AmeriServ Financial, Inc.

2021 Annual Report

A Focused Approach to

Customer Service

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.

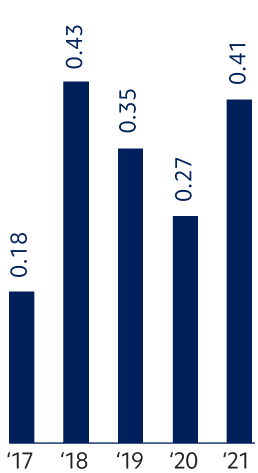
Financial Highlights

Per Share *$ in thousands except per share amounts*	2021	2020	Change	Change
Net Income	0.41	0.27	0.14	51.9%
Book Value at December 31	6.82	6.12	0.70	11.4%
Tangible Book Value at December 31	6.02	5.42	0.60	11.1%
Dividends Paid	0.100	0.100	—	0.0%
Market Value at December 31	3.86	3.13	0.73	23.3%

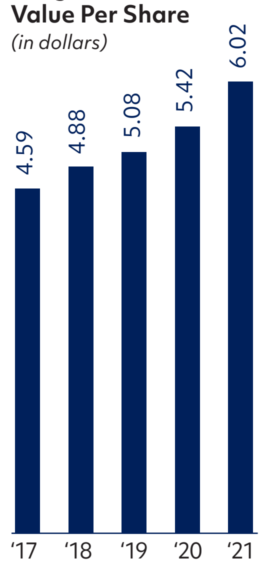
For the Year				
Net Income	$ 7,072	$ 4,598	$ 2,474	53.8%
Return on Average Assets	0.52%	0.37%	0.15	40.5%
Return on Average Equity	6.48%	4.52%	1.96	43.4%

At Year-End				
Assets	$ 1,335,560	$ 1,282,733	$ 52,827	4.1%
Loans	986,037	978,345	7,692	0.8%
Deposits	1,139,378	1,054,920	84,458	8.0%
Nonperforming Loans/Total Loans	0.34%	0.34%	—	0.0%
Wealth Management Client Assets	2,712,695	2,481,144	231,551	9.3%

Earnings Per Share
(in dollars)



Tangible Book Value Per Share
(in dollars)



A Message to Our Shareholders

Customer service defines who we are as a company. It's a critical element that shapes how our customers perceive us. It's the teller who's also a neighbor; the loan officer who's there when a need arises; our investment professionals who pave the way toward financial freedom, higher education and retirement.

You may say you've heard it all before: That each of us is another's customer; each of us is another's supplier. But, although the story is familiar, it still sums up a practical lesson — one that was more essential than ever during 2021, when so many familiar things were transformed.

Ensuring that customers get timely, responsive assistance in working through the challenges they face remains our priority ... the most important person in the world is the customer you're facing right now.

Of all the changes that the pandemic has sparked at AmeriServ, our redefinition of customer service has been the most profound. Working together, we've expanded customer service beyond the old standards of picking up the phone on the first ring, or returning every call right away. We've seen it bloom into a bias toward compassion — a company-wide willingness to make the first move in establishing a relationship, and to cultivate that connection with kindness. It means greeting customers with a smile; asking, with genuine interest, how they're doing; noticing when a small kind word can make a big difference. During an often-stressful 2021, the response has been enthusiastic, from the masked retiree at the teller's window to the quarantined Wealth Management client on a cross-country Zoom call.

Compassionate Professionalism

We haven't given up an inch of our professionalism. Ensuring that customers get timely, responsive assistance in working through the challenges they face remains our priority. But, more than ever, we focus on one customer at a time, with a bit more sensitivity to the individual on the other side of the transaction. The ongoing pandemic has spotlighted our overall business philosophy. It's elevated it to a true call to action, to do what's right, right now, with a little more attention to the person on the other side of the teller line, the desk, or the street. *Banking for Life* means more than just achieving financial milestones. It means being attentive to the whole person and working with them to find the resiliency to keep moving forward.

A skeptic might ask how all this benefits the stockholder. We'd say the positive results on the following pages answer that question clearly. Consider just a few highlights:

Net Income

Regarding net income, it was gratifying to see a significant rebound from 2020, when fallout from the pandemic hampered so much business and consumer activity. For 2021, our net income increased by $2.5 million or 53.8% from the previous year to $7.1 million. This growth in net income was fueled by strong increases in both components of total revenue — net interest income and non-interest income — along with a reduced provision for loan losses due to our strong loan quality. As a result, the important shareholder metric of earnings per share (EPS) totaled $0.41 for the 2021 year. This represented the second-best EPS performance in the past 20 years.

Tangible Book Value Per Share

A second key metric that we focus on, that we believe is important to long-term shareholder value, is growth in tangible book value per share. Our performance for this metric in 2021 was also very strong, as our tangible book value per share increased by over 11% to end the 2021 year at $6.02. This improvement resulted from a combination of our increased profitability along with effective management of both our investment

Allan R. Dennison & Jeffrey A. Stopko

portfolio and pension obligation. Continued growth in this shareholder metric over time should lead to an improved common stock price.

Balance Sheet Growth

In 2021 we experienced another year of good loan and deposit growth that exceeded our pre-pandemic performance. Specifically, total new loan originations amounted to $332 million in 2021, representing the second consecutive year that loan originations exceeded $300 million — record performance for our company. We believe that this increased lending to small businesses and consumers is an important positive economic contributor to the communities in which we operate. Similarly, our deposits again showed solid growth in 2021. Since the start of the pandemic, the bank's total deposits have increased by $182 million or 19.0%. This growth includes the acquisition of $42 million of low-cost deposits from our Somerset County branch acquisition. The majority of these acquired deposits were utilized to replace more expensive, rate-sensitive wholesale deposits. The importance of good customer service was demonstrated throughout the conversion as we successfully welcomed thousands of new customers to AmeriServ Financial Bank. The customer relationships and the acquired core deposits will become even more valuable as interest rates increase, which we expect will occur throughout 2022.

Challenging Context, Customer-First Response

Against the backdrop of a lingering pandemic, our team put forth extraordinary efforts in 2021. They coped with declining interest rates; completed the complex and delicate task of acquiring two new branch offices; and creatively resolved remote-working dilemmas. They helped small businesses keep workforces employed; expanded relationships with lending partners like the Pennsylvania State Education Association; and calmly advised Wealth Management clients to think in cycles longer than a single year.

For all this and more, they've earned our warmest thanks. They've kept us aware that the most important person in the world is the customer you're facing right now, and that the most important community is the one you're committed to serve.

Yours for a safe and prosperous 2022,

Allan R. Dennison

Allan R. Dennison
Chairman

Jeffrey A. Stopko

Jeffrey A. Stopko
President & CEO

Technology and Security

Defending Digital Integrity

Surveys of banking CEOS and risk-management professionals nationwide reveal that many of them consider cybersecurity a greater threat than the global pandemic, climate change, or even the kinds of conditions that helped set off the financial crisis in 2008.

So, at AmeriServ, we're not alone in paying close attention to the integrity of every thread that weaves us into the fabric of the financial world. During 2021, like institutions everywhere, we detected and repelled an increasingly daunting spectrum of threats, from cyberattacks to frauds and scams.

> We reached out to customers in jargon-free terms tailored to their varied comfort levels. And, in the wider arena, we redoubled our collaborative efforts with law enforcement...

While the technical details are too sensitive to discuss here, our customers and other stakeholders can be confident that in 2021 we continued to add layers of defense. Today, we're continually monitoring vulnerabilities and improving security measures.

Managing Change

Through it all, our technology and security teams also helped smooth the flow of the customer experience. That meant accommodating change on multiple fronts. But our culture of flexibility was up to the task, as we adapted to advances in essential technologies; the day-to-day needs of telecommuting employees; and even the fine points of onboarding new members of the AmeriServ team.

At the strategic level, we refined our tech-support approach to empower workers, as they adapted to hybrid schedules. And, acutely aware that the digitally focused bank of the future is already here, we investigated technical solutions that strengthen long-term customer relationships and facilitate new ones.

Our 2021 brief included communication tasks as well as engineering duties. Working closely with the AmeriServ marketing team, we channeled significant resources into the diffusion and exchange of knowledge. Via webinars and working groups, we shared ideas among our business units. We reached out to customers in jargon-free terms tailored to their varied comfort levels. And, in the wider arena, we redoubled our collaborative efforts with law enforcement and the U.S. Cybersecurity Infrastructure Agency.

Promoting Collaboration

One internal development you'll be hearing more about this year is the newly assembled, cross-disciplinary AmeriServ Fraud Committee, which will intensify internal collaboration on anti-fraud policies and procedures.

Although we work behind the scenes, we affect every consumer touchpoint. The measure of our success this year came in reports that, despite the rigors of pandemic conditions, the user's trust in our operations and customer service remains high.

As a division of a community bank, we have no more important job than helping customers understand and protect their money to promote financial security in the days and years ahead. While challenges will intensify, they and you can depend on us to keep ahead.

Cathy Torok

Cathy Torok, Senior Vice President,
Chief Information Officer


AMERISERV
FINANCIAL, INC.

Commercial Banking

Relieving Customer Stress

The year 2020 seemed to fade seamlessly into 2021. We stayed the course with social distancing, face masks, and frequent handwashing. Whether in the office or remote, our team members continued to ease customers through the urgent complexities of the Paycheck Protection Program (PPP) loan forgiveness and round two loan originations, while building value in their customary occupations. Even under pandemic stress, we were able to announce one of our best years for standard loan production in recent memory.

Taking the long view, we sometimes compare our role to that of a concierge — the helpful functionary at a good hotel who never stops looking for ways to make life easier for the guests.

Untangling Red Tape

Our Commercial Banking team's part in the interplay between AmeriServ customers and the PPP is a perfect example. The pandemic, aggravated by labor shortages and supply-chain problems, has left its mark on hundreds of our region's business owners. At the same time, it's uncovered opportunities for our team to offer them outstanding attention and care.

Beginning in 2020, we processed hundreds of PPP loans. Backed by the Small Business Administration (SBA), they helped entrepreneurs survive the pandemic. But the loan forgiveness process is complicated, especially

for people already caught up in the day-to-day demands of running businesses. AmeriServ was there for them. In some cases, we helped them define their obstacles, then referred them back to their accountants or lawyers. In addition to PPP loans, our existing customers also needed assistance in an ever-changing environment. We were happy to help.

Moving Forward Together

In reviewing the results of our 2021 efforts, it's evident that our customer-first attitude had something to do with our positive outcomes. As PPP forgiveness activity continued, loans on which borrowers requested payment deferrals dropped sharply. Our lending activity reflected the economic recovery, as commercial loan pipelines regained pre-Covid-19 levels. Loan production was strong all through 2021.

> Taking the long view, we sometimes compare our role to that of a concierge — the helpful functionary at a good hotel who never stops looking for ways to make life easier for the guests.

At the same time, more of our customers adopted online tools like mobile check deposit, credit card plans, and merchant services. This indicates growing confidence in security features such as automated clearinghouse debit blocks and positive pay — all of which simplify their lives and keep their businesses safe.

We'll still be helping customers cope with the effects of the pandemic in 2022. As in 2021, we'll play the concierge, anticipating customer needs and smoothing their paths toward their goals.

In the end, customers may forget what we say, and even what we do, but they'll never forget how we make them feel. If it convinces them that they're individually valued, we're more than willing to give them concierge-level service.

Michael Baylor

Michael Baylor, Executive Vice President,
Chief Commercial Banking Officer

Wealth Management

Facing the Storm

It was apparent early in the year that weathering 2021 would call for vigilant navigation. We were used to circumventing familiar obstacles like the decline of face-to-face interaction, the work-from-home trend's negative impact on the real estate market, and the persistence of Covid-19 itself. But fresh challenges marked out a 12-month period some of us now recall as a year of anxiety.

Despite its uncertainties, however, 2021 ended as a peak year, surpassing even 2020's record results. Client relationships settled into new patterns, and we discovered creative ways to elevate customer service.

Working together under pandemic conditions has strengthened the bonds of trust among our teammates, especially as we've welcomed a new wave of young professionals.

Succeeding in Turbulent Times

Game-changing developments in 2021 combined to shape a year as challenging as any in recent history. Negative interest rates and potential legislative changes loomed on the horizon. An increasingly strident media scene competed for attention with our client communications — the essence of customer service. And, inside AmeriServ, retirements from key positions put pressure on our recruitment program.

Each of us began the year with a deep sense of responsibility. Individual customers concerned about generational wealth look to us for one-on-one guidance. They trust us to safeguard their interests by maintaining a steady course in uncertain conditions.

The stakes were equally high in a broader context. The millions of dollars our beneficiaries pour into the region's economic core, and its nonprofit and charitable organizations, depend on our positive performance.

Notable Results

Our focus on increasing the value of our current customers' holdings in the financial markets, while building relationships with new customers, yielded outstanding results. Wealth management fees rose by $372,000, or 14.4%, in the fourth quarter of 2021, and by $1.8 million, or 17.4%, for the full year compared to the same periods in 2020. The fair market value of our assets totaled $2.7 billion, an increase of $729 million, or 36.7%, from the 2020 low point early in the pandemic.

Another reflection of our prudence in management was the news that, among banking institutions nationwide with assets of $1 to $3 billion, AmeriServ Trust and Financial Services Company once again placed in the 98th percentile for assets under administration.

Contributing to the year's success were our early identification of a new bull market in the making, and our consequent work with customers to adjust their portfolios to meet current conditions.

For Customer and Community

Even in pre-pandemic times, customer engagement depended on consistent, personal communication. With the earliest pandemic disruptions behind us, our team and most of our clients had comfortably adapted to the disappearance of face-to-face, travel-dependent

Elmhurst Innovation Center, Pittsburgh *— An architectural rendering of an Employee Real Estate Construction Trust Funds project for the development of Elmhurst Innovation Center Building One, which will be a flex office/warehouse located within the Pittsburgh Technology Center on Second Avenue in Pittsburgh. This is the first of two buildings. The Pittsburgh Technology Center is a riverfront office park and a regional hub for advanced research and development with close proximity to Pittsburgh's Oakland neighborhood. This project is expected to generate approximately 150,000 work hours and over $9 million in wages and benefits.*

conversations. Whether in person, in video conferences, or on the phone, our conversations encouraged the long view: "Don't overreact. Let's watch things unfold naturally." At the same time, white papers from our registered investment advisor, West Chester Capital Advisors, continued to spread the "Financial Partner for Life" philosophy.

Working together under pandemic conditions has strengthened the bonds of trust among our teammates, especially as we've welcomed a new wave of young professionals. Their energy and advanced skills already have amplified our ability to interpret customer needs and develop innovative solutions.

One Wealth Management service we should mention is our management of the Employee Real Estate Construction Trust (ERECT) Fund, which invests union pension dollars in projects that employ union labor. In 2021, The ERECT Funds invested $21.27 million in three projects comprising $101.7 million in new construction. Those activities generated 600,000 hours of work at union rates, which translated to $37.2 million in wages and benefits.

With new business development continuing vigorously through 2021, we laid the foundation for an even stronger performance in 2022. Together, our wealth and financial services professionals are positioned to meet the full range of financial needs that any customer in our community might require.

In the past year, we were energized by the multitude of insights our customers shared with us. Now we're determined to build on those insights, and to pay full attention to what these irreplaceable people think, feel, and speak. Because the better we understand our customers, the better we can serve them, and the stronger both they and AmeriServ will become.

Jim Huerth

Jim Huerth, President & CEO,
AmeriServ Trust and Financial Services Company

Steven Krawick

Steven Krawick, President & CEO,
West Chester Capital Advisors

Retail Banking

Re-envisioning Relationships

For most people, the words, "retail bank," call to mind a lobby full of customers lined up to ask for help with transactions. But changes to the way people did their banking began way before the pandemic, and AmeriServ was ready. In 2021, while the AmeriServ Retail Banking team was extending the pandemic protocols of 2020, we found ourselves, once again, adjusting our approach to customer service with the level of flexibility we've always offered.

We deployed a wide range of tactics: Showing a steady stream of customers how to enhance their banking routines by exploring online capabilities; finding fresh ways to communicate our community-friendly identity to a base of recently acquired customers; and dramatically expanding the traditional roles of our tellers.

AmeriServ demonstrated higher than historical levels of total average consumer loans and deposits. In a reflection of growing consumer willingness to spend in 2021, service charges on deposit accounts increased during the fourth quarter by $45,000, or 19.1%, and by $62,000, or 6.9%, for the full year.

