	**$1,393**	$ (988)	$1,084
Deferred	**179**	2,665	1,679
Change in corporate tax rate	**—**	—	2,624
Income tax expense	**$1,572**	$1,677	$5,387

The reconciliation between the federal statutory tax rate and the Company's effective consolidated income tax rate is as follows:

	YEAR ENDED DECEMBER 31,					
	2019		2018		2017	
	AMOUNT	RATE	AMOUNT	RATE	AMOUNT	RATE
	(IN THOUSANDS, EXCEPT PERCENTAGES)					
Income tax expense based on federal statutory rate	**$1,596**	**21.0%**	$1,983	21.0%	$2,951	34.0%
Tax exempt income	**(131)**	**(1.4)**	(131)	(1.4)	(283)	(3.3)
Other	**107**	**1.1**	(175)	(1.8)	95	1.0
Change in corporate tax rate	**—**	**—**	—	—	2,624	30.4
Total expense for income taxes	**$1,572**	**20.7%**	$1,677	17.8%	$5,387	62.1%

The following table highlights the major components comprising the deferred tax assets and liabilities for each of the periods presented:

	AT DECEMBER 31,	
	2019	2018
	(IN THOUSANDS)	
DEFERRED TAX ASSETS:		
Allowance for loan losses	**$1,949**	$1,821
Unfunded commitment reserve	**215**	187
Unrealized investment security losses	**—**	374
Premises and equipment	**1,129**	1,056
Accrued pension obligation	**1,093**	144
Other	**230**	255
Total tax assets	**4,616**	3,837
DEFERRED TAX LIABILITIES:		
Investment accretion	**(82)**	(90)
Unrealized investment security gains	**(456)**	—
Other	**(102)**	(110)
Total tax liabilities	**(640)**	(200)
Net deferred tax asset	**$3,976**	$3,637

At December 31, 2019 and 2018, the Company had no valuation allowance established against its deferred tax assets as we believe the Company will generate sufficient future taxable income to fully utilize these assets.

As a result of the Tax Cuts and Jobs Act, the Company's AMT tax credits that are not used to reduce regular taxes are eligible for a 50% refund in 2018 to 2020 and a 100% refund in 2021. Due to this change, the AMT tax credit has been fully utilized as of December 31, 2019. As of December 31, 2018, the AMT tax credit was reclassified to other assets and amounted to approximately $287,000.

The change in net deferred tax assets and liabilities consist of the following:

	YEAR ENDED DECEMBER 31,	
	2019	2018
	(IN THOUSANDS)	
Unrealized (gains) losses recognized in comprehensive income	**$ (830)**	$ 288
Pension obligation of the defined benefit plan not yet recognized in income	**1,348**	51
Deferred provision for income taxes	**(179)**	(2,665)
Net increase (decrease)	**$ 339**	$(2,326)

The Company utilizes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. The Company has no tax liability for uncertain tax positions. The Company's federal and state income tax returns for taxable years through 2016 have been closed for purposes of examination by the Internal Revenue Service and the Pennsylvania Department of Revenue.

18. EMPLOYEE BENEFIT PLANS

PENSION PLAN:

The Company has a noncontributory defined benefit pension plan covering all employees who work at least 1,000 hours per year. The participants shall have a vested interest in their accrued benefit after five full years of service. The benefits of the plan are based upon the employee's years of service and average annual earnings for the highest five consecutive calendar years during the final ten-year period of employment. Effective January 1, 2013, the Company implemented a soft freeze of its defined benefit pension plan for non-union employees. A soft freeze means that all existing employees as of December 31, 2012 will remain in the defined benefit pension plan but any new non-union employees hired after January 1, 2013 will no longer be part of the defined benefit plan but instead will be offered retirement benefits under an enhanced 401(k) program. The Company implemented a similar soft freeze of its defined benefit pension plan for union employees effective January 1, 2014. The Company executed these changes to help reduce its pension costs in future years. Plan assets are primarily debt securities (including U.S. Treasury and Agency securities, corporate notes and bonds), listed common stocks (including shares of the Company's common stock valued at $1.3 million and is limited to 10% of the plan's assets), mutual funds, and short-term cash equivalent instruments. The following actuarial tables are based upon data provided by an independent third party as of December 31, 2019.

PENSION BENEFITS:

	YEAR ENDED DECEMBER 31,	
	2019	2018
	(IN THOUSANDS)	
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	**$41,094**	$41,013
Service cost	**1,470**	1,482
Interest cost	**1,569**	1,273
Actuarial loss	**7,758**	823
Special/contractual termination benefits	**—**	63
Benefits paid	**(2,330)**	(3,560)
Benefit obligation at end of year	**49,561**	41,094
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	**38,478**	37,100
Actual return on plan assets	**5,483**	(1,062)
Employer contributions	**3,200**	6,000
Benefits paid	**(2,330)**	(3,560)
Fair value of plan assets at end of year	**44,831**	38,478
Funded status of the plan	**$ (4,730)**	$ (2,616)

	YEAR ENDED DECEMBER 31,	
	2019	2018
	(IN THOUSANDS)	
AMOUNTS NOT YET RECOGNIZED AS A COMPONENT OF NET PERIODIC PENSION COST:		
Amounts recognized in accumulated other comprehensive loss consists of:		
Net actuarial loss	**$22,113**	$18,461
Total	**$22,113**	$18,461

	YEAR ENDED DECEMBER 31,	
	2019	2018
	(IN THOUSANDS)	
ACCUMULATED BENEFIT OBLIGATION:		
Accumulated benefit obligation	**$45,501**	$37,695

The weighted-average assumptions used to determine benefit obligations at December 31, 2019 and 2018 were as follows:

	YEAR ENDED DECEMBER 31,	
	2019	2018
WEIGHTED AVERAGE ASSUMPTIONS:		
Discount rate	**3.20%**	4.28%
Salary scale	**2.50**	2.50

	YEAR ENDED DECEMBER 31,		
	2019	2018	2017
	(IN THOUSANDS)		
COMPONENTS OF NET PERIODIC BENEFIT COST:			
Service cost	**$ 1,470**	$ 1,482	$ 1,516
Interest cost	**1,569**	1,273	1,292
Expected return on plan assets	**(3,025)**	(2,798)	(2,539)
Special termination benefit liability	**—**	63	—
Recognized net actuarial loss	**1,649**	1,548	1,454
Net periodic pension cost	**$ 1,663**	$ 1,568	$ 1,723

The service cost component of net periodic benefit cost is included in Salaries and employee benefits and all other components of net periodic benefit cost are included in Other expense on the Consolidated Statements of Operations.

	YEAR ENDED DECEMBER 31,		
	2019	2018	2017
	(IN THOUSANDS)		
OTHER CHANGES IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN OTHER COMPREHENSIVE LOSS			
Net (gain) loss	**$ 5,300**	$ 4,683	$ (822)
Recognized loss	**(1,649)**	(1,548)	(1,454)
Total recognized in other comprehensive loss before tax effect	**$ 3,651**	$ 3,135	$(2,276)
Total recognized in net benefit cost and other comprehensive loss before tax effect	**$ 5,314**	$ 4,703	$ (553)

The estimated net loss for the defined benefit pension plan that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year is $2,499,000.

The weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2019, 2018 and 2017 were as follows:

	YEAR ENDED DECEMBER 31,		
	2019	2018	2017
WEIGHTED AVERAGE ASSUMPTIONS:			
Discount rate	**4.28%**	3.63%	4.12%
Expected return on plan assets	**7.50**	7.50	7.75
Rate of compensation increase	**2.50**	2.50	2.50

The Company has assumed a 7.50% long-term expected return on plan assets. This assumption was based upon the plan's historical investment performance over a longer-term period of 15 years combined with the plan's investment objective of balanced growth and income. Additionally, this assumption also incorporates a targeted range for equity securities of approximately 60% of plan assets.