Devin Karalfa-Jordan, a downtown Johnstown office teller, is happy to deliver superior customer service, not because it's his job, but because it's who he is. Customers frequently ask for Devin by name.

Introducing Customer Ambassadors

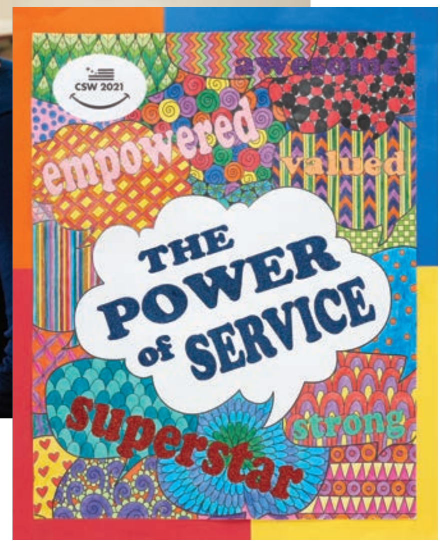
Change was a consistent theme in 2021. For example, after years of preparation, we introduced a major advance in customer service by empowering our tellers to take on broader responsibilities. Now customers who prefer to visit a branch can connect familiar faces with a helpful new range of capabilities. By the end of our 2022 training period, almost every member of the teller team will have a new title: Retail Sales and Service Associate (RSSA). RSSAs will add value for our company and our customers in three important ways.

- As online banking and digital channels have become more popular among some customers, others still prefer more traditional ways of banking — at a drive-through, or in person at a branch. Our RSSAs will provide continuity — in the form of wide-ranging, efficient personal service — regardless of how customers choose to do their banking.
- With enhanced skills in detecting unspoken needs, they'll be positioned to educate customers individually without overwhelming them with details. And they'll command greater latitude in connecting customers with appropriate *Banking for Life* products.
- As consultative customer ambassadors, they'll be able to respond personally to specialized requests, rather than automatically passing consumers up the chain of command to other financial services representatives.

These newly empowered RSSAs tell us they look forward to building upon the trusted customer relationships they already share, and to establishing a larger circle of consumer connections.

Completing Historic Transitions

In the year just past, we also devoted significant resources to smoothing transitions for customers and branch employees who were affected by our acquisition of two offices of Citizen's Neighborhood Bank (CNB), a division of Riverview Bank, located in Somerset and Meyersdale, Pa. The Somerset CNB office closed its doors, and we transferred their accounts to the nearby AmeriServ office. We retained and transferred the entire Riverview teller staff, in whom we recognized a priceless repository of experience, expertise, and community goodwill.



Shana Stiles (left), Senior Vice President, Bank Secrecy Act and Chief Compliance Officer, and Krystal Hunter, Compliance Specialist, represent one of 30 departments who worked together on a team-building exercise during National Customer Service Week. The theme was The Power of Customer Service. This internal contest was great fun for our employees. Above are three of the motivational posters they produced.

Meanwhile, we reopened the Meyersdale CNB office as our newest AmeriServ location. This new office extends our commitment to community banking more deeply into Somerset County, where our new neighbors and friends are learning what it means to have partners in *Banking for Life*.

As we've always done in our historic territory, we'll be taking part wholeheartedly in the life of the new communities we now call home.

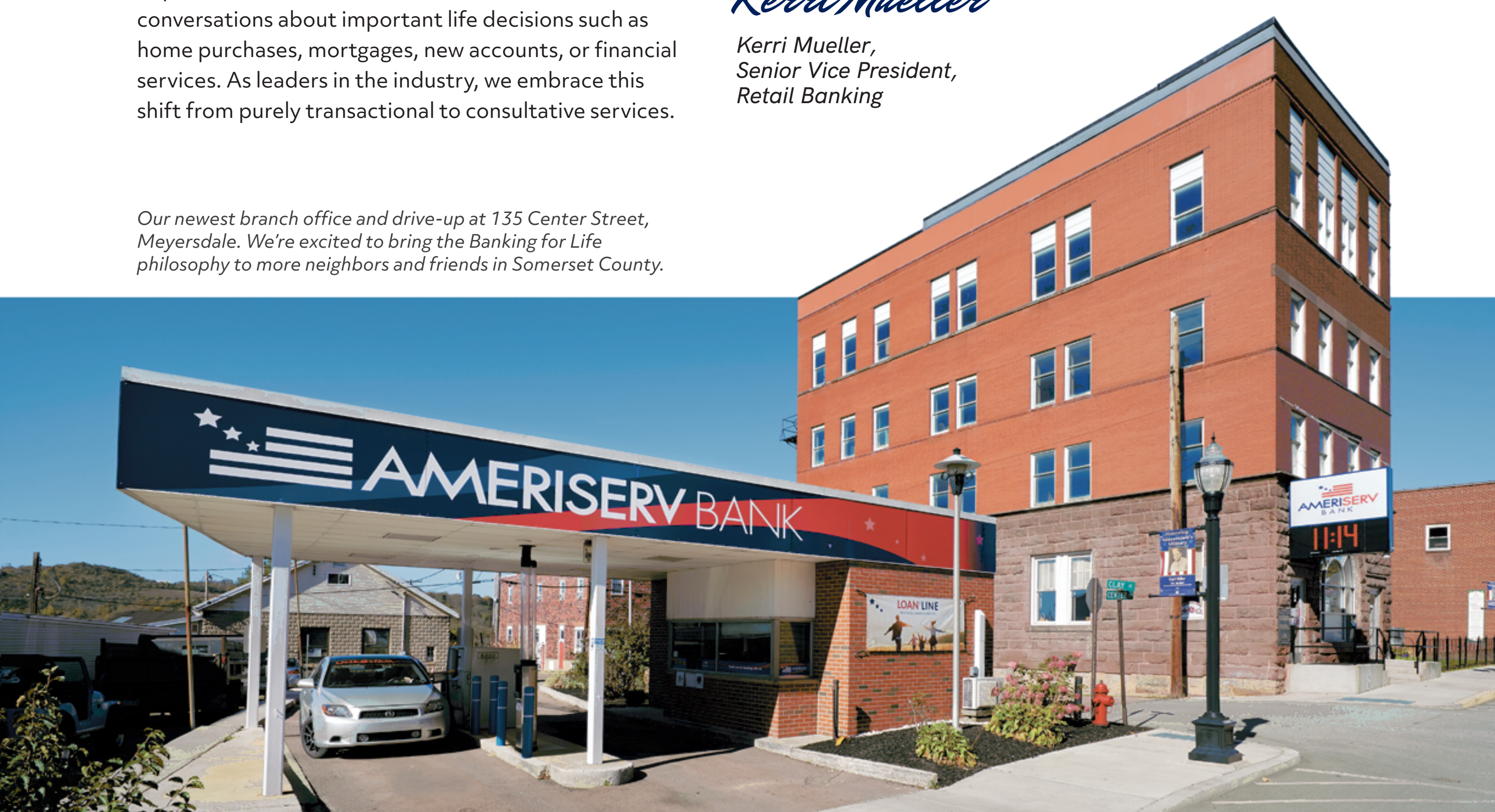
Overall, while we have witnessed a decline in branch transactions during the pandemic, in 2021 the numbers began to trend upward. There has, however, been an interesting change in the way customers tend to use our 18 locations today. In addition to conducting routine transactions like cashing checks and making deposits, consumers still feel the need for face-to-face conversations about important life decisions such as home purchases, mortgages, new accounts, or financial services. As leaders in the industry, we embrace this shift from purely transactional to consultative services.

In 2021, we gained customers, deposits, market share, and loyalty. We're honored to serve as the trusted partners who enable local people to keep on banking close to where they live.

Kerri Mueller

Kerri Mueller,
Senior Vice President,
Retail Banking

Our newest branch office and drive-up at 135 Center Street, Meyersdale. We're excited to bring the Banking for Life philosophy to more neighbors and friends in Somerset County.



Retail Lending

The Reassurance of Continuity and Consistency

Value can be created in endless ways. Although the success of a dollars-and-cents approach is easy to quantify, customer service efforts can be harder to track. In the practical world of *Banking for Life*, we try to strike a balance between a general Golden Rule attitude and a cut-and-dried checklist. Two terms on the midpoint of that scale kept us centered all through the past year: continuity and consistency.

In a period of global uncertainty, our customers looked to us for *continuity* — that is, year-after-year stability — and *consistency* — unvarying quality of performance. We delivered both items, along with noteworthy financial outcomes, in 2021.

A Successful Close

Despite the lingering effects of Covid-19, and the uneasiness of economic turbulence, our mortgage volumes for the year exceeded budgeted projections. Our company's net interest income and total average loans improved significantly, in part due to the positive impact of residential mortgage loan growth. Residential mortgage balances, excluding home equity loans, increased by $27.3 million, as 2021 ended with a residential mortgage loan production total of $90.5 million. It was our second highest residential mortgage loan production level in eight years. Consumer Lending produced $30.6 million in loans for 122% of our budgeted goal. Home equity loan production was strong as the year progressed, accounting for 85% of 2021 consumer loan originations.

In the early months of the year, facing a tight regulatory deadline, we launched an intensive plan of action aimed at researching, interviewing, selecting, and engaging a new loan sub-servicer. Our chosen candidate, Midwest Loan Services, is a highly competitive organization whose preferred client profile is an ideal fit for our scale of business.

A Preferred Lending Partner

As we anticipated, our long relationship with the Pennsylvania State Education Association (PSEA) bolstered our retail lending profitability overall. Our 2021 total PSEA loan business surpassed $50 million.

AmeriServ has been a designated PSEA preferred lending partner since 2013, and, since then, we've worked with PSEA union members to write more than $275 million in mortgages, home equity loans and personal lines of credit. Today, PSEA loans constitute about 17% of AmeriServ's consumer lending portfolio. With the families of 178,000 members as potential customers, our prospects in that arena look bright.

Altogether, it was an eventful year. Our communications with customers were clear, continuous, and frank. The impression they took away was that they could rely on our team to supply the peace of mind that stems from continuity and consistency. In the years ahead, we all hope that reassurance will bring them back to Retail Lending, and to other facets of the AmeriServ brand.

Despite the lingering effects of Covid-19, and the uneasiness of economic turbulence, our mortgage volumes for the year exceeded $90 million — another strong year by historical standards.

Rusty Flynn

Rusty Flynn
Senior Vice President, Retail Lending

Community

Leadership in Business and Life

Like a lot of Americans, in 2021, we realized how forces beyond our control can limit our lives. But, as we discovered, limits can turn out to be gifts. They strip away the clutter and help us focus on what's important.

AmeriServ prides itself on being a community leader. The events and programs we sponsor enhance the region's quality of life. To avoid disappointment, we started by concentrating on events that could be held either outdoors or in settings suited to masking and social distancing.

Meeting New Neighbors

Within that framework, we sponsored a variety of charitable events and public-service organizations for our new Meyersdale-area neighbors, beginning with the annual Maple Festival. In June, we formally introduced ourselves with a grand opening at our recently acquired branch office.

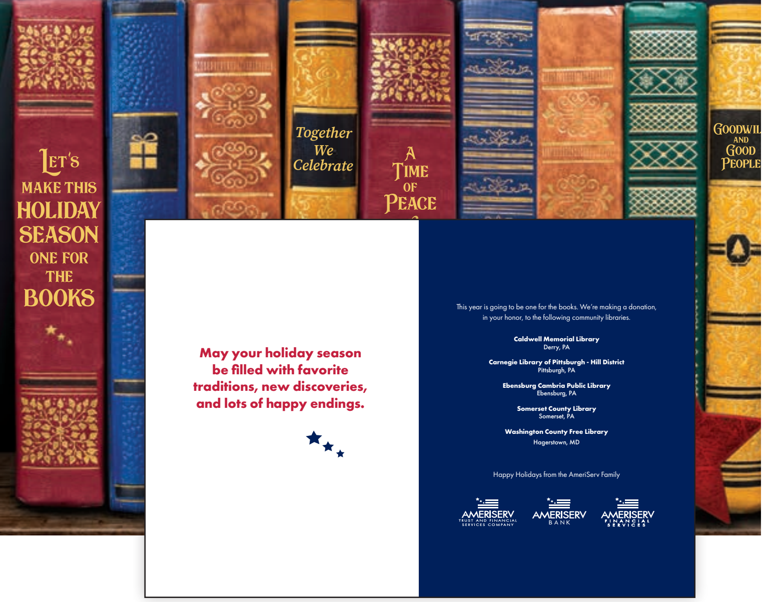
As the newest residents in Meyersdale, our employees were proud to carry the AmeriServ stars and banner in the annual Maple Festival Parade.

In collaboration with a local restaurant, we provided visitors with free lunches. The response was so warm that we followed up with a series of free picnics throughout the summer.

In addition, we made two significant donations to local community-service causes. Sizeable contributions went to the Casselman Valley Helpers Community Food Pantry and the Meyersdale Volunteer Fire Department, organizations more crucial than ever during a pandemic, but often short of funding.

We were the title sponsor for a day of outdoor fun: the second annual Moneyman Scavenger Hunt in Johnstown. Competing for a $10,000 grand prize, 180 two-person teams raced to find all the items on a specific list, as well as the secret location of the finish line. Each team was assigned a unique AmeriServ-branded game card, and players were asked to post photos of themselves displaying their cards on Facebook, Snapchat, and Instagram each time they discovered an item.

During the Meyersdale Office Grand Opening Celebration, we presented a donation to the Meyersdale Volunteer Fire Department. Shown here (left to right), Kerri Mueller, SVP Retail Banking, Jeff Stopko, President and CEO, Mary Ann Sanna, Somerset and Meyersdale Branch Manager, and Michael Miller, Meyersdale Volunteer Fire Department Fire Chief



We recognize the challenges our local community libraries face every day. That's why we donated much-needed funds over the holiday season in honor of our customers. Our holiday greeting card is shown here.

Festival of Trees
DOWNTOWN JOHNSTOWN

We partnered with Gallery on Gazebo to raise funds for non-profit organizations by having our customers vote for their favorite holiday tree decor. Pictured here is the Johnstown Fire Department's contest entry.

In October, we held our annual Halloween Coloring Contest. Community youngsters embraced the competition and submitted more than 100 uniquely artistic entries. One winner, who said she had been saving for her own bicycle, told us she knew exactly how she'd be spending her winnings. The event was a small gesture on our part, but one that this child will long remember.

As the weather turned cold, we partnered with the Gallery on Gazebo — a Johnstown non-profit organization that features and nurtures local artists — to present the Festival of Trees in our headquarters lobby. The exhibition not only raised awareness of the Gallery itself but also helped 12 other local non-profits. Those organizations vied for a cash prize based on the festive holiday tree designs they created. We showcased their trees in our lobby beginning on Light Up Night in November, when we hosted a holiday open house that attracted hundreds of admiring local residents. We encouraged customers to visit our lobby and vote for their favorites throughout the holiday season.

Resources for Learning

Our community efforts weren't confined to festivities and entertainment. AmeriServ has made a public priority of encouraging continuing education and personal growth. We recognize the challenges our community libraries have faced, and continue to face, during the pandemic. That's why we made holiday-season donations to these important resource centers. We're determined to foster learning and to ensure that these gems stay open for years to come.

Other learning opportunities our sponsorships helped make possible in 2021 include:

Our community efforts weren't confined to festivities and entertainment. AmeriServ has made a public priority of encouraging continuing education and personal growth.

- Flood City Youth Academy, offering after-school computer and internet services to children who may not have access to proper technology at home
- Our AmeriServ Presents Online Seminar Series, bringing financial literacy to our community through a variety of topics geared for everyday life and financial concerns
- The Meyersdale High School Essay Writing Contest, showcasing and fostering young writers
- The CATArt Elementary School Contest in State College, Pa., showcasing and fostering young artists
- Our financial literacy programs at Greater Johnstown High School and Derry Area High School, equipping students with essential life skills they may not be able to learn anywhere else

As a community bank, we constantly look for ways to help improve the communities we serve. Whether by volunteering or providing support for essential services and events, we're committed to being good neighbors and community friends. It's the right thing to do.

Susan Tomera Angeletti

Susan Tomera Angeletti, Senior Vice President, Director of Corporate Marketing and Alternative Delivery Systems

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

Meyersdale
135 Center Street
Meyersdale, PA 15552

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, 2021

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

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 has filed a report on and attestation to its mangagement's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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 $60,759,199 as of June 30, 2021.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. There were 17,104,309 shares outstanding as of February 28, 2022.

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

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 subsidiary is AmeriServ Trust and Financial Services Company (the Trust Company) which was formed in October 1992. AmeriServ Life Insurance Company (AmeriServ Life), formed in October 1987, was a captive insurance company that engaged in underwriting as a reinsurer of credit life and disability insurance. New business ceased being generated by AmeriServ Life in 2005. Since that time, the outstanding insurance policies have been running off and the final policy has expired. On September 30, 2020, the Arizona Corporation Commission approved the Articles of Dissolution for AmeriServ Life. The remaining assets of AmeriServ Life were transferred to AmeriServ Financial, Inc. and the subsidiary was formally closed on December 31, 2020. 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 two wholly owned subsidiary entities. At December 31, 2021, the Company had, on a consolidated basis, total assets, deposits, and shareholders' equity of $1.3 billion, $1.1 billion, and $116.5 million, respectively. The Company and its subsidiaries derive substantially all of their income from banking, bank related services, and trust 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 (PDB). The Company is also under the jurisdiction of the Securities and Exchange Commission (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 BANK

The Bank is a state bank chartered under the Pennsylvania Banking Code of 1965, as amended (Banking Code). Through 17 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, and money orders; 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 18 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.

On May 21, 2021, the Bank completed its acquisition from Citizen's Neighborhood Bank (CNB), an operating division of Riverview Bank, the branch and related deposit customers in Meyersdale, Pennsylvania and the deposit customers in Somerset, Pennsylvania. The Meyersdale branch is operating under the AmeriServ name and the Somerset customers are being serviced from the full service AmeriServ office at 108 West Main Street. The related deposits totaled approximately $42 million at closing and were acquired for a 3.71% deposit premium, or $1.6 million.

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, 2021:

Headquarters	Johnstown, PA
Total Assets	**$ 1,319,327**
Total Investment Securities	**209,190**
Total Loans and Loans Held for Sale (net of unearned income)	**986,037**
Total Deposits	**1,139,578**
Total Net Income	**8,016**
Asset Leverage Ratio	**9.12 %**
Return on Average Assets	**0.60**
Return on Average Equity	**6.79**
Total Full-time Equivalent Employees	**235**

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. Additionally, in 2021, the Company continued to focus on the risks surrounding the COVID-19 pandemic. The Company seeks to identify, manage and monitor 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, at a minimum, 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 monitor 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 monitor 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 monitor and manage credit risk. The Company's investment policy and hedging policy seeks to 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 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.

The commercial loan segment also includes Paycheck Protection Program (PPP) loans. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) authorized the Small Business Administration (SBA) to guarantee 100% of the PPP loans made to eligible borrowers pursuant to standards as defined by the SBA. The SBA guarantee on PPP loans minimizes the level of credit risk associated with the loans. As a result, such loans are assigned a 0% risk weight for purposes of calculating the Company's risk-based capital ratios. Therefore, it was deemed appropriate to not allocate any portion of the loan loss reserve for the PPP loans.

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 weighted average yield for each type of investment security and range of maturity as of December 31, 2021. Yields are not presented on a tax-equivalent basis, but are based upon the cost basis and are weighted for the scheduled maturity.

Investment securities available for sale:

	AT DECEMBER 31, 2021				
	U. S. AGENCY	MUNICIPAL	CORPORATE BONDS	U.S. AGENCY MORTGAGE-BACKED SECURITIES	TOTAL INVESTMENT SECURITIES AVAILABLE FOR SALE
Within 1 year	**— %**	**3.72 %**	**3.15 %**	**1.68 %**	**3.25 %**
After 1 year but within 5 years	**—**	**2.92**	**3.28**	**3.38**	**3.17**
After 5 years but within 10 years	**1.74**	**2.67**	**4.07**	**2.52**	**3.35**
Over 10 years	**2.68**	**—**	**3.90**	**1.92**	**1.96**
Total	**1.98**	**2.84**	**3.68**	**2.01**	**2.67**

Investment securities held to maturity:

	AT DECEMBER 31, 2021				
	U. S. AGENCY	MUNICIPAL	CORPORATE BONDS AND OTHER	U.S. AGENCY MORTGAGE-BACKED SECURITIES	TOTAL INVESTMENT SECURITIES HELD TO MATURITY
Within 1 year	**— %**	**3.83 %**	**— %**	**— %**	**3.83 %**
After 1 year but within 5 years	**—**	**3.41**	**2.19**	**2.83**	**2.76**
After 5 years but within 10 years	**2.01**	**3.25**	**4.20**	**3.42**	**3.15**
Over 10 years	**—**	**2.62**	**2.11**	**2.21**	**2.37**
Total	**2.01**	**3.15**	**2.31**	**2.32**	**2.82**

DEPOSITS

The Bank has a stable core deposit base made up of traditional commercial bank products that exhibit modest fluctuation during the year, 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 funds 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 two calendar years:

	AT DECEMBER 31,			
	2021		2020	
	(IN THOUSANDS, EXCEPT PERCENTAGES)			
Demand:				
Non-interest bearing	**$ 211,557**	**— %**	$ 175,336	— %
Interest bearing	**213,736**	**0.12**	175,088	0.28
Savings	**126,050**	**0.14**	104,442	0.14
Money market	**297,844**	**0.23**	234,771	0.44
Certificates of deposit	**305,251**	**1.22**	345,228	1.73
Total deposits	**$ 1,154,438**	**0.51 %**	$ 1,034,865	0.89 %

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government that protects bank depositors against loss. The Bank is an FDIC-insured institution, therefore, deposits are insured up to the standard insurance amount of $250,000 per depositor. As of December 31, 2021 and 2020, the estimated amount of uninsured deposits was $326.1 million and $307.1 million, respectively. The estimate of uninsured deposits was done at a single account level and does not take into account total customer balances in the Bank.

The maturities on CDs with balances that exceed the FDIC insurance limit of $250,000 as of December 31, 2021, are as follows:

		(IN THOUSANDS)
MATURING IN:		
Three months or less	$	**12,309**
Over three through six months		**12,576**
Over six through twelve months		**26,237**
Over twelve months		**15,534**
Total	$	**66,656**

LOANS

Secondary Market Activities

The residential lending department of the Bank continues to originate one-to-four family mortgage loans for customers, some 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 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.

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 $2.7 billion that are not recognized on the Company's balance sheet at December 31, 2021. 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 provide the sale of mutual funds, annuities, and insurance products. The wealth management business also includes the union collective investment funds, the ERECT funds, which are designed to use union pension dollars in construction projects that utilize union labor. At December 31, 2021, the Trust Company had total assets of $7.1 million and total stockholder's equity of $6.7 million. In 2021, the Trust Company contributed earnings to the Company as its gross revenue amounted to $11.1 million and the net income contribution was $2.1 million. The Trust Company is subject to regulation and supervision by the Federal Reserve Bank of Philadelphia and the PDB.

MONETARY POLICIES

Commercial banks are affected by policies of various regulatory authorities including the Board of Governors of the Federal Reserve System (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, financial technology firms, 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

The pandemic has resulted in negative impacts and a disruption to economic and commercial activity in both the local and global economies. The economy in which the Company operates began to strengthen and improve in 2021. Economic improvement had resulted in many positive economic trends, such as lower unemployment, increased consumer confidence, and an improved housing market. However, volatitly remains as the Company's business opportunities may be tempered by concerns such as, the effects of the remote workplace, the impact of inflation, the effect of current and proposed government stimulus and wage growth. Volatility in global economic markets, continued domestic political turmoil and various episodes of geopolitical unrest continue to provide a degree of uncertainty in the financial markets. Overall, management continues to be encouraged by the resiliency of the current economic environment and the prospects for continued growth of the Company.

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 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, each of which draw several thousand visitors. The Johnstown, PA MSA unemployment rate decreased from a 9.6% average in 2020 to a 6.9% average in 2021. 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 5.8% average in 2020 to a 4.5% average in 2021 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 6.5% average in 2020 to a 4.4% average in 2021.

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 9.3% average in 2020 to a 6.1% average in 2021.

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 decreased from 8.7% in 2020 to 5.8% in 2021.

EMPLOYEES

The Company employed 319 people as of December 31, 2021 in full- and part-time positions. Approximately 150 non-supervisory employees of the Company are represented by the United Steelworkers AFL-CIO-CLC, Local Union 2635-06. The Company negotiated a new four-year labor contract this year, which will expire on October 15, 2025. The contract calls for annual wage increases of 2% over the next four years. The Company has not experienced a work stoppage since 1979. Unionization in financial institutions remains low with less than 1% of banks nationwide being covered by a Collective Bargaining Agreement.

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 (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. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted into law on March 27, 2020 in response to the COVID-19 pandemic.

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 (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, 2021, 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 Basel III capital standards, which establish the minimum capital levels to be considered well-capitalized and revised 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. 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.

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	Well Capitalized
Common equity tier 1 capital ratio	7.00 %	6.50 %
Tier 1 capital ratio	8.50 %	8.00 %
Total capital ratio	10.50 %	10.00 %

In addition, see the discussion of the community bank leverage ratio under the Economic Growth, Regulatory Relief, and Consumer Protection Act below.

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 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.

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 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.

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted into law on March 27, 2020. Federal, state, and local governments have adopted various statutes, rules, regulations, orders, and guidelines in order to address the COVID-19 pandemic and the adverse economic effects of this pandemic on individuals, families, businesses, and governments. Financial institutions, including the Company, are affected by many of these measures, including measures that are broadly applicable to businesses operating in the communities where the Company does business. These measures include “stay-at-home orders” that allow only essential businesses to operate. Financial services firms are generally regarded as “essential businesses” under these orders, but financial services firms, like other essential businesses, are required to operate in a manner that seeks to protect the health and safety of their customers and employees.

In addition, the federal banking agencies along with state bank regulators issued an interagency statement on March 22, 2020, addressing loan modifications that are made by financial institutions for borrowers affected by the COVID-19 crisis. The agencies stated that short-term loan modifications made on a good faith basis in response to COVID-19 for borrowers who were current prior to any relief do not need to be categorized as TDRs and that financial institutions are not expected to designate loans with deferrals granted due to COVID-19 as past due because of the deferral.

The CARES Act contains a number of provisions that affect banking organizations. The CARES Act provides funding for various programs under which the federal government will lend to, guarantee loans to, or make investments in, businesses. Banking organizations are expected to play a role in some of these programs, and when they do so, they will be subject to certain requirements. One of these programs is the Paycheck Protection Program (PPP), a program administered by the Small Business Administration (SBA) to provide loans to small businesses for payroll and other basic expenses during the COVID-19 crisis. The loans can be made by SBA-certified lenders and are 100% guaranteed by the SBA. The loans are eligible to be forgiven if certain conditions are satisfied, in which event the SBA will make payment to the lender for the forgiven amounts. The Bank has participated in the PPP as a lender. In accordance with the CARES Act, a PPP loan will be assigned a risk weight of zero percent under the federal banking agencies’ risk-based capital rules.

The CARES Act also authorized temporary changes to certain provisions applicable to banking organizations. Among other changes, Section 4013 of the CARES Act gives financial institutions the right to elect to suspend GAAP principles and regulatory determinations for loan modifications relating to COVID-19 that would otherwise be categorized as TDRs from March 1, 2020, through the earlier of December 31, 2020, or 60 days after the COVID-19 national emergency ends. On April 7, 2020, the federal banking agencies, in consultation with state bank regulators, issued an interagency statement clarifying the interaction between (i) their earlier statement discussing whether loan modications relating to COVD-19 need to be treated as TDRs and (ii) the CARES Act provision on this subject. In this interagency statement, the agencies also said that when exercising supervisory and enforcement responsibility with respect to consumer protection requirements, they will take into account the unique circumstances impacting borrowers and institutions resulting from the COVID-19 emergency and that they do not expect to take a consumer compliance public enforcement action against an institution, provided that the circumstances were related to this emergency and the institution made good faith efforts to support borrowers and comply with the consumer protection requirements and addressed any needed corrective action. The suspension of TDR identification and accounting triggered by the effects of the COVID-19 pandemic was extended by the Consolidated Appropriations Act, 2021, signed into law on December 27, 2020. The period established by Section 4013 of the CARES Act was extended to the earlier of January 1, 2022 or 60 days after the date on which the national COVID-19 emergency terminates.

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 14 locations which are owned. Seven additional locations are leased with terms expiring from May 31, 2022 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 February 28, 2022, the Company had 2,632 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 HIGH	PRICES LOW	CASH DIVIDENDS DECLARED
Year ended December 31, 2021:			
First Quarter	**$ 4.39**	**$ 3.09**	**$ 0.025**
Second Quarter	**4.31**	**3.77**	**0.025**
Third Quarter	**4.00**	**3.70**	**0.025**
Fourth Quarter	**4.01**	**3.74**	**0.025**
Year ended December 31, 2020:			
First Quarter	$ 4.24	$ 2.39	$ 0.025
Second Quarter	3.21	2.51	0.025
Third Quarter	3.06	2.66	0.025
Fourth Quarter	3.40	2.69	0.025

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. Additionally, the Company's previously announced common stock repurchase programs have been completed.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FIVE-YEAR CONSOLIDATED FINANCIAL DATA

	AT OR FOR THE YEAR ENDED DECEMBER 31,				
	2021	**2020**	**2019**	**2018**	**2017**
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA AND RATIOS)				
SUMMARY OF INCOME STATEMENT DATA:					
Total interest income	**$ 46,669**	$ 46,882	$ 49,767	$ 47,094	$ 44,356
Total interest expense	**7,586**	10,515	14,325	11,600	8,795
Net interest income	**39,083**	36,367	35,442	35,494	35,561
Provision (credit) for loan losses	**1,100**	2,375	800	(600)	800
Net interest income after provision (credit) for loan losses	**37,983**	33,992	34,642	36,094	34,761
Total non-interest income	**17,761**	16,275	14,773	14,224	14,645
Total non-interest expense	**46,970**	44,455	41,815	40,873	40,726
Income before income taxes	**8,774**	5,812	7,600	9,445	8,680
Provision for income taxes	**1,702**	1,214	1,572	1,677	5,387
Net income	**$ 7,072**	$ 4,598	$ 6,028	$ 7,768	$ 3,293
PER COMMON SHARE DATA:					
Basic earnings per share	**$ 0.41**	$ 0.27	$ 0.35	$ 0.43	$ 0.18
Diluted earnings per share	**0.41**	0.27	0.35	0.43	0.18
Cash dividends declared	**0.100**	0.100	0.095	0.075	0.060
Book value at period end	**6.82**	6.12	5.78	5.56	5.25
BALANCE SHEET AND OTHER DATA:					
Total assets	**$ 1,335,560**	$ 1,282,733	$ 1,171,184	$ 1,160,680	$ 1,167,655
Loans and loans held for sale, net of unearned income	**986,037**	978,345	887,574	863,129	892,758
Allowance for loan losses	**12,398**	11,345	9,279	8,671	10,214
Investment securities available for sale	**163,171**	144,165	141,749	146,731	129,138
Investment securities held to maturity	**53,751**	44,222	39,936	40,760	38,752
Deposits	**1,139,378**	1,054,920	960,513	949,171	947,945
Total borrowed funds	**72,837**	114,080	100,574	108,177	115,701
Stockholders' equity	**116,549**	104,399	98,614	97,977	95,102
Full-time equivalent employees	**304**	299	309	303	302
SELECTED FINANCIAL RATIOS:					
Return on average assets	**0.52 %**	0.37 %	0.51 %	0.67 %	0.28 %
Return on average total equity	**6.48**	4.52	6.02	8.08	3.42
Loans and loans held for sale, net of unearned income, as a percent of deposits, at period end	**86.54**	92.74	92.41	90.94	94.18
Ratio of average total equity to average assets	**8.10**	8.21	8.52	8.28	8.24
Common stock cash dividends as a percent of net income	**24.14**	37.09	27.36	17.31	33.80
Interest rate spread	**3.01**	3.01	3.05	3.08	3.14
Net interest margin	**3.15**	3.19	3.29	3.31	3.32
Allowance for loan losses as a percentage of loans, net of unearned income, at period end	**1.26**	1.16	1.05	1.00	1.14
Non-performing assets as a percentage of loans and other real estate owned, at period end	**0.34**	0.34	0.26	0.16	0.34
Net charge-offs as a percentage of average loans	**—**	0.03	0.02	0.11	0.06

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, 2021, 2020, AND 2019

2021 SUMMARY OVERVIEW:

On January 25, 2022, AmeriServ Financial, Inc. issued a press release announcing its financial performance for the fourth quarter and the full year of 2021. The results included fourth quarter net income of $1,852,000, or $0.11 per diluted common share. This was an increase of $1,160,000 from the fourth quarter of 2020 when net income totaled $692,000, or $0.04 per diluted share. The full year of 2021 resulted in net income of $7,072,000, or $0.41 per diluted common share. This performance represents a 51.9% increase in earnings per share from the full year of 2020 when net income totaled $4,598,000, or $0.27 per diluted common share.