PLAN ASSETS:

The plan's measurement date is December 31, 2019. This plan's asset allocation at December 31, 2019 and 2018, by asset category are as follows:

	YEAR ENDED DECEMBER 31,	
	2019	2018
ASSET CATEGORY:		
Cash and cash equivalents	**1%**	49%
Domestic equities	**8**	7
Mutual funds/ETFs	**82**	42
International equities	**1**	—
Corporate bonds	**8**	2
Total	**100%**	100%

The major categories of assets in the Company's Pension Plan as of year-end are presented in the following table. Assets are segregated by the level of the valuation inputs within the fair value hierarchy established by ASC Topic 820 utilized to measure fair value.

	YEAR ENDED DECEMBER 31,	
	2019	2018
	(IN THOUSANDS)	
Level 1:		
Cash and cash equivalents	**$ 186**	$18,939
Domestic equities	**3,782**	2,841
Mutual funds/ETFs	**36,469**	15,808
International equities	**620**	—
Level 2:		
Corporate bonds	**3,774**	890
Total fair value of plan assets	**$44,831**	$38,478

Cash and cash equivalents may include uninvested cash balances along with money market mutual funds, treasury bills, or other assets normally categorized as cash equivalents. Domestic equities may include common or preferred stocks, covered options, rights or warrants, or American Depository Receipts which are traded on any U.S. equity market. Mutual funds/ETFs may include any equity, fixed income, balanced, international, or global mutual fund or exchange traded fund including any propriety fund managed by the Trust Company. Agencies may include any U.S. government agency security or asset-backed security. Collective investment funds may include equity, fixed income, or balanced collective investment funds managed by the Trust Company. Corporate bonds may include any corporate bond or note.

The investment strategy objective for the pension plan is a balance of growth and income. This objective seeks to develop a portfolio for acceptable levels of current income together with the opportunity for capital appreciation. The balanced growth and income objective reflects a relatively equal balance between equity and fixed income investments such as debt securities. The allocation between equity and fixed income assets may vary by a moderate degree but the plan typically targets a range of equity investments between 50% and 60% of the plan assets. This means that fixed income and cash investments typically approximate 40% to 50% of the plan assets. The plan is also able to invest in ASRV common stock up to a maximum level of 10% of the market value of the plan assets (at December 31, 2019, 2.8% of the plan assets were invested in ASRV common stock). This asset mix is intended to ensure that there is a steady stream of cash from maturing investments to fund benefit payments.

CASH FLOWS:

The Company presently expects that the contribution to be made to the Plan in 2020 will be approximately $4.0 million.

ESTIMATED FUTURE BENEFIT PAYMENTS:

The following benefit payments, which reflect future service, as appropriate, are expected to be paid.

YEAR:	ESTIMATED FUTURE BENEFIT PAYMENTS
	(IN THOUSANDS)
2020	$ 4,096
2021	3,910
2022	4,317
2023	3,949
2024	4,205
Years 2025 – 2029	15,975

401(k) PLAN:

The Company maintains a qualified 401(k) plan that allows for participation by Company employees. Under the plan, employees may elect to make voluntary, pretax contributions to their accounts which the Company will match one half on the first 2% of contribution up to a maximum of 1%. The Company also contributes 4% of salaries for union members who are in the plan. Effective January 1, 2013, any new non-union employees receive a 4% non-elective contribution and these employees may elect to make voluntary, pretax contributions to their accounts which the Company will match one half on the first 6% of contribution up to a maximum of 3%. Effective January 1, 2014, any new union employees receive a 4% non-elective contribution and these employees may elect to make voluntary, pretax contributions to their accounts which the Company will match dollar for dollar up to a maximum of 4%. Contributions by the Company charged to operations were $604,000, $503,000 and $469,000 for the years ended December 31, 2019, 2018 and 2017, respectively. The fair value of plan assets includes $924,000 pertaining to the value of the Company's common stock and Trust Preferred securities that are held by the plan at December 31, 2019.

DEFERRED COMPENSATION PLAN:

The Company maintains a nonqualified deferred compensation plan in which a select group of executives are permitted to participate. An eligible executive can defer a certain percentage of their current salary to be placed into the plan. The Company has established a rabbi trust to provide funding for the benefits payable under our deferred compensation plan. As of December 31, 2019, the Company reported a deferred compensation liability of $366,000 within Other liabilities on the Consolidated Balance Sheets. In 2019, the Company recognized $9,000 of deferred compensation plan expense which is reported within Other expense on the Consolidated Statements of Operations. See Note 6 (Investment Securities) for additional disclosures related to the nonqualified deferred compensation plan and assets held within the rabbi trust.

Except for the above described benefit plans, the Company has no significant additional exposure for any other post-retirement or post-employment benefits.

19. COMMITMENTS AND CONTINGENT LIABILITIES

The Company incurs off-balance sheet risks in the normal course of business in order to meet the financing needs of its customers. These risks derive from commitments to extend credit and standby letters of credit. Such commitments and standby letters of credit involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. Commitments to extend credit are obligations to lend to a customer as long as there is no violation of any condition established in the loan agreement. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. Collateral which secures these types of commitments is the same as for other types of secured lending such as accounts receivable, inventory, fixed assets, and real estate.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including normal business activities, bond financings, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. Letters of credit are issued both on an unsecured and secured basis. Collateral securing these types of transactions is similar to collateral securing the Company's commercial loans.

The Company's exposure to credit loss in the event of nonperformance by the other party to these commitments to extend credit and standby letters of credit is represented by their contractual amounts. The Company uses the same credit and collateral policies in making commitments and conditional obligations as for all other lending. At December 31, 2019, the Company had various outstanding commitments to extend credit approximating $195.5 million and standby letters of credit of $14.7 million, compared to commitments to extend credit of $177.8 million and standby letters of credit of $16.7 million at December 31, 2018. Standby letters of credit had terms ranging from 1 to 5 years with annual extension options available. Standby letters of credit of approximately $9.2 million were secured as of December 31, 2019 and approximately $11.0 million at December 31, 2018. The carrying amount of the liability for AmeriServ obligations related to unfunded commitments and standby letters of credit was $1,025,000 at December 31, 2019 and $889,000 at December 31, 2018.

Pursuant to its bylaws, the Company provides indemnification to its directors and officers against certain liabilities incurred as a result of their service on behalf of the Company. In connection with this indemnification obligation, the Company can advance on behalf of covered individuals costs incurred in defending against certain claims. Additionally, the Company is also subject to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of the Company, neither the resolution of these claims nor the funding of these credit commitments will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

20. STOCK COMPENSATION PLANS

The Company uses the modified prospective method for accounting for stock-based compensation and recognized $9,000 of pretax compensation expense for the year 2019, $17,000 in 2018 and $20,000 in 2017.

During 2011, the Company's Board adopted, and its shareholders approved, the AmeriServ Financial, Inc. 2011 Stock Incentive Plan (the Plan) authorizing the grant of options or restricted stock covering 800,000 shares of common stock. This Plan replaced the expired 2001 Stock Option Plan. Under the Plan, options or restricted stock can be granted (the Grant Date) to directors, officers, and employees that provide services to the Company and its affiliates, as selected by the compensation committee of the Board. The option price at which a granted stock option may be exercised will not be less than 100% of the fair market value per share of common stock on the Grant Date. The maximum term of any option granted under the Plan cannot exceed 10 years. Generally, options vest over a three-year period and become exercisable in equal installments over the vesting period. At times, options with a one year vesting period may also be issued.