The continuing struggle of our nation and the world with the global pandemic has brought countless changes to the conduct of the banking business. However, we continue to provide premier banking and wealth management services to our customers in every market we serve. We also believe that we have substantially improved the performance of AmeriServ as a strong regional financial institution. We have zealously guarded our reputation for safety and soundness resulting in our friends and neighbors entrusting us with an additional $85 million of their funds in 2021, adding to the $94 million of absolute deposit growth in 2020. We have done much more than provide safety for these funds. As of December 31, 2021, we have lent 86% of our deposits to small and mid-size regional businesses and consumers. It is our special purpose to be a positive economic contributor to the entire region. As we have learned over the years, our valued borrowers are quality. They are largely responsible for the fact that well over 99% of our loans outstanding are performing exactly as planned. This is a metric we are especially proud to mention.

Our predecessors on the Board of Directors were very wise thirty some years ago to establish a wealth management business within AmeriServ Financial, Inc. Wealth management had a record year in 2021. By pursuing excellent investment strategies, it closed 2021 with $2.7 billion of total assets, an increase of over 9% from just one year ago. This is good news for AmeriServ and for our clients.

It is a fact that both the business of banking and the wealth management activity performed well despite the pandemic. There is a need for flexibility in almost everything we do. We also attended to the well being of this Corporation. Early in 2021, we negotiated the purchase of two branch banks in Somerset County where we already have three successful branches. This brought $42 million of low-cost retail deposit accounts to our balance sheet allowing us to replace more expensive wholesale deposits. Somerset County is in our core market and this branch acquisition was a natural fit. We continue to be on the alert for similar opportunities to strengthen our competitive position at a reasonable purchase price.

As mentioned in previous communications with our shareholders and described in detail within this document, in 2021 we completed the issuance of $27 million of 10-year subordinated debentures. This action reduced the annual cost of capital debt service by a half million dollars annually and allowed us to strengthen our bank's capital position. Economic conditions were excellent, and the Federal Reserve low interest rate scenario worked to both our short-term and our long-term advantage.

In the midst of this pandemic, we must mention the relationship our staff fostered with our customers and clients. Even when they worked remotely because of local COVID issues, our loans and deposits grew in record levels. However, none of this would be possible without the solid citizens who are our customers and clients. Many of our staff have literally worked personally with small business customers so they could qualify for various government programs. This close communication with our customers will continue long after the pandemic is over.

It is with considerable pride that we can say that our people have confronted the unique challenges of these times. AmeriServ has also satisfied every dollar of required debt service while maintaining its shareholder cash dividend and protecting the livelihood of our 324 staff members. The pandemic may be with us for some time yet, but we pledge the same careful attention to our responsibilities in the days ahead, whatever the challenges may be.

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,		
	2021	**2020**	**2019**
	(IN THOUSANDS, EXCEPT PER SHARE DATA AND RATIOS)		
Net income	**$ 7,072**	$ 4,598	$ 6,028
Diluted earnings per share	**0.41**	0.27	0.35
Return on average assets	**0.52 %**	0.37 %	0.51 %
Return on average equity	**6.48**	4.52	6.02

The Company reported net income of $7,072,000, or $0.41 per diluted common share, in 2021. This represents a 51.9% increase in earnings per share from the full year of 2020 when net income totaled $4,598,000, or $0.27 per diluted common share. The Company's return on average equity improved to 6.48% for the 2021 year from 4.52% in 2020. Our earnings demonstrated meaningful improvement as we realized the benefit of several important strategic actions that the Company executed during 2021. Overall, the increase in net interest income, a growing level of non-interest income, and a reduced loan loss provision more than offset a higher level of non-interest expense resulting in an improved earnings performance in 2021. In spite of the COVID-19 pandemic, the Company continued to generate record levels of both loans and deposits during the year. The good diversification of the Company's revenue was evident as 31.2% of our total revenue in 2021 came from non-interest income sources which included record contributions from our strong wealth management business. Finally, the Company's tangible book value(1) per share ended 2021 at $6.02, an increase of 11.1% from 2020. The increase in tangible book value is due to the combination of the Company's improved earnings performance and effective management of both its investment portfolio and pension obligation. The Company continued to maintain strong capital ratios that exceed the regulatory defined well capitalized status.

The Company reported net income of $4.6 million, or $0.27 per diluted common share, for 2020. This represented a 22.9% decrease in earnings per share from 2019 when net income totaled $6.0 million, or $0.35 per diluted common share. During 2020, the Company dealt with the many unexpected challenges resulting from the COVID-19 pandemic. We continued our conservative risk management posture and prudently built our allowance for loan losses to address increased credit risk in certain sectors of our loan portfolio which was a primary factor causing the decline in earnings between years.

The Company reported net income of $6.0 million, or $0.35 per diluted common share, for 2019. This represented an 18.6% decrease in earnings per share from 2018 when net income totaled $7.8 million, or $0.43 per diluted common share. The decline in 2019 earnings was caused by an increased loan loss provision primarily related to one large commercial loan and an impairment charge recognized on a Community Reinvestment Act (CRA) related investment.

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

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,		
	2021	**2020**	**2019**
	(IN THOUSANDS, EXCEPT RATIOS)		
Interest income	**$ 46,669**	$ 46,882	$ 49,767
Interest expense	**7,586**	10,515	14,325
Net interest income	**39,083**	36,367	35,442
Net interest margin	**3.15 %**	3.19 %	3.29 %

2021 NET INTEREST PERFORMANCE OVERVIEW. The Company's net interest income for the full year of 2021 increased by $2.7 million, or 7.5%, when compared to the full year of 2020. The Company's net interest margin was 3.15% for the full year of 2021 representing a four basis point decline from the full year of 2020. Financial results when comparing 2021 to 2020 are indicative of an improving economic environment as well as the Company's execution of strategies to effectively meet the challenge presented by the low interest rate environment. This included the execution of several strategies to reduce our cost of funds. However, the emergence of the omicron variant, high inflation and supply chain issues remind us that many risks remain. AmeriServ has proven to be resilient given the complex challenges we have confronted. The Company will continue to adapt in this fluid environment and prioritize the well-being of our employees and the communities we serve.

The Company demonstrated significantly higher than historical levels of both total average loans and total average deposits during 2021. This growth is due to successful business development efforts, the impact from the government stimulus programs and the 2021 Somerset County branch acquisition. Net interest income improved due to (i) the positive impact of commercial real estate and residential mortgage loan growth, (ii) significant interest expense savings from the issuance of the subordinated debt during the third quarter of 2021, which was used to retire higher cost existing subordinated debt and trust preferred securities, and (iii) the utilization of acquired low-cost core deposits to replace higher cost institutional deposits that were on our balance sheet. The combination of these three factors more than offset the unfavorable impact of net interest margin pressure from lower earning asset yields. The significant decrease to total interest expense in 2021 was the primary driver for net interest income increasing compared to last year.

Total average earning assets increased by $102.9 million, or 9.0%, in 2021. Specifically, total loans averaged $989 million in 2021 which is $65.5 million, or 7.1%, higher than the 2020 full year average. Short-term investments and commercial paper averaged $47 million in 2021 which is $15.3 million, or 48.0%, higher than the 2020 full year average. Total investment securities averaged $210 million in 2021 which is $22.1 million, or 11.8%, higher than the 2020 full year average. These increases were largely offset by decreases in the yield on earning assets, which decreased from 4.11% to 3.76%.

Total deposits, including non-interest bearing demand deposits, averaged $1.154 billion for the full year of 2021, which was $119.6 million, or 11.6%, higher than the $1.035 billion average for the full year of 2020. The 2021 full year average of short-term and FHLB borrowed funds was $50 million, which represented a decrease of $19.3 million, or 27.9%. Overall, the Company's loan to deposit ratio averaged 85.5% in the fourth quarter of 2021, which we believe indicates that the Company has ample capacity to continue to grow its loan portfolio through effective business development efforts and is also strongly positioned to provide the necessary assistance to our customers and our community as they recover from the COVID-19 pandemic and respond to an improving economy. Overall, the cost of total interest bearing liabilities decreased from 1.10% to 0.75%.

COMPONENT CHANGES IN NET INTEREST INCOME: 2021 VERSUS 2020. Regarding the separate components of net interest income, the Company's total interest income in 2021 decreased by $213,000, or 0.5%, when compared to 2020. Total average earning assets increased by $102.9 million, or 9.0%, in 2021 as there was an increased level of average total loans, short-term investments, and total investment securities. Despite the growth in average earning assets, interest income was unfavorably impacted by a decrease in the earning asset yield which declined by 35 basis points from 4.11% to 3.76%. All categories within the earning asset base demonstrated an interest income decrease between years. The average total loan portfolio yield decreased by 29 basis points from 4.40% to 4.11% in 2021 while the average yield on total investment securities decreased by 33 basis points from 3.20% to 2.87%.

Total investment securities averaged $210 million for the full year of 2021, which is $22.1 million, or 11.8%, higher than the $188 million average in 2020. The Company continued to be selective in 2021 when purchasing securities due to the low interest rate environment. Specifically, a steeper U.S. Treasury yield curve generally results in improved yields for federal agency mortgage-backed securities and federal agency bonds. Once this occurs, management purchases more of these investments for our portfolio. This provides us with the opportunity to more profitably deploy a portion of the increased liquidity on our balance sheet into the securities portfolio as opposed to leaving these funds in low yielding federal funds sold. This redeployment of funds contributed to total securities growing between years. Management also continued to purchase taxable municipal and corporate securities to maintain a well-diversified portfolio.

The economic recovery has been evident in our lending activity as we continued to experience good loan production throughout 2021. Commercial loan pipelines returned to pre-COVID levels early this year. The overall total loan portfolio volume stabilized during the second half of the year as additional loan growth was offset by a high level of early payoff activity, particularly during the fourth quarter. Also, PPP loans continue to decline as they complete the forgiveness process. Overall, when compared to the most recently completed pre-pandemic year of 2019, total loan production was over $79 million, or 31.2%, higher in 2021. Although reduced from its peak in 2020, strong residential mortgage loan production continued throughout 2021. Residential mortgage loan production totaled $90.5 million in

2021 which declined by 36.5% from the production level of $142.5 million achieved in 2020. Despite the decline between years, this is the second highest level of residential mortgage loan production during the most recently completed eight-year period. The Company revised strategy in 2021 and retained a higher percentage of our residential mortgage loan production in the loan portfolio as opposed to selling into the secondary market. This strategic change allowed us to more profitably deploy a portion of the increased liquidity that we have on our balance sheet.

As stated previously, total loans continue to be significantly higher than historical levels and averaged $989 million for the full year of 2021, which is $65.5 million, or 7.1%, higher than the 2020 full year average. The growth experienced in our commercial real estate portfolio resulted in traditional loan fee income increasing by $465,000, or 41.9%, for the full year of 2021 when compared to last year. Total PPP loans averaged $23.4 million for the fourth quarter of 2021, decreasing by $41.4 million, or 63.9%, from last year's fourth quarter average as we continue to work with our customers through the forgiveness process. The Company recorded a total of $2.3 million of processing fee income and interest income from PPP lending activity in 2021, which is $398,000, or 21.2%, higher than the 2020 level. Finally, on an end of period basis, excluding total PPP loans, the total loan portfolio grew by approximately $48.7 million, or 5.3%, since the end of the fourth quarter of 2020.

Similar to what is occurring across the banking industry, our liquidity position continues to be strong due to the significant influx of deposits. During the first quarter of 2021, the President signed into law another round of economic stimulus as part of the American Rescue Plan Act of 2021. The stimulus checks delivered to most Americans and the financial assistance provided to municipalities and school districts as part of this program contributed to total deposits increasing significantly. Our deposit balances were also positively impacted in the second quarter of 2021 by the Somerset County branch acquisition, which provided approximately $42 million of additional deposits. The challenges this increased liquidity presents are twofold. First, there is the uncertainty regarding the duration that these increased funds will remain on the balance sheet which will be determined by customer behavior as economic conditions change. The second challenge is to profitably deploy this increased liquidity given the current low yields on short-term investment products. As a result, short-term investment and commercial paper balances averaged $47.3 million for the full year of 2021, which remains high by historical standards. Late in the third quarter of 2021, the Company benefitted from utilizing a significant portion of our increased liquidity to allow a $33 million, high cost, institutional deposit to mature. This resulted in total short-term investments declining to a more manageable level. However, diligent monitoring and management of our short-term investment position remains a priority. Continued loan growth and prudent investment in securities are critical to achieve the best return on the remaining increased funds.

Total interest expense for the twelve months of 2021 decreased by $2.9 million, or 27.9%, when compared to 2020, due to lower levels of both deposit and Federal Home Loan Bank (FHLB) borrowings interest expense. Specifically, deposit interest expense in 2021 was lower by $2.8 million, or 37.0%, despite the previously mentioned increase in deposits that occurred between years. The deposit growth reflects new deposit inflows as well as the loyalty of the bank's core deposit base. The previously mentioned late third quarter 2021 maturity of a $33 million institutional deposit that had an annual cost of 2.95% resulted in approximately $240,000 of interest expense savings during the fourth quarter. Additionally, management continues to effectively execute several deposit product pricing reductions to address the net interest margin challenges presented by the low interest rate environment. As a result, the Company experienced deposit cost relief. Specifically, our total deposit cost averaged 0.42% for the full year of 2021 compared to 0.74% in 2020, representing a meaningful decrease of 32 basis points. Note that total deposit cost in the fourth quarter of 2021 averaged 0.31%. Total FHLB borrowings interest expense for the full year of 2021 was lower by $252,000, or 22.3%, compared to 2020. The current strong liquidity position has allowed the Company to paydown short-term and FHLB advances, which typically cost more than similar term deposit products. At December 31, 2021, total short-term and FHLB advances were $42.7 million, which is $47 million, or 52.4%, lower than the December 31, 2020 level.

The Company completed a private placement of $27 million in fixed-to-floating rate subordinated notes on August 26, 2021. The notes have a fixed annual interest rate of 3.75%, payable until September 1, 2026. From and including September 1, 2026, the interest rate will reset quarterly to the then-current three-month Secured Overnight Financing Rate (SOFR) plus 3.11%. The Company used approximately $20 million of the net proceeds to retire its existing subordinated debt and trust preferred securities that had a weighted average cost of 7.73%. This strategy favorably reduced fourth quarter 2021 interest expense by $147,000 and it is expected that annual interest expense on long-term debt will decline by $588,000. This savings is being recognized even though the size of the new subordinated debt is $7 million higher than the debt instruments it replaced. The remainder of the proceeds are being utilized for general corporate purposes, including the downstream of $3.5 million of capital to the bank which will support additional loan growth. Long-term debt interest expense is higher for the full year of 2021 when compared to 2020 because the Company was required to immediately write off the remaining portion of the unamortized issuance costs from both original debt instruments which generated $202,000 of additional borrowings interest expense in the third quarter of 2021. Therefore, in aggregate, when considering the reduced short-term and FHLB borrowings interest cost, total borrowings interest expense decreased by $101,000, or 3.5%, for the full year.

2020 NET INTEREST PERFORMANCE OVERVIEW. The Company's net interest income for the full year of 2020 increased by $925,000, or 2.6%, when compared to the full year of 2019. The Company's net interest margin was 3.19% for the full year of 2020 which represented a ten basis point decline from the full year of 2019. Our net interest margin performance was challenged throughout 2020 as a result of the low interest rate environment and the economic uncertainty and volatility caused by the COVID-19 pandemic. As COVID-19 cases surged, government officials recommended the implementation of certain safety measures and restrictions on businesses and individuals. As a result, AmeriServ had to close its lobbies to customer traffic two separate times during the year for an extended period of time, but continued to service customers through drive up access. In spite of these pandemic related challenges, our balance sheet experienced robust growth in 2020 which caused the increase in net interest income despite the decline in the net interest margin due to pressures from the low interest rate environment. Total average earning assets increased by $62.2 million, or 5.8%, in 2020. Specifically, total loans averaged $923 million in 2020 which was $48.1 million, or 5.5%, higher than the 2019 full year average. Short-term investments and commercial paper averaged $32 million in 2020 which was $20.4 million, or 176.3%, higher than the 2019 full year average. Slightly offsetting the higher level of average loans and short-term investments was a decrease in average investment securities. Total investment securities averaged $188 million in 2020 which was $6.2 million, or 3.2%, lower than the 2019 full year average.