A summary of the status of the Company's Stock Incentive Plan at December 31, 2019, 2018, and 2017, and changes during the years then ended is presented in the table and narrative following:

	YEAR ENDED DECEMBER 31					
	2019		2018		2017	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	**336,313**	**$2.91**	360,721	$2.85	417,566	$2.76
Granted	**7,000**	**4.19**	5,000	4.22	17,500	3.96
Exercised	**(40,917)**	**2.45**	(24,408)	2.49	(64,112)	2.49
Forfeited	**(5,748)**	**2.44**	(5,000)	1.92	(10,233)	3.10
Outstanding at end of year	**296,648**	**3.02**	336,313	2.91	360,721	2.85
Exercisable at end of year	**282,565**	**2.96**	307,814	2.86	308,301	2.79
Weighted average fair value of options granted in current year		**$0.62**		$0.56		$1.12

A total of 282,565 of the 296,648 options outstanding at December 31, 2019, are exercisable and have exercise prices between $1.70 and $4.22, with a weighted average exercise price of $2.96 and a weighted average remaining contractual life of 4.03 years. The remaining 14,083 options that are not yet exercisable have exercise prices between $3.90 and $4.22, with a weighted average exercise price of $4.14 and a weighted average remaining contractual life of 8.64 years. The fair value of each option grant is estimated on the date of grant using the Binomial or Black-Scholes option pricing model with the following assumptions used for grants in 2019, 2018, and 2017.

	YEAR ENDED DECEMBER 31		
PRICING MODEL ASSUMPTION RANGES	2019	2018	2017
Risk-free interest rate	**2.65%**	3.13%	2.23 – 2.38%
Expected lives in years	**10**	10	10
Expected volatility	**15.75%**	15.59%	28.09 – 28.84%
Expected dividend rate	**1.91%**	1.90%	1.50%

The intrinsic value of stock options exercised was $71,000, $42,000, and $91,000 in 2019, 2018, and 2017, respectively.

21. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the changes in each component of accumulated other comprehensive loss, net of tax, for the periods ending December 31, 2019, 2018, and 2017 (in thousands):

	YEAR ENDING DECEMBER 31, 2019			YEAR ENDING DECEMBER 31, 2018			YEAR ENDING DECEMBER 31, 2017		
	Net Unrealized Gains and Losses on Investment Securities AFS[1]	Defined Benefit Pension Items[1]	Total[1]	Net Unrealized Gains and Losses on Investment Securities AFS[1]	Defined Benefit Pension Items[1]	Total[1]	Net Unrealized Gains and Losses on Investment Securities AFS[1]	Defined Benefit Pension Items[1]	Total[1]
Beginning balance	**$(1,409)**	**$(12,816)**	**$(14,225)**	$ (327)	$(12,623)	$(12,950)	$(171)	$(11,406)	$(11,577)
Reclassification of certain income tax effects from accumulated other comprehensive loss	**—**	**—**	**—**	—	—	—	(53)	(2,078)	(2,131)
Other comprehensive income (loss) before reclassifications	**3,217**	**(6,373)**	**(3,156)**	(1,429)	(1,416)	(2,845)	(27)	1,071	1,044
Amounts reclassified from accumulated other comprehensive loss	**(93)**	**1,303**	**1,210**	347	1,223	1,570	(76)	(210)	(286)
Net current period other comprehensive income (loss)	**3,124**	**(5,070)**	**(1,946)**	(1,082)	(193)	(1,275)	(156)	(1,217)	(1,373)
Ending balance	**$ 1,715**	**$(17,886)**	**$(16,171)**	$(1,409)	$(12,816)	$(14,225)	$(327)	$(12,623)	$(12,950)

(1) Amounts in parentheses indicate debits on the Consolidated Balance Sheets.

The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss for the periods ending December 31, 2019, 2018, and 2017 (in thousands):

	Amount reclassified from accumulated other comprehensive loss[1]			
Details about accumulated other comprehensive loss components	YEAR ENDING DECEMBER 31, 2019	YEAR ENDING DECEMBER 31, 2018	YEAR ENDING DECEMBER 31, 2017	Affected line item in the statement of operations
Realized (gains) losses on sale of securities	**$ (118)**	$ 439	$(115)	Net realized (gains) losses on investment securities
	25	(92)	39	Provision for income taxes
	$ (93)	$ 347	$ (76)	Net of tax
Amortization of estimated defined benefit pension plan loss[2]	**$1,649**	$1,548	$(318)	Other expense
	(346)	(325)	108	Provision for income taxes
	$1,303	$1,223	$(210)	Net of tax
Total reclassifications for the period	**$1,210**	$1,570	$(286)	Net income

(1) Amounts in parentheses indicate credits.

(2) These accumulated other comprehensive loss components are included in the computation of net periodic benefit cost (see Note 18 for additional details).

22. INTANGIBLE ASSETS

The Company's Consolidated Balance Sheets show both tangible assets (such as loans, buildings, and investments) and intangible assets (such as goodwill). Goodwill has an indefinite life and is not amortized.

Instead such intangible is evaluated for impairment at the reporting unit level at least annually. Any resulting impairment would be reflected as a non-interest expense. Of the Company's goodwill of $11.9 million, $9.5 million is allocated to the community banking segment and $2.4 million relates to the WCCA acquisition which is included in the wealth management segment. The balance of the Company's goodwill at December 31, 2019 and 2018 was $11.9 million.

23. DERIVATIVE HEDGING INSTRUMENTS

The Company can use various interest rate contracts, such as interest rate swaps, caps, floors and swaptions to help manage interest rate and market valuation risk exposure, which is incurred in normal recurrent banking activities. The Company can use derivative instruments, primarily interest rate swaps, to manage interest rate risk and match the rates on certain assets by hedging the fair value of certain fixed rate debt, which converts the debt to variable rates and by hedging the cash flow variability associated with certain variable rate debt by converting the debt to fixed rates.

To accommodate the needs of our customers and support the Company's asset/liability positioning, we may enter into interest rate swap agreements with customers and a large financial institution that specializes in these types of transactions. These arrangements involve the exchange of interest payments based on the notional amounts. The Company entered into floating rate loans and fixed rate swaps with our customers. Simultaneously, the Company entered into offsetting fixed rate swaps with Pittsburgh National Bank (PNC). In connection with each swap transaction, the Company agrees to pay interest to the customer on a notional amount at a variable interest rate and receive interest from the customer on the same notional amount at a fixed interest rate. At the same time, the Company agrees to pay PNC the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. These transactions allow the Company's customers to effectively convert a variable rate loan to a fixed rate. Because the Company acts as an intermediary for its customers, changes in the fair value of the underlying derivative contracts offset each other and do not significantly impact the Company's results of operations. For the years ended December 31, 2019 and 2018, the Company received $120,000 and $25,000, respectively, in fees on the interest rate swap transactions.

These swaps are considered free-standing derivatives and are reported at fair value within Other assets and Other liabilities on the Consolidated Balance Sheets. Disclosures related to the fair value of the swap transactions can be found in Note 15.

The following table summarizes the interest rate swap transactions that impacted the Company's 2019 and 2018 performance (in thousands, except percentages).

DECEMBER 31, 2019

	HEDGE TYPE	AGGREGATE NOTIONAL AMOUNT	WEIGHTED AVERAGE RATE RECEIVED/(PAID)	REPRICING FREQUENCY	INCREASE (DECREASE) IN INTEREST EXPENSE
Swap assets	**Fair Value**	**$ 31,668**	**4.44%**	**Monthly**	**$(18)**
Swap liabilities	**Fair Value**	**(31,668)**	**(4.44)**	**Monthly**	**18**
Net exposure		**—**	**—**		**—**

DECEMBER 31, 2018

	HEDGE TYPE	AGGREGATE NOTIONAL AMOUNT	WEIGHTED AVERAGE RATE RECEIVED/(PAID)	REPRICING FREQUENCY	INCREASE (DECREASE) IN INTEREST EXPENSE
Swap assets	Fair Value	$ 19,825	4.31%	Monthly	$(41)
Swap liabilities	Fair Value	(19,825)	(4.31)	Monthly	41
Net exposure		—	—		—

The Company monitors and controls all derivative products with a comprehensive Board of Directors approved Hedging Policy. This policy permits a total maximum notional amount outstanding of $500 million for interest rate swaps, interest rate caps/floors, and swaptions. All hedge transactions must be approved in

advance by the Investment Asset/Liability Committee (ALCO) of the Board of Directors, unless otherwise approved, as per the terms, with the Board of Directors approved Hedging Policy. The Company had no caps or floors outstanding at December 31, 2019 and 2018. None of the Company's derivatives are designated as hedging instruments.

24. SEGMENT RESULTS

The financial performance of the Company is also monitored by an internal funds transfer pricing profitability measurement system which produces line of business results and key performance measures. The Company's major business units include community banking, wealth management, and investment/parent. The reported results reflect the underlying economics of the business segments. Expenses for centrally provided services are allocated based upon the cost and estimated usage of those services. The businesses are match-funded and interest rate risk is centrally managed and accounted for within the investment/parent business segment. The key performance measure the Company focuses on for each business segment is net income contribution.

The community banking segment includes both retail and commercial banking activities. Retail banking includes the deposit-gathering branch franchise and lending to both individuals and small businesses. Lending activities include residential mortgage loans, direct consumer loans, and small business commercial loans. Commercial banking to businesses includes commercial loans, business services, and CRE loans. The wealth management segment includes the Trust Company, West Chester Capital Advisors (WCCA), our registered investment advisory firm, and Financial Services. Wealth management activities include personal trust products and services such as personal portfolio investment management, estate planning and administration, custodial services and pre-need trusts. Also, institutional trust products and services such as 401(k) plans, defined benefit and defined contribution employee benefit plans, and individual retirement accounts are included in this segment. Financial Services include the sale of mutual funds, annuities, and insurance products. The wealth management businesses also include the union collective investment funds, primarily the ERECT funds which are designed to use union pension dollars in construction projects that utilize union labor. The investment/parent includes the net results of investment securities and borrowing activities, general corporate expenses not allocated to the business segments, interest expense on corporate debt, and centralized interest rate risk management. Inter-segment revenues were not material.

The contribution of the major business segments to the Consolidated Statements of Operations were as follows:

	YEAR ENDED DECEMBER 31, 2019			
	COMMUNITY BANKING	WEALTH MANAGEMENT	INVESTMENT/ PARENT	TOTAL
	(IN THOUSANDS)			
Net interest income	**$ 40,865**	**$ 81**	**$ (5,504)**	**$ 35,442**
Provision for loan loss	**800**	**—**	**—**	**800**
Non-interest income	**5,407**	**9,736**	**(370)**	**14,773**
Non-interest expense	**31,856**	**7,340**	**2,619**	**41,815**
Income (loss) before income taxes	**13,616**	**2,477**	**(8,493)**	**7,600**
Income tax expense (benefit)	**2,715**	**593**	**(1,736)**	**1,572**
Net income (loss)	**$ 10,901**	**$ 1,884**	**$ (6,757)**	**$ 6,028**
Total assets	**$981,787**	**$10,361**	**$179,036**	**$1,171,184**

	YEAR ENDED DECEMBER 31, 2018			
	COMMUNITY BANKING	WEALTH MANAGEMENT	INVESTMENT/ PARENT	TOTAL
	(IN THOUSANDS)			
Net interest income	$ 39,195	$ 71	$ (3,772)	$ 35,494
Credit provision for loan loss	(600)	—	—	(600)
Non-interest income	4,832	9,651	(259)	14,224
Non-interest expense	30,809	7,319	2,745	40,873
Income (loss) before income taxes	13,818	2,403	(6,776)	9,445
Income tax expense	2,764	554	(1,641)	1,677
Net income (loss)	$ 11,054	$1,849	$ (5,135)	$ 7,768
Total assets	$966,910	$9,345	$184,425	$1,160,680

	YEAR ENDED DECEMBER 31, 2017			
	COMMUNITY BANKING	WEALTH MANAGEMENT	INVESTMENT/ PARENT	TOTAL
	(IN THOUSANDS)			
Net interest income	$ 39,183	$ 61	$ (3,683)	$ 35,561
Provision for loan loss	800	—	—	800
Non-interest income	5,370	9,170	105	14,645
Non-interest expense	31,139	7,054	2,533	40,726
Income (loss) before income taxes	12,614	2,177	(6,111)	8,680
Income tax expense (benefit)	4,023	812	552	5,387
Net income (loss)	$ 8,591	$1,365	$ (6,663)	$ 3,293
Total assets	$993,689	$8,703	$165,263	$1,167,655

25. REGULATORY CAPITAL

The Company is subject to various capital requirements administered by the federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. For a more detailed discussion see the Capital Resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total, Tier 1 capital, and common equity Tier 1 capital to risk-weighted assets and Tier 1 capital to average assets. Additionally, under Basel III rules, the decision was made to opt-out of including accumulated other comprehensive income in regulatory capital. As of December 31, 2019 and 2018, the Company was categorized as Well Capitalized under the regulatory framework for prompt corrective action promulgated by the Federal Reserve. The Company believes that no conditions or events have occurred that would change this conclusion. To be categorized as well capitalized, the Company must maintain minimum total risk-based, common equity Tier 1 risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table.

	AT DECEMBER 31, 2019					
	COMPANY		BANK		MINIMUM REQUIRED FOR CAPITAL ADEQUACY PURPOSES	TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION REGULATIONS*
	AMOUNT	RATIO	AMOUNT	RATIO	RATIO	RATIO
	(IN THOUSANDS, EXCEPT RATIOS)					
Total Capital (To Risk Weighted Assets)	**$132,544**	**13.49%**	**$119,477**	**12.23%**	**8.00%**	**10.00%**
Tier 1 Common Equity (To Risk Weighted Assets)	**102,841**	**10.47**	**109,173**	**11.17**	**4.50**	**6.50**
Tier 1 Capital (To Risk Weighted Assets)	**114,729**	**11.68**	**109,173**	**11.17**	**6.00**	**8.00**
Tier 1 Capital (To Average Assets)	**114,729**	**9.87**	**109,173**	**9.50**	**4.00**	**5.00**

	AT DECEMBER 31, 2018					
	COMPANY		BANK		MINIMUM REQUIRED FOR CAPITAL ADEQUACY PURPOSES	TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION REGULATIONS*
	AMOUNT	RATIO	AMOUNT	RATIO	RATIO	RATIO
	(IN THOUSANDS, EXCEPT RATIOS)					
Total Capital (To Risk Weighted Assets)	$129,178	13.53%	$115,451	12.14%	8.00%	10.00%
Tier 1 Common Equity (To Risk Weighted Assets)	100,258	10.50	105,891	11.14	4.50	6.50
Tier 1 Capital (To Risk Weighted Assets)	112,130	11.74	105,891	11.14	6.00	8.00
Tier 1 Capital (To Average Assets)	112,130	9.71	105,891	9.28	4.00	5.00

* Applies to the Bank only.