Total deposits, including non-interest bearing demand deposits, averaged $1.035 billion for the full year of 2020, which was $55.2 million, or 5.6%, higher than the $980 million average for the full year of 2019. The 2020 full year average of short-term and FHLB borrowed funds was $69 million, which represented an increase of $5.6 million, or 8.8%. Overall, the Company's loan to deposit ratio averaged 90.9% in the fourth quarter of 2020 which we believe indicated that the Company had ample capacity to continue to grow its loan portfolio and was well positioned to continue assisting our customers and the community given the impact that the COVID-19 pandemic was having on the economy.

COMPONENT CHANGES IN NET INTEREST INCOME: 2020 VERSUS 2019. Regarding the separate components of net interest income, the Company's total interest income in 2020 decreased by $2.9 million, or 5.8%, when compared to 2019. Total average earning assets increased by $62.2 million, or 5.8%, in 2020 as the increased level of average total loans and short term investments more than offset the lower level of average total investment securities. Despite the growth in average earning assets, interest income was unfavorably impacted by a decrease in the earning asset yield which declined by 50 basis points from 4.61% to 4.11%. All categories within the earning asset base demonstrated an interest income decrease between years. The average total loan portfolio yield decreased by 51 basis points from 4.91% to 4.40% in 2020 while the average yield on total investment securities decreased by 16 basis points from 3.36% to 3.20%.

Total investment securities averaged $188 million for the full year of 2020 which was $6.2 million, or 3.2%, lower than the $194 million average in 2019. The Company was selective in 2020 when purchasing the more typical types of securities that had been purchased historically as the market was less favorable for purchases, offering a lower return given the differences in the position and shape of the U.S. Treasury yield curve from 2019. To somewhat offset the unfavorable market for the more traditional types of purchases, the Company had been active since March of 2020 purchasing corporate securities, particularly subordinated debt issued by other financial institutions along with taxable municipal securities. Subordinated debt offers higher yields than the typical types of securities in which we invest and was particularly attractive given the current low interest rate environment and modestly positive slope of the yield curve. Management believed it to be acceptable to increase our investments in bank subordinated debt in a gradual and diversified manner, given the heavily regulated nature of the industry combined with our intensive due diligence process and adherence to our internal guidelines for these types of investments.

Total loans reached record levels and averaged $923 million for the full year of 2020 which was $48.1 million, or 5.5%, higher than the 2019 full year average. The growth between years was primarily related to AmeriServ's participation in the Small Business Administration's (SBA) 100% gurantanteed Paycheck Protection Program (PPP) which remained on the balance sheet from the time of their inception through year end. During 2020, the Company processed 477 PPP loans totaling $68.7 million to assist small businesses and our community in the difficult economy. Also, the Company recorded a total of $1.9 million of processing fee income and interest income from PPP lending activity. The remaining portion of PPP processing fees totaled approximately $755,000 and was amortized into income over the time period that the loans remained on our balance sheet or until the PPP loan was forgiven at which time the remaining fee was recognized immediately as income. Note that the level of PPP loans decreased by approximately $10 million during the fourth quarter of 2020 as we worked through the forgiveness process with our customers. In late December 2020, the Federal Government passed a new $900 billion pandemic relief bill which included $284.5 billion for the re-opening of the SBA Paycheck Protection Program. The Company participated in the 2021 program and continued to provide assistance to our business customers. Normal commercial lending production improved during the final four months of the year and commercial loan pipelines also improved to pre-COVID levels. Overall, on an end of period basis and excluding total PPP loans, the total loan portfolio grew by approximately $39.1 million since September 30, 2020. Residential mortgage loan production continued to be exceptionally strong throughout the year and reached a record level given the lower interest rate environment. For the full year of 2020, residential mortgage loan production totaled $142 million and was 139% higher than the production level of $60 million achieved for the full year of 2019. Even though total average loans increased compared to 2019 and loan interest income was enhanced by the PPP revenue, loan interest and fee income declined by $2.3 million, or 5.4%, for the full year. The lower loan interest income reflected the challenges that the record low interest rate environment had created. New loans were being originated at lower yields and certain loans tied to LIBOR or the prime rate repriced downward as both of these indices had moved down with the Federal Reserve’s decision to decrease the target federal funds interest rate by a total of 225 basis points since June of 2019.

Our liquidity position continued to be strong due to the significant influx of deposits that resulted from the government stimulus programs and as customers continued to be cautious and were demonstrating reduced spending activity due to the economic uncertainty. As a result, short-term investments and commercial paper averaged $32 million for the full year of 2020 which was $20.4 million, or 176.3%, higher than the 2019 full year average. The challenge of profitably deploying this excess liquidity resulted in management initially investing in high quality commercial paper given their short maturities and higher rates of return. However, as 2020 progressed, the yields on commercial paper experienced a steady decline, once again creating pressure to find a suitable return for our excess liquidity. This pressure was eased during the fourth quarter given the loan growth that occurred which resulted in short-term investment balances returning to a more normal level.

Total interest expense for the twelve months of 2020 decreased by $3.8 million, or 26.6%, when compared to 2019, due to lower levels of both deposit and borrowing interest expense. Deposit interest expense in the full year of 2020 was lower by $3.6 million, or 31.8%. Total average deposits reached a record level, averaging $1.035 billion for the year, which was $55.2 million, or 5.6%, higher than the 2019 full year average and reflected the benefit of government stimulus programs and reduced consumer spending in 2020. In addition, the Company’s loyal core deposit base continued to be a source of strength for the Company during periods of market volatility. Management continued to effectively execute several deposit product pricing decreases given the low interest rate environment and the downward pressure that the low interest rates were having on the net interest margin. As a result, the Company experienced deposit cost relief. Overall, total deposit cost, including demand deposits, averaged 0.74% in 2020 compared to 1.14% in 2019, or a meaningful decrease of 40 basis points.

The Company experienced a $255,000, or 8.1%, decrease in the interest cost of borrowings in the full year of 2020 when compared to the full year of 2019. The decline was a result of the Federal Reserve’s actions to decrease interest rates and the impact that these rate decreases had on the cost of overnight borrowed funds and the replacement of matured FHLB term advances. The total 2020 full year average term advance borrowings balance increased by approximately $11.7 million, or 22.4%, when compared to the full year of 2019 as the Company took advantage of the lower yield curve to prudently extend borrowings. The rate on certain FHLB term advances was lower than the rate on overnight borrowings. As a result, the combined growth of average FHLB term advances and total average deposits resulted in less reliance on overnight borrowed funds, which decreased between years by $6.1 million. Overall, the 2020 full year average of total short-term and FHLB borrowed funds was $69.0 million, which represented an increase of $5.6 million, or 8.8%, from 2019.

The table that follows provides an analysis of net interest income on a tax-equivalent basis (non-GAAP) 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 this table, 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). The tax equivalent adjustments to interest income on loans and municipal securities for the years ended December 31, 2021, 2020, and 2019 was 18,000, 24,000, and 24,000, 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,								
	2021			2020			2019		
	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	**$ 988,761**	**$ 40,603**	**4.11 %**	$ 923,269	$ 40,652	4.40 %	$ 875,198	$ 42,957	4.91 %
Short-term investments and bank deposits	**46,977**	**58**	**0.12**	19,955	100	0.50	11,570	317	2.74
Commercial paper	**329**	**2**	**0.52**	12,013	146	1.21	—	—	—
Investment securities:									
Available for sale	**159,458**	**4,543**	**2.85**	145,788	4,591	3.15	153,458	5,090	3.32
Held to maturity	**50,434**	**1,481**	**2.94**	41,994	1,417	3.37	40,553	1,427	3.52
Total investment securities	**209,892**	**6,024**	**2.87**	187,782	6,008	3.20	194,011	6,517	3.36
TOTAL INTEREST EARNING ASSETS/ INTEREST INCOME	**1,245,959**	**46,687**	**3.76**	1,143,019	46,906	4.11	1,080,779	49,791	4.61
Non-interest earning assets:									
Cash and due from banks	**18,736**			18,091			20,239		
Premises and equipment	**17,749**			18,439			17,928		
Other assets	**77,806**			70,867			64,083		
Allowance for loan losses	**(11,919)**			(9,732)			(8,404)		
TOTAL ASSETS	**$ 1,348,331**			$ 1,240,684			$ 1,174,625		
Interest bearing liabilities:									
Interest bearing deposits:									
Interest bearing demand	**$ 213,736**	**$ 248**	**0.12 %**	$ 175,088	$ 483	0.28 %	$ 170,326	$ 1,595	0.94 %
Savings	**126,050**	**173**	**0.14**	104,442	148	0.14	96,783	162	0.17
Money market	**297,844**	**673**	**0.23**	234,771	1,031	0.44	234,387	2,525	1.08
Other time	**305,251**	**3,712**	**1.22**	345,228	5,972	1.73	326,867	6,907	2.11
Total interest bearing deposits	**942,881**	**4,806**	**0.51**	859,529	7,634	0.89	828,363	11,189	1.35
Federal funds purchased and other short-term borrowings	**389**	**1**	**0.37**	4,947	29	0.58	11,088	288	2.59
Advances from Federal Home Loan Bank	**49,328**	**875**	**1.77**	64,046	1,099	1.72	52,309	1,090	2.09
Guaranteed junior subordinated deferrable interest debentures	**9,741**	**944**	**9.69**	13,085	1,121	8.57	13,085	1,121	8.57
Subordinated debt	**15,079**	**854**	**5.66**	7,650	520	6.80	7,650	520	6.80
Lease liabilities	**3,729**	**106**	**2.86**	3,949	112	2.84	3,444	117	3.40
TOTAL INTEREST BEARING LIABILITIES/INTEREST EXPENSE	**1,021,147**	**7,586**	**0.75**	953,206	10,515	1.10	915,939	14,325	1.56
Non-interest bearing liabilities:									
Demand deposits	**211,557**			175,336			151,292		
Other liabilities	**6,446**			10,340			7,271		
Stockholders' equity	**109,181**			101,802			100,123		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,348,331**			$ 1,240,684			$ 1,174,625		
Interest rate spread			**3.01**			3.01			3.05
Net interest income/net interest margin (non-GAAP)		**39,101**	**3.15 %**		36,391	3.19 %		35,466	3.29 %
Tax-equivalent adjustment		**(18)**			(24)			(24)	
Net interest income (GAAP)		**$ 39,083**			$ 36,367			$ 35,442	

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.

	2021 vs. 2020 INCREASE (DECREASE) DUE TO CHANGE IN:			2020 vs. 2019 INCREASE (DECREASE) DUE TO CHANGE IN:		
	AVERAGE VOLUME	RATE	TOTAL	AVERAGE VOLUME	RATE	TOTAL
	(IN THOUSANDS)					
INTEREST EARNED ON:						
Loans, net of unearned income	**$ 2,750**	**$ (2,799)**	**$ (49)**	$ 2,587	$ (4,892)	$ (2,305)
Short-term investments and bank deposits	**70**	**(112)**	**(42)**	1,695	(1,912)	(217)
Commercial paper	**(91)**	**(53)**	**(144)**	146	—	146
Investment securities:						
Available for sale	**410**	**(458)**	**(48)**	(246)	(253)	(499)
Held to maturity	**260**	**(196)**	**64**	50	(60)	(10)
Total investment securities	**670**	**(654)**	**16**	(196)	(313)	(509)
Total interest income	**3,399**	**(3,618)**	**(219)**	4,232	(7,117)	(2,885)
INTEREST PAID ON:						
Interest bearing demand deposits	**91**	**(326)**	**(235)**	46	(1,158)	(1,112)
Savings deposits	**25**	**—**	**25**	11	(25)	(14)
Money market	**226**	**(584)**	**(358)**	4	(1,498)	(1,494)
Other time deposits	**(637)**	**(1,623)**	**(2,260)**	424	(1,359)	(935)
Federal funds purchased and other short-term borrowings	**(20)**	**(8)**	**(28)**	(108)	(151)	(259)
Advances from Federal Home Loan Bank	**(256)**	**32**	**(224)**	43	(34)	9
Guaranteed junior subordinated deferrable interest debentures	**(311)**	**134**	**(177)**	—	—	—
Subordinated debt	**434**	**(100)**	**334**	—	—	—
Lease liabilities	**(7)**	**1**	**(6)**	(6)	1	(5)
Total interest expense	**(455)**	**(2,474)**	**(2,929)**	414	(4,224)	(3,810)
Change in net interest income	**$ 3,854**	**$ (1,144)**	**$ 2,710**	$ 3,818	$ (2,893)	$ 925

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.

Overall, the Company continues to maintain good asset quality. 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 well below 1% of total loans. Overall, we believe that non-performing assets remain well controlled, and such assets have remained stable since the prior year totaling $3.3 million, or 0.34% of total loans, on December 31, 2021. The increase in accruing loan delinquency is the result of several residential mortgage loan borrowers demonstrating delinquency during the fourth quarter of 2021. Slightly offsetting this increase in residential mortgage loan delinquency during the fourth quarter was a decrease in commercial loan delinquency. In addition, the Company experienced an increase in non-accrual loans as a result of three commercial loan relationships, two of which were previously designated as a trouble debt restructure (TDR), being transferred into non-accrual status during the first half of 2021, which was partially offset by a decrease in non-accrual residential mortgage loans. Total classified loans increased $5.2 million since the prior year-end and now total $17.0 million. The increase in classified loans is the result of the risk rating downgrade of several commercial real estate loan relationships during 2021 in the hospitality and personal care industries.

The Company remains committed to prudently working with our borrowers that have been hardest hit by the pandemic by granting them loan payment modifications. Borrower requested modifications primarily consist of the deferral of principal and/or interest payments. On December 31, 2021, loans totaling approximately $7.7 million, or 0.8% of total loans, were on a payment modification plan. These loans include five commercial borrowers primarily in the hospitality and personal care industries. This current level of borrowers requesting payment deferrals is down sharply from its peak level of approximately $200 million as of June 30, 2020. Management continues to carefully monitor asset quality with a particular focus on these customers that have requested payment deferrals. Deferral extension requests are considered based upon the customer's needs and their impacted industry as well as borrower and guarantor capacity to service debt and issued regulatory guidance. See the disclosures regarding COVID-19 related modifications within the Non-Performing Assets Including Troubled Debt Restructurings footnote.

We also continue to closely monitor the loan portfolio given the number of relatively large-sized commercial and commercial real estate loans within the portfolio. As of December 31, 2021, the 25 largest credits represented 22.3% of total loans outstanding, which represents a slight decrease from December 31, 2020 when it was 22.6%.

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,		
	2021	**2020**	**2019**
	(IN THOUSANDS, EXCEPT RATIOS AND PERCENTAGES)		
Loans and loans held for sale, net of unearned income:			
Average for the year:			
Commercial	**$ 275,795**	$ 294,630	$ 252,815
Commercial loans secured by non-owner occupied real estate	**424,765**	378,781	367,909
Real estate – residential mortgage	**274,016**	242,823	240,291
Consumer	**15,796**	17,131	17,953
Total loans and loans held for sale, net of unearned income	**988,761**	923,269	875,198
At December 31,	**986,037**	978,345	887,574
As a percent of average loans:			
Net charge-offs (recoveries):			
Commercial	**0.02 %**	0.04 %	(0.01)%
Commercial loans secured by non-owner occupied real estate	**(0.01)**	(0.01)	—
Real estate – residential mortgage	**(0.01)**	0.07	(0.01)
Consumer	**0.46**	0.44	1.17
Total loans and loans held for sale, net of unearned income	**—**	0.03	0.02
Provision (credit) for loan losses	**0.11**	0.26	0.09
Allowance, as a percent of each of the following:			
Total loans, net of unearned income	**1.26**	1.16	1.05
Total accruing delinquent loans (past due 30 to 89 days)	**195.68**	206.12	313.90
Total non-accrual loans	**373.10**	453.80	624.01
Total non-performing assets	**373.10**	340.59	396.71
Allowance, as a multiple of net charge-offs	**263.79x**	36.72x	48.33x
Non-accrual loans, as a percentage of total loans, net of unearned income	**0.34 %**	0.26 %	0.17 %

For 2021, the Company recorded a $1.1 million provision expense for loan losses compared to a $2.4 million provision expense in 2020. The lower 2021 provision reflects an improved credit quality outlook for the overall portfolio due to several loan upgrades as well as reduced criticized asset levels and delinquent loan balances demonstrating improvement this year. This reflects the Company's loan officers working effectively with our customers as the economy improves and as businesses return to normal operations with limited restrictions. As demonstrated historically, the Company continues its strategic conviction that a strong allowance for loan losses is needed, which has proven to be essential as we support certain borrowers as they fully recover from the COVID-19 pandemic. The Company continued to grow the allowance for loan losses given the portfolio growth achieved during the year, specifically in the non-owner occupied commercial real estate and residential mortgage portfolios, which was dampened by a decline in the commercial portfolio. The need to fund the allowance for portfolio growth was somewhat eased by numerous upgrades, which occurred during 2021.

The Company experienced low net loan charge-offs of $47,000, which equates to 0.00% of total loans, in 2021 and compares favorably to net loan charge-offs of $309,000, or 0.03% of total loans, in 2020. Since the end of the fourth quarter of 2020, the balance of the allowance for loan losses increased by $1.1 million, or 9.3%, to $12.4 million at December 31, 2021. Non-performing assets totaled $3.3 million, or 0.34% of total loans, at December 31, 2021. Management continues to carefully monitor asset quality with a particular focus on loan customers that have requested an additional payment deferral. The Asset Quality Task Force is meeting at least monthly to review these particular relationships, receiving input from the business lenders regarding their ongoing discussions with the borrowers. In summary, the allowance for loan losses provided 373% coverage of non-performing assets, and 1.26% of total loans, at December 31, 2021, compared to 341% coverage of non-performing assets, and 1.16% of total loans, at December 31, 2020. Note that the reserve coverage to total loans, excluding PPP loans (non-GAAP), was 1.28% and 1.23% at December 31, 2021 and 2020, respectively. The Small Business Administration guarantees 100% of the PPP loans made to eligible borrowers which minimizes the level of credit risk associated with these loans. As a result, such loans are assigned a 0% risk weight for purposes of calculating the Bank's risk-based capital ratios. Therefore, it was deemed appropriate to not allocate any portion of the loan loss reserve for the PPP loans.

Management believes that this non-GAAP measure provides a greater understanding of ongoing operations and enhances comparability of results of operations with prior periods. The Company believes that investors may use this non-GAAP measure to analyze the Company's financial condition without the impact of unusual items or events that may obscure trends in the Company's underlying financial condition. This non-GAAP data should be considered in addition to results prepared in accordance with GAAP, and is not a substitute for, or superior to, GAAP results. Limitations associated with non-GAAP financial measures include the risks that persons might disagree as to the appropriateness of items included in these measures and that different companies might calculate these measures differently. The following table sets forth the calculation of the Company's allowance for loan loss reserve coverage to total loans (GAAP) and the reserve coverage to total loans, excluding PPP loans (non-GAAP), at December 31, 2021 and 2020 (in thousands, except percentages).

	AT DECEMBER 31,	
	2021	**2020**
Allowance for loan losses	$ **12,398**	$ **11,345**
Total loans, net of unearned income	**985,054**	**972,095**
Reserve coverage	**1.26** %	**1.16** %
Reserve coverage to total loans, excluding PPP loans:		
Allowance for loan losses	$ **12,398**	$ **11,345**
Total loans, net of unearned income	**985,054**	**972,095**
PPP loans	**(17,311)**	**(58,344)**
	967,743	**913,751**
Non-GAAP reserve coverage	**1.28** %	**1.23** %

For 2020, the Company recorded a $2,375,000 provision expense for loan losses compared to an $800,000 provision expense in 2019 which resulted in a net unfavorable shift of $1.6 million between years. The Company continued to build the allowance for loan losses given the overall economic climate and the uncertainty that existed because of the COVID-19 pandemic. The 2020 provision reflected management's strengthening of certain qualitative factors within the allowance for loan losses calculation and downgrades of loan relationships that were reflective of the industries that were especially negatively impacted by the pandemic, primarily the hospitality industry, and were demonstrating a slow pace of recovery. Early in 2020, several loans within the hospitality industry were downgraded. Additionally, during the fourth quarter of 2020, the downgrade of a hospitality related credit and a large transportation related credit, as well as the loan growth experienced resulted in the provision increasing. Specifically, the effect of these downgrades was an increase in the allowance for the commercial loans secured by non-owner occupied real estate portfolio. The decrease in the allowance balance for the commercial loan portfolio was the result of two substantial commercial loans which were previously classified as substandard being upgraded. In addition, the growth in the allowance balance for residential mortgage loans was the result of the increased origination activity experienced within the portfolio during 2020 given the lower interest rate environment. The Company experienced net loan charge-offs of $309,000, or 0.03% of total loans, in 2020 compared to net loan charge-offs of $192,000, or 0.02% of total loans, in 2019. Overall, non-performing assets totaled $3.3 million, or 0.34% of total loans, at December 31, 2020. In summary, the allowance for loan losses provided 341% coverage of non-performing assets, and 1.16% of total loans, at December 31, 2020, compared to 397% coverage of non-performing assets, and 1.05% of total loans, at December 31, 2019.

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,									
	2021		2020		2019		2018		2017	
	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	**$ 3,071**	**25.5 %**	$ 3,472	31.4 %	$ 3,951	30.1 %	$ 3,057	29.0 %	$ 4,298	28.0 %
Commercial loans secured by non-owner occupied real estate	**6,392**	**43.8**	5,373	41.2	3,119	41.2	3,389	41.4	3,666	42.0
Real estate – residential mortgage	**1,590**	**29.2**	1,292	25.7	1,159	26.6	1,235	27.6	1,102	27.8
Consumer	**113**	**1.5**	115	1.7	126	2.1	127	2.0	128	2.2
Allocation to general risk	**1,232**	**—**	1,093	—	924	—	863	—	1,020	—
Total	**$ 12,398**	**100.0 %**	$ 11,345	100.0 %	$ 9,279	100.0 %	$ 8,671	100.0 %	$ 10,214	100.0 %

Even though residential real estate mortgage loans comprise 29.2% of the Company's total loan portfolio, only $1.6 million, or 12.8%, 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.

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, 2021 to cover losses within the Company's loan portfolio.

NON-INTEREST INCOME. Non-interest income for 2021 totaled $17.8 million, an increase of $1.5 million, or 9.1%, from 2020. Factors contributing to this higher level of non-interest income in 2021 included:

- a $1.8 million, or 17.4%, increase in wealth management fees as the entire wealth management group has performed exceptionally well through the pandemic, actively working for clients to increase the value of their holdings in the financial markets and adding new business. The fair market value of wealth management assets totaled $2.7 billion and increased from the early pandemic fair market value low point on March 31, 2020 by $728.7 million, or 36.7%;

- an $859,000, or 56.4%, decrease in net gains on loans held for sale due a lower level of mortgage loan refinance activity in 2021 and the Company's revised strategy to retain a higher percentage of our residential mortgage loan production in the portfolio as opposed to selling into the secondary market. The Company has retained 79% of all residential mortgage loan originations into the loan portfolio in 2021 compared to 40% in 2020;

- a $335,000, or 42.8%, increase in revenue from bank owned life insurance due to the receipt of $310,000 in death claims as well as 2021 income being positively impacted by a financial floor taking hold which caused increased earnings and a higher rate of return on certain policies;

- a $291,000, or 12.7%, increase in other income primarily due to higher interchange fee income that resulted from increased usage of debit cards as the pandemic caused consumers to increase online purchases and many businesses to implement contactless services by not accepting cash due to health safety concerns. Also, service charges on deposit accounts increased by $62,000, or 6.9%, in 2021 as consumers are becoming more active and increasing their spending habits;

- a $201,000, or 36.0%, decrease in mortgage related fees due to a lower level of residential mortgage loan production; and

- the Company recognized an $84,000 gain on investment security sales in 2021 as compared to last year when no securities were sold.

Non-interest income for 2020 totaled $16.3 million, an increase of $1.5 million, or 10.2%, from 2019. Factors contributing to this higher level of non-interest income in 2020 included:

- a $658,000, or 76.1%, increase in income from residential mortgage loan sales into the secondary market due to the strong level of residential mortgage loan production. The higher level of residential mortgage loan production also resulted in mortgage related fees increasing by $257,000, or 85.1%;

- the Company recognized a $500,000 impairment charge on a Community Reinvestment Act (CRA) related investment in 2019 and there was no charge in 2020 since the full investment was written off in the prior year;

- a $482,000, or 5.0%, increase in wealth management fees. In addition to an improved level of fee income from the financial services business unit, the entire wealth management division had been resilient and performed well in spite of the major market value decline that occurred in late March 2020. The market value of wealth management assets recovered and improved from the pre-pandemic valuation, exceeding the March 31, 2020 market value by 25% and also exceeding the market value as of December 31, 2019 by 11%;

- a $368,000, or 29.0%, decrease in service charges on deposit accounts as consumer spending activity-based fees such as deposit service charges, which include overdraft fees, decreased significantly with the shutdown of the economy and had been slow to improve given the pace of the economic recovery;

- a $261,000, or 50.1%, increase in revenue from bank owned life insurance due to the receipt of a $91,000 death claim and a financial floor taking hold which caused increased earnings and a higher rate of return on certain policies; and

- no investment security sale activity occurred in 2020 after the Company recognized a $118,000 net realized gain on investment securities in 2019.

NON-INTEREST EXPENSE. Non-interest expense for 2021 totaled $47.0 million, which represents a $2.5 million, or 5.7%, increase from 2020. Factors contributing to the higher non-interest expense in 2021 included:

- a $1.1 million, or 19.8%, increase in other expense primarily due to the recognition of a $1.7 million settlement charge in connection with the Company's defined benefit pension plan, which is described in Note 17, Employee Benefit Plans. Also contributing to the higher level of other expense was the Company recognizing $117,000 of expense associated with the unfunded commitment reserve in 2021 which represents a $271,000 unfavorable shift from 2020;

- a $457,000, or 1.7%, increase in salaries and employee benefits expense. Factors causing the increase included greater incentive compensation primarily due to commissions earned as a result of strong performance in the wealth management businesses and continued good residential mortgage and commercial loan production. Also contributing to the higher salaries and employee benefits expense was increased health care costs which were partially offset by the Company's basic salary expense declining due to fewer employees;

- the Company recognized costs for the branch acquisition totaling $389,000 for 2021;

- a $237,000, or 4.5%, increase in professional fees due to an increased level of outsourced professional services related costs and increased fees due to the PPP lending activity. Also, other professional fees at the Trust Company increased year over year due to additional support services;

- a $174,000, or 36.2%, increase in FDIC deposit insurance expense due to an increase in the asset assessment base and the benefit of the Small Bank Assessment Credit being fully utilized in the first quarter of 2020;

- a $110,000, or 4.4%, increase in net occupancy expense primarily due to the additional costs related to the branch acquisition; and

- a $46,000, or 6.4%, decrease in supplies, postage and freight expense as the majority of the personal protective equipment to protect our employees and customers during the pandemic was purchased last year.

Non-interest expense for 2020 totaled $44.5 million, which represented a $2.6 million, or 6.3%, increase from 2019. Factors contributing to the higher non-interest expense in 2020 included:

- a $2.0 million, or 7.7%, increase in salaries and employee benefits expense was due to increased incentive compensation, total salaries, pension expense, and health care costs. A $645,000, or 57.9%, increase in incentive compensation was primarily due to commissions earned as a result of increased residential mortgage loan production. Total salaries were higher by $625,000, 3.5%, for 2020 primarily due to separation costs related to the elimination of a management position and annual merit increases. Pension expense increased by $506,000, or 30.4%, as a result of the unfavorable impact that the lower interest rate environment had on the discount rates that are used to revalue the defined benefit pension obligation each year. In addition, there was a $424,000, or 13.9%, increase in health care costs;

- FDIC deposit insurance expense increased by $381,000 and returned to a more normal level after the benefit from the application of the Small Bank Assessment Credit regulation expired early in 2020;

- a $334,000, or 6.8%, increase in professional fees resulted from higher appraisal fees due to the significantly higher level of residential mortgage loan production, higher legal fees related to PPP loan processing, personnel related matters and an increased level of outside professional services related costs; and

- a $215,000, or 3.8%, decrease in other expense due to reduced outside processing fees and telephone costs as well as a lower level of meals and travel costs that related to travel restrictions from the pandemic. In addition, the favorable comparison for other expense also resulted from a reduction recognized for the unfunded commitment reserve.

INCOME TAX EXPENSE. The Company recorded an income tax expense of $1.7 million, or an effective tax rate of 19.4%, in 2021, compared to income tax expense of $1.2 million, or a 20.9% effective tax rate, in 2020, and compared to income tax expense of $1.6 million, or a 20.7% effective tax rate, in 2019. The increased income tax expense for the full year of 2021 is a result of the Company's improved profitability this year. The higher effective tax rate in 2020 resulted from the write-off of a deferred tax asset related to the dissolution of the Company's former small life insurance subsidiary. The Company's deferred tax liability was $934,000 at December 31, 2021 compared to a deferred tax asset of $1.6 million at December 31, 2020, resulting primarily from change in the pension liability.

SEGMENT RESULTS. The community banking segment reported a net income contribution of $12.1 million in 2021 which improved from the $10.1 million contribution in 2020 and also increased from the $10.9 million contribution in 2019. The improvement between years is due to a higher level of total revenue and a reduced loan loss provision which more than offset an increased level of non-interest expense. Net interest income improved between years as a significant reduction to total interest expense more than offset a much lower reduction to total interest income. This segment is being favorably impacted by commercial real estate loan growth which correspondingly resulted in loan charge income increasing. Also, loan growth was positively impacted by the Company retaining more residential mortgage loans in the portfolio as opposed to selling in the secondary market. This growth more than offset payoff activity and maturities in the commercial & industrial loan portfolio. Additionally, PPP processing fee income increased between years by $398,000. Overall, total loan interest income decreased modestly by $49,000 in 2021. Favorably impacting net interest income was this segment experiencing deposit cost relief as total deposit interest expense decreased between years due to management's action to lower pricing of several deposit products, given the low interest rate environment. The decrease to total deposit interest expense occurred even though total deposits increased significantly between years which is described previously in the MD&A. This segment was also favorably impacted by management's strategic decision during the fourth quarter of 2021 to not replace a maturing high cost, large institutional deposit which resulted in approximately $240,000 of interest expense savings during the fourth quarter. The Company recorded a $1,100,000 provision expense for loan losses in 2021 compared to a $2,375,000 provision in 2020. This was discussed previously in the Allowance and Provision for Loan Losses section within this document. Non-interest income was favorably impacted by increased levels of interchange income, checking service charges and revenue from bank owned life insurance (BOLI). Note that the Company electing to retain the majority of residential mortgage loans production in the loan portfolio resulted in a decrease to loan sale gains. Non-interest expense compares unfavorably in 2021 due to the Company recognizing a settlement charge on its defined benefit pension plan, which was previously discussed in the MD&A. Other significant increases to non-interest expense between years were higher incentive compensation and health care costs and additional expense recognized for the Somerset County branch acquisition. Finally, non-interest expense was unfavorably impacted by higher professional fees, FDIC insurance expense and occupancy costs.

The wealth management segment's net income contribution was $2.9 million in 2021 compared to $2.0 million in 2020 and $1.9 million in 2019. The increase is due to wealth management fees increasing as the entire wealth management group has performed exceptionally well through the pandemic, actively working with clients to increase the value of their holdings in the financial markets and adding new business. Slightly offsetting this favorable performance were higher levels of professional fees and total employee costs. Overall, the fair market value of trust assets under administration totaled $2.7 billion at December 31, 2021, an improvement from the early pandemic fair market value low point at March 31, 2020, exceeding by $728.7 million, or 36.7%.