Additionally, while not a regulatory capital ratio, the Company's tangible common equity ratio (non-GAAP) was 7.48% and 7.49% for 2019 and 2018, respectively. See the discussion of the tangible common equity ratio under the Balance Sheet section of the MD&A.

26. PARENT COMPANY FINANCIAL INFORMATION

The parent company functions primarily as a coordinating and servicing unit for all subsidiary entities. Provided services include general management, accounting and taxes, loan review, internal auditing, investment advisory, marketing, insurance, risk management, general corporate services, and financial and strategic planning. The following financial information relates only to the parent company operations:

BALANCE SHEETS

	AT DECEMBER 31,	
	2019	2018
	(IN THOUSANDS)	
ASSETS		
Cash	**$ 100**	$ 100
Short-term investments in money market funds	**2,544**	3,711
Cash and cash equivalents	**2,644**	3,811
Investment securities available for sale	**3,758**	4,747
Equity investment in banking subsidiary	**104,843**	103,647
Equity investment in non-banking subsidiaries	**7,830**	6,745
Other assets	**978**	208
TOTAL ASSETS	**$120,053**	$119,158
LIABILITIES		
Guaranteed junior subordinated deferrable interest debentures	**$ 12,955**	$ 12,939
Subordinated debt	**7,511**	7,488
Other liabilities	**973**	754
TOTAL LIABILITIES	**21,439**	21,181
STOCKHOLDERS' EQUITY		
Total stockholders' equity	**98,614**	97,977
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$120,053**	$119,158

STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,		
	2019	2018	2017
	(IN THOUSANDS)		
INCOME			
Inter-entity management and other fees	**$2,556**	$2,430	$ 2,315
Dividends from banking subsidiary	**3,800**	3,500	2,850
Dividends from non-banking subsidiaries	**1,105**	1,190	840
Interest, dividend and other income	**186**	119	163
TOTAL INCOME	**7,647**	7,239	6,168
EXPENSE			
Interest expense	**1,642**	1,642	1,642
Salaries and employee benefits	**2,614**	2,610	2,416
Other expense	**1,707**	1,733	1,618
TOTAL EXPENSE	**5,963**	5,985	5,676
INCOME BEFORE INCOME TAXES AND EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	**1,684**	1,254	492
Benefit for income taxes	**(676)**	(722)	(1,114)
Equity in undistributed earnings of subsidiaries	**3,668**	5,792	1,687
NET INCOME	**$6,028**	$7,768	$ 3,293
COMPREHENSIVE INCOME	**$4,082**	$6,493	$ 4,051

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2019	2018	2017
	(IN THOUSANDS)		
OPERATING ACTIVITIES			
Net income	**$ 6,028**	$ 7,768	$ 3,293
Adjustment to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	**(3,668)**	(5,792)	(1,687)
Stock compensation expense	**7**	14	13
Other – net	**(427)**	433	1,325
NET CASH PROVIDED BY OPERATING ACTIVITIES	**1,940**	2,423	2,944
INVESTING ACTIVITIES			
Purchase of investment securities – available for sale	**—**	(1,002)	(1,002)
Proceeds from maturity and sales of investment securities – available for sale	**1,085**	1,462	1,699
NET CASH PROVIDED BY INVESTING ACTIVITIES	**1,085**	460	697
FINANCING ACTIVITIES			
Purchases of treasury stock	**(2,550)**	(2,346)	(3,404)
Common stock dividends paid	**(1,642)**	(1,347)	(1,113)
NET CASH USED IN FINANCING ACTIVITIES	**(4,192)**	(3,693)	(4,517)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,167)**	(810)	(876)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**3,811**	4,621	5,497
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**$ 2,644**	$ 3,811	$ 4,621

The ability of the subsidiary Bank to upstream cash to the parent company is restricted by regulations. Federal law prevents the parent company from borrowing from its subsidiary Bank unless the loans are secured by specified assets. Further, such secured loans are limited in amount to ten percent of the subsidiary Bank's capital and surplus. In addition, the Bank is subject to legal limitations on the amount of dividends that can be paid to its shareholder. The dividend limitation generally restricts dividend payments to a bank's retained net income for the current and preceding two calendar years. Cash may also be upstreamed to the parent company by the subsidiaries as an inter-entity management fee. The subsidiary Bank had a combined $108,228,000 of restricted surplus and retained earnings at December 31, 2019.

27. SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA (unaudited)

The following table sets forth certain unaudited quarterly consolidated financial data regarding the Company:

	2019 QUARTER ENDED			
	DEC. 31	SEPT. 30	JUNE 30	MARCH 31
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Interest income	**$12,405**	**$12,433**	**$12,765**	**$12,164**
Interest expense	**3,445**	**3,669**	**3,704**	**3,507**
Net interest income	**8,960**	**8,764**	**9,061**	**8,657**
Provision (credit) for loan losses	**975**	**225**	**—**	**(400)**
Net interest income after provision (credit) for loan losses	**7,985**	**8,539**	**9,061**	**9,057**
Non-interest income	**3,416**	**4,095**	**3,657**	**3,605**
Non-interest expense	**10,563**	**10,503**	**10,456**	**10,293**
Income before income taxes	**838**	**2,131**	**2,262**	**2,369**
Provision for income taxes	**169**	**442**	**470**	**491**
Net income	**$ 669**	**$ 1,689**	**$ 1,792**	**$ 1,878**
Basic earnings per common share	**$ 0.04**	**$ 0.10**	**$ 0.10**	**$ 0.11**
Diluted earnings per common share	**0.04**	**0.10**	**0.10**	**0.11**
Cash dividends declared per common share	**0.025**	**0.025**	**0.025**	**0.020**

	2018 QUARTER ENDED			
	DEC. 31	SEPT. 30	JUNE 30	MARCH 31
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Interest income	$12,125	$12,149	$11,603	$11,217
Interest expense	3,346	3,040	2,745	2,469
Net interest income	8,779	9,109	8,858	8,748
Provision (credit) for loan losses	(700)	—	50	50
Net interest income after provision (credit) for loan losses	9,479	9,109	8,808	8,698
Non-interest income	3,322	3,586	3,681	3,635
Non-interest expense	10,374	10,096	10,292	10,111
Income before income taxes	2,427	2,599	2,197	2,222
Provision for income taxes	499	270	453	455
Net income	$ 1,928	$ 2,329	$ 1,744	$ 1,767
Basic earnings per common share	$ 0.11	$ 0.13	$ 0.10	$ 0.10
Diluted earnings per common share	0.11	0.13	0.10	0.10
Cash dividends declared per common share	0.020	0.020	0.020	0.015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of AmeriServ Financial, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AmeriServ Financial Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018; the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019; and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 2, 2020, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent, with respect to the Company, in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks.

Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2007.

/s/S.R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 2, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of AmeriServ Financial, Inc.

Opinion on Internal Control over Financial Reporting

We have audited AmeriServ Financial Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, of the Company; and our report dated March 2, 2020, expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Report on Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent, with respect to the Company, in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

/s/S.R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 2, 2020

REPORT ON MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

We, as management of AmeriServ Financial, Inc., are responsible for establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in conformity with United States generally accepted accounting principles. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are identified. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

Management assessed the Company's system of internal control over financial reporting as of December 31, 2019, in relation to criteria for effective internal control over financial reporting as described in "2013 Internal Control — Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2019, its system of internal control over financial reporting is effective and meets the criteria of the "2013 Internal Control — Integrated Framework". S.R. Snodgrass, P.C., independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2019.