The investment/parent segment reported a net loss of $7.8 million in 2021, which was greater than the net loss of $7.5 million in 2020 and $6.8 million in 2019. The increased loss in 2021 was due to the Company having to write off the remaining portion of unamortized issuance costs from existing subordinated debt and trust preferred securities that were replaced by the private placement of $27 million in subordinated notes on August 26, 2021, This write-off caused $202,000 of additional borrowings interest expense during the third quarter of 2021. Also, the original debt instruments did not leave the balance sheet until September 30, 2021 as per terms required to appropriately retire the existing debt. Therefore, there was one full month of the new and the old debt instruments being on our balance sheet in September causing additional interest expense. The Company did recognize approximately $147,000 of borrowings intereset expense savings since the new subordinated debt has a significantly lower cost than the old debt instruments. This interest expense savings will continue to positively impact this segment in the future. This segment also benefitted from a higher level of interest income from the securities portfolio due to a higher volume of securities. As a result of the increased level of liquidity on the Company's balance sheet, management elected to more profitably deploy these funds into the securities portfolio as opposed to leaving them in low yielding federal funds sold. Finally, and also favorably impacting this segment was the recognition of an $84,000 security sale gain in 2021 after no gain was recognized last year.

BALANCE SHEET. The Company's total consolidated assets of $1.336 billion at December 31, 2021 increased by $52.8 million, or 4.1%, from the $1.283 billion level at December 31, 2020. This change was related, primarily, to increased levels of cash and cash equivalents, investment securities, loans, and other assets. Specifically, cash and cash equivalents increased $9.6 million, or 30.5%, as the Company experienced a significant influx of deposits resulting from the government stimulus programs and financial assistance provided to municipalities and school districts. Our liquidity position was also positively impacted by the Somerset County branch and deposit acquisition completed in May 2021, which provided approximately $42 million of additional deposits. These deposit increases were partially offset by the maturity of a $33 million institutional deposit late in the third quarter of 2021. Total investment securities increased $28.5 million, or 15.1%, as the steepening of the U.S. Treasury yield curve improved the yield for federal agency mortgage-backed securities and federal agency bonds, making these types of securities more attractive for purchase. The Company also continued to purchase corporate and taxable municipal securities to maintain a well-diversified portfolio. In addition, loans, net of unearned fees, and loans held for sale increased by $7.7 million, or 0.8%, as a result of the higher levels of commercial real estate and residential mortgage loan production. The overall total loan portfolio volume stabilized during the second half of the year as additional loan growth was offset by a high level of early payoff activity, particularly during the fourth quarter. Also, PPP loans continue to decline as borrowers complete the forgiveness process. Finally, other assets increased $11.8 million, or 89.4%, as a result of an increase in the positive balance of the accrued pension liability, which totaled $19.5 million and $3.0 million as of December 31, 2021 and 2020, respectively. Due to the positive (debit) balance of the accrued pension liability, it was reclassified to other assets on the Consolidated Balance Sheets as of December 31, 2021 and 2020. The positive value of the accrued pension liability increased as a result of the $8.0 million contribution made in 2021 and the revaluation of the obligation due to the recognition of the settlement charge.

Total deposits increased by $84.5 million, or 8.0%, and remained significantly higher than historical levels in 2021. As previously mentioned, this robust growth is the result of the government stimulus programs and the Somerset County branch acquisition which were partially offset by the maturity of a large institutional deposit. As of December 31, 2021, the 25 largest depositors represented 18.9% of total deposits, which is a decrease from December 31, 2020 when it was 21.1%. Total borrowings have decreased by $41.2 million, or 36.2%, since year-end 2020. The decrease was driven, primarily, by a lower level of both short-term borrowings and FHLB term advances. Specifically, at December 31, 2021, the Company had no short-term borrowings outstanding as compared to $24.7 million at December 31, 2020. In addition, FHLB term advances decreased by $22.3 million, or 34.4%, and totaled $42.7 million at December 31, 2021. The current strong liquidity position has allowed the Company to paydown short-term borrowings and FHLB advances. However, the Company continues to utilize the FHLB term advances to help manage interest rate risk. Partially offsetting the decrease in short-term and FHLB borrowings was the previously mentioned subordinated debt transaction. The Company completed a private placement of $27 million in fixed-to-floating rate subordinated notes on August 26, 2021 and used approximately $20 million of the net proceeds to retire it existing subordinated debt and trust preferred securities.

The Company's total shareholders' equity increased by $12.2 million, or 11.6%, since year-end 2020. Capital was increased during 2021 by the Company's $7.1 million of net income and the $8.8 million positive impact on accumulated other comprehensive loss from the recording of the settlement charge in connection with the defined benefit pension plan and the revaluation of the pension obligation. Slightly offsetting these increases was the $1.7 million common stock cash dividend and the $2.2 million negative impact experienced due to the reduced market value of the available for sale investment securities portfolio. The Company returned approximately 24% of our 2021 earnings to our shareholders through the quarterly common stock cash dividend. The Company continues to be considered well capitalized for regulatory purposes with a risk based capital ratio of 14.04% and an asset leverage ratio of 8.17% at December 31, 2021. The Company's book value per common share was $6.82, its tangible book value per common share (non-GAAP) was $6.02 and its tangible common equity to tangible assets ratio (non-GAAP) was 7.78% at December 31, 2021.

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 Company believes that these non-GAAP financial measures provide information to investors that is useful in understanding its financial condition. This non-GAAP data should be considered in addition to results prepared in accordance with GAAP, and is not a substitute for, or superior to, GAAP results. Limitations associated with non-GAAP financial measures include the risks that persons might disagree as to the appropriateness of items included in these measures, and, because not all companies use the same calculation of tangible common equity and tangible assets, this presentation may not be comparable to other similarly titled measures calculated by other companies. The following table sets forth the calculation of the Company's tangible common equity ratio and tangible book value per share at December 31, 2021 and 2020 (in thousands, except share and ratio data):

	AT DECEMBER 31,	
	2021	**2020**
Total shareholders' equity	**$ 116,549**	$ 104,399
Less: Intangible assets	**13,769**	11,944
Tangible common equity	**102,780**	92,455
Total assets	**1,335,560**	1,282,733
Less: Intangible assets	**13,769**	11,944
Tangible assets	**1,321,791**	1,270,789
Tangible common equity ratio (non-GAAP)	**7.78 %**	7.28 %
Total shares outstanding	**17,081,500**	17,060,144
Tangible book value per share (non-GAAP)	**$ 6.02**	$ 5.42

LIQUIDITY. Although leveling off somewhat in the fourth quarter of 2021, the Company's liquidity position continues to be strong due to effective business development efforts as well as the significant influx of deposits that resulted from the government stimulus programs.. Also, deposit levels were positively impacted in the second quarter of 2021 by the Somerset County branch acquisition. In addition, the Company's loyal core deposit base continues to prove to be a source of strength for the Company during periods of market volatility. As a result, the Company continued to experience significantly higher than historical levels of total average deposits in 2021 averaging $1.154 billion for the year. Total deposits did decrease late in the third quarter of 2021 due to the maturity of a $33 million institutional deposit that had a cost of 2.95%, which is mentioned previously in this document. 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. Average short-term investments increased during 2021 and continue to be higher than they have been historically which presents the challenge of profitably deploying this increased liquidity given the current low yields on short-term investment products. An additional challenge is the uncertainty regarding the duration that the increased liquidity will remain on the balance sheet which will be determined by customer behavior as the economic conditions change. Note that management's decision to allow the previously mentioned high cost, institutional deposit to mature in the third quarter resulted in total short-term investments declining to a more manageable level. In addition to the commercial real estate loan growth experienced during the year and greater level of residential mortgage loans being retained in the portfolio, a portion of the increased liquidity was invested in additional securities to more profitably deploy the increased funds. We strive to operate our loan to deposit ratio in a range of 80% to 100%. The Company's loan to deposit ratio was 86.5% at December 31, 2021. The Company has ample capacity to continue to grow its loan portfolio and is strongly positioned to provide the necessary assistance to our customers and our community as they continue their recovery from the COVID-19 pandemic and respond to an improving economy. We are also well positioned to service our existing loan pipeline and grow our loan to deposit ratio while remaining within our guideline parameters.

Liquidity can also be analyzed by utilizing the Consolidated Statements of Cash Flows. Cash and cash equivalents increased by $9.6 million from December 31, 2020, to $41.1 million at December 31, 2021, due to $488,000 of cash used in investing activities being more than offset by $9.9 million of cash provided by operating activities and $146,000 of cash provided by financing activities. Within financing activities, deposits increased by $42.1 million while total FHLB borrowings declined as term advances decreased by $22.3 million and short-term borrowings decreased by $24.7 million. Also, within financing activities, the $26.6 million net new subordinated debt issuance more than offset the $19.7 million redemption of the old subordinated debt and trust preferred securities. Within investing activities, cash advanced for new loans originated totaled $313.1 million and was $11.6 million higher than the $301.5 million of cash received from loan principal payments. Also, within investing activities, $77.9 million of investment securities purchases more than offset $45.5 million of proceeds from maturities of investment securities. Within operating activities, $13.8 million of mortgage loans held for sale were originated while $19.7 million of mortgage loans were sold into the secondary market.

The holding company had $9.3 million of cash, short-term investments, and investment securities at December 31, 2021. Additionally, dividend payments from our subsidiaries also provide ongoing cash to the holding company. At December 31, 2021, our subsidiary Bank had $13.1 million of cash available for immediate dividends to the holding company under applicable regulatory formulas. Management follows a policy that dividend payments from the Trust Company approximate 75% of annual net income. Overall, we believe that the holding company has good liquidity to meet its subordinated debt interest payments and its common stock dividend.

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 investments, interest bearing deposits with banks, and federal funds sold. These assets totaled $41.1 million and $31.5 million at December 31, 2021 and 2020, 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, 2021, the Company had $365 million of overnight borrowing availability at the FHLB, $32 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 Bank 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 10.29%, the tier 1 capital ratio was 10.29%, and the total capital ratio was 14.04% at December 31, 2021. The Company's tier 1 leverage ratio was 8.17% at December 31, 2021. Total regulatory capital was favorably impacted by the August 26, 2021 issuance of $27 million of subordinated debt as described in Note 24, Regulatory Capital. We anticipate that we will maintain our strong capital ratios throughout 2022.

Capital generated from earnings will be utilized to pay the common stock cash dividend and will support controlled balance sheet growth. Our common dividend payout ratio for the full year 2021 was 24.4%. Total Parent Company cash was $9.3 million at December 31, 2021. 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

347% of regulatory capital at December 31, 2021. It should be noted that this ratio improved from 348% at December 31, 2020 even though total non-owner occupied commercial real estate loans grew between years. The improvement in this ratio is a direct result of the Parent Company downstreaming $3.5 million of capital to the Bank. The greater level of capital at the Bank creates additional capacity for future non-owner occupied commercial real estate loan growth. Additionally, while we work through the COVID-19 pandemic, our focus is on preserving capital to support customer lending and allow the Company to take advantage of opportunities that should result from the continued improvement in the economy. We currently believe that we have sufficient capital and earnings power to continue to pay our common stock cash dividend at its current rate of $0.025 per quarter. At December 31, 2021, the Company had approximately 17.1 million common shares outstanding.

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 2.5% capital conservation buffer (CCB) on top of the three minimum risk-weighted asset ratios. 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	

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: (i) 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; (ii) market value of portfolio equity sensitivity analysis; and (iii) 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, 2021:

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	$ 288,503	$ 80,900	$ 94,369	$ 522,265	$ 986,037
Investment securities	33,287	10,233	12,299	161,103	216,922
Short-term assets	16,353	—	—	—	16,353
Regulatory stock	2,692	—	—	2,125	4,817
Bank owned life insurance	—	—	38,842	—	38,842
Total rate sensitive assets	$ 340,835	$ 91,133	$ 145,510	$ 685,493	$ 1,262,971
RATE SENSITIVE LIABILITIES:					
Deposits:					
Non-interest bearing demand deposits	$ —	$ —	$ —	$ 211,106	$ 211,106
Interest bearing demand deposits	77,244	972	1,943	155,423	235,582
Savings	570	570	1,140	130,883	133,163
Money market	66,879	6,985	13,970	179,368	267,202
Certificates of deposit	94,828	33,886	56,747	106,864	292,325
Total deposits	239,521	42,413	73,800	783,644	1,139,378
Borrowings	4,868	3,909	14,410	49,650	72,837
Total rate sensitive liabilities	$ 244,389	$ 46,322	$ 88,210	$ 833,294	$ 1,212,215
INTEREST SENSITIVITY GAP:					
Interval	96,446	44,811	57,300	(147,801)	—
Cumulative	$ 96,446	$ 141,257	$ 198,557	$ 50,756	$ 50,756
Period GAP ratio	1.39X	1.97X	1.65X	0.82X	
Cumulative GAP ratio	1.39	1.49	1.52	1.04	
Ratio of cumulative GAP to total assets	7.22 %	10.58 %	14.87 %	3.80 %	

When December 31, 2021 is compared to December 31, 2020, 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 Company demonstrated significantly higher than historical levels of both loans and deposits in 2021. This growth is due to successful business development efforts, the impact from the government stimulus programs and the 2021 Somerset County branch acquisition. The growth experienced in the loan portfolio, investment securities, and short-term assets was funded by the increase in total deposits. In addition, there was a significant decrease in overnight borrowings which are immediately impacted by changes to national interest rates. Even though the balance of FHLB term advances at December 31, 2021 decreased $22.3 million, or 34.4%, from the prior year, the Company continues to utilize such advances to help manage our interest rate risk position.

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	**4.5 %**	**31.7 %**
100 bp increase	**2.2**	**18.4**
100 bp decrease	**(5.1)**	**(0.1)**

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 and the scheduled repricing of loans tied to an index, such as LIBOR or prime. Also, the Company has effectively utilized interest rate swaps for interest rate risk management purposes. The interest rate swaps allow our customers to lock in low interest rates while the Company retains the benefit of interest rates moving with the market. Regarding interest bearing liabilities, management continues 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 0% to 0.25%. 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, 2021, 75.0% of the portfolio is classified as available for sale and 25.0% 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 89 securities that are temporarily impaired at December 31, 2021. The Company reviews its securities quarterly and has asserted that at December 31, 2021, 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 2021, 21.1% of all residential mortgage loan production was sold into the secondary market. The Company revised strategy in 2021 and retained a higher percentage of our residential mortgage loan production in the loan portfolio as opposed to selling into the secondary market. This strategic change allowed us to more profitably deploy a portion of the increased liquidity that we have on our balance sheet.

The amount of loans outstanding by category as of December 31, 2021, which are due in (i) one year or less, (ii) more than one year through five years, (iii) more than five years through 15 years, and (iv) over 15 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	MORE THAN FIVE YEARS THROUGH 15 YEARS	OVER 15 YEARS	TOTAL LOANS
	(IN THOUSANDS, EXCEPT RATIOS)				
Commercial and industrial	$ 23,841	$ 79,728	$ 11,609	$ 19,004	$ 134,182
Paycheck Protection Program (PPP)	185	17,126	—	—	17,311
Commercial loans secured by owner occupied real estate	6,064	10,891	79,379	3,310	99,644
Commercial loans secured by non-owner occupied real estate	31,359	124,944	271,822	2,700	430,825
Real estate – residential mortgage	14,898	42,488	183,405	48,188	288,979
Consumer	5,696	3,662	1,428	4,310	15,096
Total	$ 82,043	$ 278,839	$ 547,643	77,512	$ 986,037
Loans with fixed-rate	$ 39,577	$ 197,130	$ 257,417	60,147	$ 554,271
Loans with floating-rate	42,466	81,709	290,226	17,365	431,766
Total	$ 82,043	$ 278,839	$ 547,643	77,512	$ 986,037
Percent composition of maturity	8.3 %	28.3 %	55.5 %	7.9 %	100.0 %
Fixed-rate loans as a percentage of total loans					56.2 %
Floating-rate loans as a percentage of total loans					43.8 %

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.

The following table presents the total loans due after one year that have predetermined (fixed) interest rates and floating interest rates as of December 31, 2021.

	FIXED-RATE LOANS	FLOATING-RATE LOANS	TOTAL
		(IN THOUSANDS)	
Commercial and industrial	$ 99,727	$ 10,614	$ 110,341
Paycheck Protection Program (PPP)	17,126	—	17,126
Commercial loans secured by owner occupied real estate	6,225	87,355	93,580
Commercial loans secured by non-owner occupied real estate	133,526	265,940	399,466
Real estate – residential mortgage	253,436	20,645	274,081
Consumer	4,654	4,746	9,400
Total	$ 514,694	$ 389,300	$ 903,994

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 $216.6 million and standby letters of credit of $13.1 million as of December 31, 2021. 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, 2021, the Company had $134.6 million in the notional amount of interest rate swaps outstanding, with a fair value of $1.2 million. In addition, the Company entered into a risk participation agreement (RPA) with the lead bank of a commercial real estate loan arrangement. As a participating bank, the Company guarantees the performance on a borrower-related interest rate swap contract. The notional amount of the RPA outstanding at December 31, 2021 was $2.5 million, with a fair value of zero.