Management is responsible for compliance with the federal and state laws and regulations concerning dividend restrictions and federal laws and regulations concerning loans to insiders designated by the Federal Reserve as safety and soundness laws and regulations.

Management has assessed compliance by the Company with the designated laws and regulations relating to safety and soundness. Based on the assessment, management believes that the Company complied, in all significant respects, with the designated laws and regulations related to safety and soundness for the year ended December 31, 2019.

/s/ JEFFREY A. STOPKO	/s/ MICHAEL D. LYNCH
Jeffrey A. Stopko President & Chief Executive Officer	Michael D. Lynch Senior Vice President & Chief Financial Officer

Johnstown, PA
March 2, 2020

STATEMENT OF MANAGEMENT RESPONSIBILITY

March 2, 2020

To the Stockholders and Board of Directors of AmeriServ Financial, Inc.

Management of AmeriServ Financial, Inc. and its subsidiaries have prepared the consolidated financial statements and other information in the Annual Report and Form 10-K in accordance with United States generally accepted accounting principles and are responsible for its accuracy.

In meeting its responsibility, management relies on internal accounting and related control systems, which include selection and training of qualified personnel, establishment and communication of accounting and administrative policies and procedures, appropriate segregation of responsibilities, and programs of internal audit. These systems are designed to provide reasonable assurance that financial records are reliable for preparing financial statements and maintaining accountability for assets and that assets are safeguarded against unauthorized use or disposition. Such assurance cannot be absolute because of inherent limitations in any internal control system.

Management also recognizes its responsibility to foster a climate in which Company affairs are conducted with the highest ethical standards. The Company's Code of Conduct, furnished to each employee and director, addresses the importance of open internal communications, potential conflicts of interest, compliance with applicable laws, including those related to financial disclosure, the confidentiality of proprietary information, and other items. There is an ongoing program to assess compliance with these policies.

The Audit Committee of the Company's Board of Directors consists solely of independent directors. The Audit Committee meets periodically with management and the independent auditors to discuss audit, financial reporting, and related matters. S.R. Snodgrass P.C. and the Company's internal auditors have direct access to the Audit Committee.

/s/ JEFFREY A. STOPKO	/s/ MICHAEL D. LYNCH
Jeffrey A. Stopko President & Chief Executive Officer	Michael D. Lynch Senior Vice President & Chief Financial Officer

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. As of December 31, 2019, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, on the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act)). Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of December 31, 2019.

Disclosure controls and procedures are the controls and other procedures that are designed to ensure that the information required to be disclosed by the Company in its reports filed and submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in its reports filed under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management Report on Internal Control over Financial Reporting. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Management's assessment of internal control over financial reporting for the fiscal year ended December 31, 2019 is included in Item 8.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this section relating to Directors of the Registrant is presented in the "Election of ASRV Directors" section of the Proxy Statement for the Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this section is presented in the "Compensation Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis," the "Compensation Committee Report," and "Compensation Paid to Executive Officers" sections of the Proxy Statement for the Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table summarizes the number of shares remaining for issuance under the Company's outstanding stock incentive plans as of December 31, 2019.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	296,648	$3.02	444,668
Equity compensation plans not approved by security holders	0	0	0
Total	296,648	$3.02	444,668

Information required by this section is presented in the "Principal Owners" and "Security Ownership of Management" sections of the Proxy Statement for the Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this section is presented in the "Director Independence and Transactions with Related Parties" section of the Proxy Statement for the Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this section is presented in the "Independent Registered Accounting Firm" section of the Proxy Statement for the Annual Meeting of Shareholders.

PART IV

ITEM 15. EXHIBITS AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

CONSOLIDATED FINANCIAL STATEMENTS FILED:

The consolidated financial statements listed below are from this 2019 Form 10-K and Part II — Item 8. Page references are to this Form 10-K.

CONSOLIDATED FINANCIAL STATEMENTS:

AmeriServ Financial, Inc. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENT SCHEDULES:

These schedules are not required or are not applicable under SEC accounting regulations and therefore have been omitted.

EXHIBITS:

The exhibits listed below are filed herewith or to other filings.

EXHIBIT NUMBER	DESCRIPTION	PRIOR FILING OR EXHIBIT PAGE NUMBER HEREIN
3.1	Amended and Restated Articles of Incorporation as amended through August 11, 2011.	Exhibit 3.1 to the Registration Statement on Form S-8 (File No. 333-176869) filed on September 16, 2011
3.2	Bylaws, as amended and restated effective October 17, 2019.	Exhibit 3.2 to the Current Report on Form 8-K filed on October 21, 2019
10.1	Employment Agreement, dated April 27, 2015, between AmeriServ Financial, Inc. and Jeffrey A. Stopko.	Exhibit 10.1 to the Current Report on Form 8-K filed on April 28, 2015
10.2	AmeriServ Financial, Inc. 2011 Stock Incentive Plan	Appendix A to the Definitive Proxy Statement, filed under Schedule 14A, filed on March 21, 2011
10.3	AmeriServ Financial, Inc. Deferred Compensation Plan	Exhibit 10.1 to the Current Report on Form 8-K filed on October 21, 2014
10.4	Employment Agreement, dated February 19, 2016, between AmeriServ Financial, Inc. and Michael D. Lynch.	Exhibit 10.1 to the Current Report on Form 8-K filed on February 24, 2016
21.1	Subsidiaries of the Registrant.	Attached
23.1	Consent of Independent Registered Public Accounting Firm	Attached

EXHIBIT NUMBER	DESCRIPTION	PRIOR FILING OR EXHIBIT PAGE NUMBER HEREIN
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.	Attached
31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.	Attached
32.1	Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.	Attached
32.2	Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.	Attached
101	The following information from AMERISERV FINANCIAL, INC.'s Annual Report on Form 10-K for the year ended December 31, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to the Consolidated Financial Statements.	Attached

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AmeriServ Financial, Inc.
(Registrant)

By: /s/ Jeffrey A. Stopko
Jeffrey A. Stopko
President & CEO

Date: March 2, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 20, 2020:

/s/ Allan R. Dennison Allan R. Dennison	Chairman Director	/s/ Michael D. Lynch Michael D. Lynch	SVP & CFO
/s/ Jeffrey A. Stopko Jeffrey A. Stopko	President & CEO Director	/s/ Margaret A. O'Malley Margaret A. O'Malley	Director
/s/ J. Michael Adams, Jr. J. Michael Adams, Jr.	Director	/s/ Mark E. Pasquerilla Mark E. Pasquerilla	Director
/s/ Craig G. Ford Craig G. Ford	Director	/s/ Sara A. Sargent Sara A. Sargent	Director
/s/ Kim W. Kunkle Kim W. Kunkle	Director	/s/ Robert L. Wise Robert L. Wise	Director

AMERISERV FINANCIAL, INC.

AMERISERV FINANCIAL BANK OFFICE LOCATIONS

HEADQUARTERS

Main Office Johnstown
216 Franklin Street
Johnstown, PA 15901
1-800-837-BANK (2265)

Carrolltown
101 South Main Street
Carrolltown, PA 15722

Central City
104 Sunshine Avenue
Central City, PA 15926

Derry
112 South Chestnut Street
Derry, PA 15627

East Hills Drive Up
1213 Scalp Avenue
Johnstown, PA 15904

Eighth Ward
1059 Franklin Street
Johnstown, PA 15905

Hagerstown
12806 Shank Farm Way
Hagerstown, MD 21742

Lovell Park
179 Lovell Avenue
Ebensburg, PA 15931

Nanty Glo
1383 Shoemaker Street
Nanty Glo, PA 15943

North Atherton
1857 North Atherton Street
State College, PA 16803

Northern Cambria
4206 Crawford Avenue
Suite 1
Northern Cambria, PA 15714

Pittsburgh
United Steelworkers Building
60 Boulevard of the Allies
Suite 100
Pittsburgh, PA 15222

Seward
6858 Route 711
Suite 1
Seward, PA 15954

Somerset
108 West Main Street
Somerset, PA 15501

University Heights
1404 Eisenhower Boulevard
Johnstown, PA 15904

Westmont
110 Plaza Drive
Johnstown, PA 15905

Windber
1501 Somerset Avenue
Windber, PA 15963

AMERISERV LOAN PRODUCTION LOCATIONS

Altoona
3415 Pleasant Valley Boulevard
Pleasant Valley Shopping Center
Altoona, PA 16602

Wilkins Township
201 Penn Center Boulevard
Suite 200
Pittsburgh, PA 15235

24-hr ATM available at all branches except Pittsburgh where there is no ATM available

SHAREHOLDER INFORMATION

SECURITIES MARKETS

AmeriServ Financial, Inc. Common Stock is publicly traded and quoted on the NASDAQ National Market System. The common stock is traded under the symbol of "ASRV." The listed market makers for the stock are:

Piper Sandler Companies 1251
Avenue of the Americas
6th Floor
New York, NY 10020
Telephone: (800) 635-6860

Stifel Nicolaus
7111 Fairway Drive, STE 301
Palm Beach Gardens, FL 33418
Telephone: (561) 615-5300

Raymond James & Associates
222 S. Riverside Plaza, 7th Floor
Chicago, IL 60606
Telephone: (312) 655-2961

Keefe Bruyette & Woods, Inc.
787 Seventh Avenue
Equitable Bldg — 4th Floor
New York, NY 10019
Telephone: (800) 966-1559

Virtu Financial, Inc.
1 Liberty Plaza
New York, NY 10006
Telephone: (888) 931-4357

CORPORATE OFFICES

The corporate offices of AmeriServ Financial, Inc. are located at 216 Franklin Street, Johnstown, PA 15901. Mailing address:

P.O. Box 430
Johnstown, PA 15907-0430
(814) 533-5300

AGENTS

The transfer agent and registrar for AmeriServ Financial, Inc.'s common stock is:

Computershare Investor Services
P O Box 43078
Providence, RI 02940-3078
Shareholder Inquiries: 1-800-730-4001
Internet Address: http://www.Computershare.com

INFORMATION

Analysts, investors, shareholders, and others seeking financial data about AmeriServ Financial, Inc. or any of its subsidiaries' annual and quarterly reports, proxy statements, 10-K, 10-Q, 8-K, and call reports — are asked to contact Jeffrey A. Stopko, President & Chief Executive Officer at (814) 533-5310 or by e-mail at JStopko@AmeriServ.com. The Company also maintains a website (www.AmeriServ.com) that makes available, free of charge, such reports and proxy statements and other current financial information, such as press releases and SEC documents, as well as the corporate governance documents under the Investor Relations tab on the Company's website. Information contained on the Company's website is not incorporated by reference into this Annual Report on Form 10-K.

AMERISERV FINANCIAL, INC.

Board of Directors

J. Michael Adams, Jr.
Chief Counsel to the Pennsylvania DCED

Allan R. Dennison
Non-Executive Chairman of the Board of all Subsidiaries

Craig G. Ford
Non-Executive Vice Chairman of the Board of all Subsidiaries

Kim W. Kunkle
President & CEO,
Laurel Holdings, Inc.

Margaret A. O'Malley
Attorney-at-Law
Yost & O'Malley

Mark E. Pasquerilla
President, Pasquerilla Enterprises L.P.

Sara A. Sargent
Owner/President,
The Sargent's Group

Jeffrey A. Stopko, CPA
President & Chief Executive Officer
AmeriServ Financial, Inc. & AmeriServ Financial Bank

Robert L. Wise
Retired President,
Pennsylvania Electric Company, GPU Genco, Inc. & GPU International, Inc. & GPU Energy, Inc.

General Officers

Jeffrey A. Stopko, CPA
President & Chief Executive Officer

Frank E. Adams
Senior Vice President & Chief Loan Review Officer

Susan Tomera Angeletti
Senior Vice President, Director — Corporate Marketing & Alternative Delivery

Michael D. Lynch
Senior Vice President, Chief Financial Officer, Chief Investment Officer & Chief Risk Officer

James P. Ziance
Senior Vice President & Chief Internal Auditor

Laura L. Fiore
Vice President, Deputy Auditor

Anthony M. Gojmerac
Vice President, Purchasing & Facilities Officer

Wendy M. Gressick
Vice President, Deputy Loan Review Officer

Tammie L. Slavick
Vice President, Financial & Profitability Analysis

Sharon M. Callihan
Corporate Secretary

AMERISERV FINANCIAL BANK

Board of Directors

J. Michael Adams, Jr.
Chief Counsel to the Pennsylvania DCED

Allan R. Dennison
Non-Executive Chairman of the Board of all Subsidiaries

Craig G. Ford
Non-Executive Vice Chairman of the Board of all Subsidiaries

Kim W. Kunkle
President & CEO,
Laurel Holdings, Inc.

Margaret A. O'Malley
Attorney-at-Law
Yost & O'Malley

Mark E. Pasquerilla
President, Pasquerilla Enterprises L.P.

Sara A. Sargent
Owner/President,
The Sargent's Group

Jeffrey A. Stopko, CPA
President & Chief Executive Officer AmeriServ Financial, Inc. & AmeriServ Financial Bank

Robert L. Wise
Retired President,
Pennsylvania Electric Company, GPU Genco, Inc. & GPU International, Inc. & GPU Energy, Inc.

General Officers

Jeffrey A. Stopko, CPA
President & Chief Executive Officer

Michael R. Baylor
Executive Vice President & Chief Commercial Banking Officer

Jack W. Babich
Senior Vice President, Chief Human Resources Officer & Corporate Services Officer

Russell B. Flynn
Senior Vice President, Retail Lending

Bettina D. Fochler
Senior Vice President, Chief Credit Officer

Wayne A. Kessler
Senior Vice President, Area Executive, Johnstown

Michael D. Lynch
Senior Vice President, Chief Financial Officer, Chief Investment Officer & Chief Risk Officer

Kerri L. Mueller
Senior Vice President, Retail Banking

Matthew C. Rigo
Senior Vice President, Area Executive, Wilkins Township

Robert E. Werner, III
Senior Vice President & Chief Information Officer

Todd C. Allison
Vice President & Director of Information Technology

Michael S. Andrascik
Vice President, Bank Security Officer

Thomas R. Boyd, Jr.
Vice President, Commercial Relationship Manager

Carie L. Braniff
Vice President, Corporate Security Officer

Robert J. Cabala
Vice President, Commercial Relationship Manager

George T. Chaney II
Vice President, Portfolio Manager

Jennifer L. Devan
Vice President, Chief Compliance Officer

Bernard A. Eckenrode
Vice President, Commercial Relationship Manager

Mitchell D. Edwards
Vice President, Commercial Relationship Manager

Jason D. Eminhizer
Vice President, Commercial Relationship Manager

Christine E. Fisher
Vice President, Business Services

Anthony M. Gojmerac
Vice President, Purchasing & Facilities Officer

Chelsea M. Hartnett
Vice President, Manager Credit Analysis

Daniel L. Herr
Vice President, Portfolio Manager

Kevin H. Justice
Vice President, Commercial Relationship Manager, Hagerstown

Bruce A. Mabon
Vice President, Collections & Assigned Risk Manager

Patrick R. Miles
Vice President, Commercial Relationship Manager, Altoona

Elizabeth R. Shank
Vice President, Deposit Operations Manager

Cynthia L. Stewart
Vice President, Manager Loan Administration

Shana Stiles
Vice President, BSA & Assistant Corporate Services Manager

Charlene J. Tessari
Vice President, Application & IT Risk Management

Catherine M. Torok
Vice President, Chief Information Security Officer

Michelle D. Wyandt
Vice President, Supervisor Credit Analysis

AMERISERV FINANCIAL, INC.

AMERISERV TRUST & FINANCIAL SERVICES COMPANY

Board of Directors

J. Michael Adams, Jr.
Chief Counsel to the Pennsylvania DCED

Richard W. Bloomingdale
President, PA AFL-CIO

Allan R. Dennison
Non-Executive Chairman of the Board of all Subsidiaries

Craig G. Ford
Non-Executive Vice Chairman of the Board of all Subsidiaries

James T. Huerth
President & Chief Executive Officer, AmeriServ Trust & Financial Services Company

George B. Kaufman
Attorney-at-Law

Kim W. Kunkle
President & CEO, Laurel Holdings, Inc.

Mark E. Miller
Director of Support Services, Somerset Hospital & President, Pine Grill, Inc.

Margaret A. O'Malley
Attorney-at-Law
Yost & O'Malley

Sara A. Sargent
Owner/President
The Sargent's Group

Jeffrey A. Stopko, CPA
President & Chief Executive Officer, AmeriServ Financial, Inc. & AmeriServ Financial Bank

Robert L. Wise
Retired President, Pennsylvania Electric Company, GPU Genco, Inc. & GPU International, Inc. & GPU Energy, Inc.

General Officers

James T. Huerth
President & Chief Executive Officer

David A. Finui
Executive Vice President, Director — Wealth and Capital Management

Nicholas E. Debias, Jr., CTA
Senior Vice President, Senior Wealth Management Advisor

Bettina D. Fochler
Senior Vice President, Chief Credit Officer

Wayne Kessler
Senior Vice President, Area Executive Johnstown

Michael D. Lynch
Senior Vice President, Treasurer

Ernest L. Petersen, III
Senior Vice President, Chief Administrative Officer & Diversified Services Manager

Christopher C. Sheedy
Senior Vice President & Trust Specialty Real Estate Director

Kathleen M. Wallace
Senior Vice President, Retirement Services Manager

Timothy E. Walters
Senior Vice President, Diversified Services — Wealth Advisor

Mary Ann Brustle
Vice President Risk Management & Trust Compliance Officer

Sharon E. Delic
Vice President, Retirement Services Officer

Michael P. Geiser
Vice President, Trust Operations Manager

Dennis E. Hunt
Vice President, Retirement Services Officer

David M. Margetan
Vice President, Retirement Services Officer

Justin F. Maser
Vice President, Portfolio Manager

Scott D. Porterfield
Vice President, Wealth Management Advisor

Trust Company Office Locations

216 Franklin Street
AmeriServ Financial Bank Building
Johnstown, PA 15901-1911

140 South Main Street
Greensburg, PA 15601

WEST CHESTER CAPITAL ADVISORS

Board of Directors

J. Michael Adams, Jr.
Chief Counsel to the Pennsylvania DCED

Allan R. Dennison
Non-Executive Chairman of the Board of all Subsidiaries

Craig G. Ford
Non-Executive Vice Chairman of the Board of all Subsidiaries

James T. Huerth
President & Chief Executive Officer, AmeriServ Trust & Financial Services Company

Steven M. Krawick, AAMS, CMFC
President & Chief Executive Officer, West Chester Capital Advisors

Jeffrey A. Stopko, CPA
President & Chief Executive Officer, AmeriServ Financial, Inc. & AmeriServ Financial Bank

Robert L. Wise
Retired President, Pennsylvania Electric Company, GPU Genco, Inc. & GPU International, Inc. & GPU Energy, Inc.

General Officers

Steven M. Krawick, AAMS, CMFC
President & Chief Executive Officer

Michael D. Lynch
Senior Vice President, Chief Financial Officer & Treasurer

Frank J. Lapinsky
Vice President, Chief Administrative Officer & Portfolio Manager

Mary F. Stanek
Vice President, Portfolio Manager

Office Location

216 Franklin Street
AmeriServ Financial Bank Building
Johnstown, PA 15901-1911

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

NAME	PERCENT OF OWNERSHIP	JURISDICTION OF ORGANIZATION
AmeriServ Financial Bank 216 Franklin Street Johnstown, PA 15901-1911	100%	Commonwealth of Pennsylvania
AmeriServ Life Insurance Company 101 N. First Avenue #2460 Phoenix, AZ 85003	100%	State of Arizona
AmeriServ Trust and Financial Services Company 216 Franklin Street Johnstown, PA 15901-1911	100%	Commonwealth of Pennsylvania

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements File No. 333-176869 and File No. 333-67600, on Form S-8 of AmeriServ Financial, Inc. of our report dated March 2, 2020, relating to our audit of the consolidated financial statements and internal control over financial reporting, which appears in the Annual Report to Stockholders, which is incorporated in this Annual Report on Form 10-K of AmeriServ Financial, Inc. for the year ended December 31, 2019.

/s/S.R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 2, 2020

EXHIBIT 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULES 13a-14 AND 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey A. Stopko, certify that:

1. I have reviewed this annual report on Form 10-K of AmeriServ Financial, Inc. (ASF);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of ASF as of, and for, the periods presented in this report;

4. ASF's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for ASF and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to ASF, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of ASF's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in ASF's internal control over financial reporting that occurred during ASF's most recent fiscal quarter (ASF's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, ASF's internal control over financial reporting; and

5. ASF's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to ASF's auditors and the audit committee of ASF's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect ASF's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in ASF's internal control over financial reporting.

Date: March 2, 2020

/s/Jeffrey A. Stopko
Jeffrey A. Stopko
President & CEO

EXHIBIT 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO RULES 13a-14 AND 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael D. Lynch, certify that:

1. I have reviewed this annual report on Form 10-K of AmeriServ Financial, Inc. (ASF);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of ASF as of, and for, the periods presented in this report;

4. ASF's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for ASF and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to ASF, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of ASF's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in ASF's internal control over financial reporting that occurred during ASF's most recent fiscal quarter (ASF's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, ASF's internal control over financial reporting; and

5. ASF's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to ASF's auditors and the audit committee of ASF's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect ASF's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in ASF's internal control over financial reporting.

Date: March 2, 2020

/s/Michael D. Lynch

Michael D. Lynch
Senior Vice President & CFO

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AmeriServ Financial, Inc. (the "Company") on Form 10-K for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey A. Stopko, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1). The Report fully complies with the requirements of section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

2). The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Jeffrey A. Stopko

Jeffrey A. Stopko
President and Chief Executive Officer

March 2, 2020

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AmeriServ Financial, Inc. (the "Company") on Form 10-K for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael D. Lynch, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1). The Report fully complies with the requirements of section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

2). The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Michael D. Lynch

Michael D. Lynch
Senior Vice President and Chief Financial Officer

March 2, 2020

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AMERISERV
FINANCIAL, INC.

Headquarters
216 Franklin Street
Johnstown, PA 15901
1-800-837-BANK (2265)