As of December 31, 2021 and 2020, 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 $62.2 million and $61.3 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, intangible assets, 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 assets
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. Additionally, pension expense can also be impacted by settlement accounting charges if the amount of employee selected lump sum distributions exceed the total amount of service and interest component costs of the net periodic pension cost in a particular year. Our pension benefits are described further in Note 17 of the Notes to Consolidated Financial Statements.

ACCOUNT — Allowance for loan losses
BALANCE SHEET REFERENCE — Allowance for loan losses
INCOME STATEMENT REFERENCE — Provision 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 $9.5 million, or 76%, of the total allowance for loan losses at December 31, 2021 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 — Intangible assets
BALANCE SHEET REFERENCE — Intangible assets
INCOME STATEMENT REFERENCE — Other expense
DESCRIPTION

The Company considers our accounting policies related to goodwill and core deposit intangible 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 and core deposit intangible, 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. The core deposit intangible, which is a wasting asset, is amortized and reported in other expense for a period of ten years using the sum of the years digits amortization method.

ACCOUNT — Income taxes
BALANCE SHEET REFERENCE — Net deferred tax asset and Net deferred tax liability
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, 2021, 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 income 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 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, 2021, 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 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 earnings to shareholders through a combination of dividends and share repurchases (none currently authorized) subject to maintaining sufficient capital to support balance sheet growth and economic uncertainty. 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; (xii) potential risks and uncertainties also include those relating to the duration of the COVID-19 outbreak and its variants, and actions that may be taken by governmental authorities to contain the outbreak or to treat its impact, including the distribution and effectiveness of COVID-19 vaccines; and (xiii) 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 seeks to identify, manage and monitor these risks with policies, procedures, and various levels of managerial and Board oversight. The Company's objective is to optimize profitability while managing and monitoring 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, 2021	AT DECEMBER 31, 2020
	(IN THOUSANDS, EXCEPT SHARE DATA)	
ASSETS		
Cash and due from depository institutions	**$ 24,748**	$ 20,427
Interest bearing deposits	**10,942**	2,585
Short-term investments	**5,411**	8,492
Cash and cash equivalents	**41,101**	31,504
Investment securities:		
Available for sale, at fair value	**163,171**	144,165
Held to maturity (fair value $55,516 on December 31, 2021 and $47,106 on December 31, 2020)	**53,751**	44,222
Loans held for sale	**983**	6,250
Loans	**985,880**	973,297
Less: Unearned income	**826**	1,202
Less: Allowance for loan losses	**12,398**	11,345
Net loans	**972,656**	960,750
Premises and equipment:		
Operating lease right-of-use asset	**667**	758
Financing lease right-of-use asset	**2,684**	2,956
Other premises and equipment, net	**14,082**	14,336
Accrued interest income receivable	**3,984**	5,068
Intangible assets:		
Goodwill	**13,611**	11,944
Core deposit intangible	**158**	—
Bank owned life insurance	**38,842**	39,033
Net deferred tax asset	**—**	1,572
Federal Home Loan Bank stock	**2,692**	4,821
Federal Reserve Bank stock	**2,125**	2,125
Other assets	**25,053**	13,229
TOTAL ASSETS	**$ 1,335,560**	$ 1,282,733
LIABILITIES		
Non-interest bearing deposits	**$ 211,106**	$ 177,533
Interest bearing deposits	**928,272**	877,387
Total deposits	**1,139,378**	1,054,920
Short-term borrowings	**—**	24,702
Advances from Federal Home Loan Bank	**42,653**	64,989
Operating lease liabilities	**682**	776
Financing lease liabilities	**2,899**	3,109
Guaranteed junior subordinated deferrable interest debentures	**—**	12,970
Subordinated debt	**26,603**	7,534
Total borrowed funds	**72,837**	114,080
Net deferred tax liability	**934**	—
Other liabilities	**5,862**	9,334
TOTAL LIABILITIES	**1,219,011**	1,178,334
SHAREHOLDERS' EQUITY		
Common stock, par value $0.01 per share; 30,000,000 shares authorized; 26,710,319 shares issued and 17,081,500 shares outstanding on December 31, 2021; 26,688,963 shares issued and 17,060,144 shares outstanding on December 31, 2020	**267**	267
Treasury stock at cost, 9,628,819 shares on December 31, 2021 and December 31, 2020	**(83,280)**	(83,280)
Capital surplus	**146,069**	145,969
Retained earnings	**60,005**	54,641
Accumulated other comprehensive loss, net	**(6,512)**	(13,198)
TOTAL SHAREHOLDERS' EQUITY	**116,549**	104,399
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 1,335,560**	$ 1,282,733

See accompanying notes to consolidated financial statements.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,		
	2021	**2020**	**2019**
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
INTEREST INCOME			
Interest and fees on loans			
Taxable	**$ 40,496**	$ 40,518	$ 42,832
Tax exempt	**89**	110	101
Interest bearing deposits	**6**	15	24
Short-term investments	**54**	231	293
Investment securities:			
Available for sale	**4,543**	4,591	5,090
Held to maturity	**1,481**	1,417	1,427
Total Interest Income	**46,669**	46,882	49,767
INTEREST EXPENSE			
Deposits	**4,806**	7,634	11,189
Short-term borrowings	**1**	29	288
Advances from Federal Home Loan Bank	**875**	1,099	1,090
Financing lease liabilities	**106**	112	117
Guaranteed junior subordinated deferrable interest debentures	**944**	1,121	1,121
Subordinated debt	**854**	520	520
Total Interest Expense	**7,586**	10,515	14,325
Net Interest Income	**39,083**	36,367	35,442
Provision for loan losses	**1,with 100**	2,375	800
Net Interest Income after Provision for Loan Losses	**37,983**	33,992	34,642
NON-INTEREST INCOME			
Wealth management fees	**11,986**	10,212	9,730
Service charges on deposit accounts	**965**	903	1,271
Net gains on loans held for sale	**664**	1,523	865
Mortgage related fees	**358**	559	302
Net realized gains on investment securities	**84**	—	118
Impairment charge on other investments	**—**	—	(500)
Bank owned life insurance	**1,117**	782	521
Other income	**2,587**	2,296	2,466
Total Non-Interest Income	**17,761**	16,275	14,773
NON-INTEREST EXPENSE			
Salaries and employee benefits	**27,847**	27,390	25,429
Net occupancy expense	**2,620**	2,510	2,497
Equipment expense	**1,582**	1,559	1,510
Professional fees	**5,456**	5,219	4,885
Supplies, postage and freight	**668**	714	605
Miscellaneous taxes and insurance	**1,236**	1,143	1,135
Federal deposit insurance expense	**655**	481	100
Branch acquisition costs	**389**	—	—
Other expense	**6,517**	5,439	5,654
Total Non-Interest Expense	**46,970**	44,455	41,815
PRETAX INCOME	**8,774**	5,812	7,600
Provision for income taxes	**1,702**	1,214	1,572
NET INCOME	**$ 7,072**	$ 4,598	$ 6,028

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

	YEAR ENDED DECEMBER 31,		
	2021	2020	2019
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
PER COMMON SHARE DATA:			
Basic:			
Net income	**$ 0.41**	$ 0.27	$ 0.35
Average number of shares outstanding	**17,073**	17,053	17,359
Diluted:			
Net income	**$ 0.41**	$ 0.27	$ 0.35
Average number of shares outstanding	**17,114**	17,063	17,440
Cash dividends declared	**$ 0.100**	$ 0.100	$ 0.095

See accompanying notes to consolidated financial statements.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	YEAR ENDED DECEMBER 31,		
	2021	2020	2019
	(IN THOUSANDS)		
COMPREHENSIVE INCOME			
Net income	**$ 7,072**	$ 4,598	$ 6,028
Other comprehensive income (loss), before tax:			
Pension obligation change for defined benefit plan	**11,189**	1,454	(6,418)
Income tax effect	**(2,350)**	(305)	1,348
Unrealized holding gains (losses) on available for sale securities arising during period	**(2,642)**	2,309	4,072
Income tax effect	**555**	(485)	(855)
Reclassification adjustment for net realized gains on available for sale securities included in net income	**(84)**	—	(118)
Income tax effect	**18**	—	25
Other comprehensive income (loss)	**6,686**	2,973	(1,946)
Comprehensive income	**$ 13,758**	$ 7,571	$ 4,082

See accompanying notes to consolidated financial statements.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	YEAR ENDED DECEMBER 31,		
	2021	2020	2019
	(IN THOUSANDS)		
COMMON STOCK			
Balance at beginning of period	**$ 267**	$ 267	$ 266
New common shares issued for exercise of stock options (21,356, 38,235, and 40,917 shares 2021, 2020, and 2019, respectively)	**—**	—	1
Balance at end of period	**267**	267	267
TREASURY STOCK			
Balance at beginning of period	**(83,280)**	(83,129)	(80,579)
Treasury stock purchased (35,962 and 602,349 shares 2020 and 2019, respectively)	**—**	(151)	(2,550)
Balance at end of period	**(83,280)**	(83,280)	(83,129)
CAPITAL SURPLUS			
Balance at beginning of period	**145,969**	145,888	145,782
New common shares issued for exercise of stock options (21,356, 38,235, and 40,917 shares in 2021, 2020, and 2019, respectively)	**57**	78	99
Stock option expense	**43**	3	7
Balance at end of period	**146,069**	145,969	145,888
RETAINED EARNINGS			
Balance at beginning of period	**54,641**	51,759	46,733
Net income	**7,072**	4,598	6,028
Cash dividend declared on common stock ($0.100, $0.100, and $0.095 per share 2021, 2020, and 2019, respectively)	**(1,708)**	(1,716)	(1,642)
Cumulative effect adjustment for change in accounting principal	**—**	—	640
Balance at end of period	**60,005**	54,641	51,759
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET			
Balance at beginning of period	**(13,198)**	(16,171)	(14,225)
Other comprehensive income (loss)	**6,686**	2,973	(1,946)
Balance at end of period	**(6,512)**	(13,198)	(16,171)
TOTAL STOCKHOLDERS' EQUITY	**$ 116,549**	$ 104,399	$ 98,614

See accompanying notes to consolidated financial statements.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31		
	2021	2020	2019
	(IN THOUSANDS)		
OPERATING ACTIVITIES			
Net income	**$ 7,072**	$ 4,598	$ 6,028
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision for loan losses	**1,100**	2,375	800
Depreciation and amortization expense	**2,016**	1,996	1,873
Amortization expense of core deposit intangible	**19**	—	—
Amortization of fair value adjustment on acquired time deposits	**(98)**	—	—
Net amortization of investment securities	**222**	285	279
Net realized gains on investment securities — available for sale	**(84)**	—	(118)
Impairment charge on other investments	**—**	—	500
Net gains on loans held for sale	**(664)**	(1,523)	(865)
Net amortization of deferred loan fees	**(1,351)**	(707)	(142)
Origination of mortgage loans held for sale	**(13,806)**	(87,140)	(49,460)
Sales of mortgage loans held for sale	**19,737**	87,281	46,304
Decrease (increase) in accrued interest receivable	**1,084**	(1,619)	40
Increase (decrease) in accrued interest payable	**(490)**	(525)	546
Earnings on bank-owned life insurance	**(1,117)**	(782)	(521)
Deferred income taxes	**729**	1,614	179
Stock compensation expense	**43**	3	7
Net change in operating leases	**(94)**	(89)	(67)
Other, net	**(4,379)**	(7,140)	(493)
Net cash provided by (used in) operating activities	**9,939**	(1,373)	4,890
INVESTING ACTIVITIES			
Purchase of investment securities — available for sale	**(61,578)**	(36,519)	(18,084)
Purchase of investment securities — held to maturity	**(16,272)**	(9,359)	(2,257)
Proceeds from maturities of investment securities — available for sale	**38,826**	36,215	23,559
Proceeds from maturities of investment securities — held to maturity	**6,665**	4,985	3,007
Proceeds from sales of investment securities — available for sale	**960**	—	3,374
Purchase of regulatory stock	**(1,799)**	(9,979)	(13,557)
Proceeds from redemption of regulatory stock	**3,928**	9,143	14,092
Long-term loans originated	**(313,125)**	(301,210)	(205,603)
Principal collected on long-term loans	**301,498**	212,179	185,054
Purchases of premises and equipment	**(1,241)**	(1,325)	(2,821)
Proceeds from sale of other real estate owned and repossessed assets	**8**	63	214
Cash acquired in branch acquisition, net	**40,431**	—	—
Proceeds from life insurance policies	**1,211**	490	—
Net cash used in investing activities	**(488)**	(95,317)	(13,022)
FINANCING ACTIVITIES			
Net increase in deposit balances	**42,124**	94,407	11,342
Net increase (decrease) in other short-term borrowings	**(24,702)**	2,290	(18,617)
Principal borrowings on advances from Federal Home Loan Bank	**2,000**	36,050	22,527
Principal repayments on advances from Federal Home Loan Bank	**(24,336)**	(24,729)	(15,580)
Principal payments on financing lease liabilities	**(210)**	(203)	(173)
Redemption of guaranteed junior subordinated deferrable interest debentures	**(12,018)**	—	—
Subordinated debt issuance, net	**26,589**	—	—
Redemption of subordinated debt	**(7,650)**	—	—
Stock options exercised	**57**	78	99
Purchases of treasury stock	**—**	(151)	(2,550)
Common stock dividend paid	**(1,708)**	(1,716)	(1,642)
Net cash provided by (used in) financing activities	**146**	106,026	(4,594)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,597**	9,336	(12,726)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**31,504**	22,168	34,894
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**$ 41,101**	$ 31,504	$ 22,168

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 17 banking locations in five southwestern Pennsylvania counties and Hagerstown, Maryland. These branches provide a full range of consumer, mortgage, and commercial financial products. On May 21, 2021, AmeriServ Financial Bank completed its acquisition from Citizen's Neighborhood Bank (CNB), an operating division of Riverview Bank, the branch and related deposit customers in Meyersdale, Pennsylvania and the deposit customers in Somerset, Pennsylvania. The Meyersdale branch is operating under the AmeriServ name and the Somerset customers are being serviced from the full service AmeriServ office at 108 West Main Street. The related deposits totaled approximately $42 million at closing and were acquired for a 3.71% deposit premium, or $1.6 million.

The AmeriServ Trust and Financial Services Company (the Trust Company) offers a complete range of trust and financial services and administers assets valued at approximately $2.7 billion that are not recognized on the Company's Consolidated Balance Sheets at December 31, 2021.

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of AmeriServ Financial, Inc. and its wholly-owned subsidiaries, AmeriServ Financial Bank (the Bank), the Trust Company, and AmeriServ Life Insurance Company (AmeriServ Life). The Bank is a Pennsylvania state-chartered full service bank with 16 locations in Pennsylvania and 1 location in Maryland. AmeriServ Life was a captive insurance company that was formally closed on December 31, 2020.

In addition, the Parent Company is an administrative group that provides support in such areas as audit, finance, investments, loan review, general services, and marketing. 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, intangible assets, 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 on certain securities within the investments portfolio 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.

Additionally, the Company holds equity securities which are comprised of mutual funds held within a rabbi trust for the executive deferred compensation plan. Such securities are reported at fair value within other assets on the Consolidated Balance Sheets. Unrealized holding gains and losses on equity securities are included in earnings.

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 typically 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 office locations and equipment. 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, 2021 and 2020, the Company had no short-term leases.

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 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. Additionally, income is accrued on certain policies that have reached the minimum floor rate of return. This guaranteed portion of income is not added to the cash surrender value of the policy until the policy anniversary date and is reported in other assets on the Consolidated Balance Sheets.

INTANGIBLE ASSETS:

Goodwill arising from business combinations represents the value attributable to unidentifiable intangible elements in the business acquired. Goodwill is not amortized, but is periodically evaluated for impairment. The Company tests goodwill for impairment 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.

Identifiable intangible assets are amortized to their estimated residual values over their expected useful lives. Such lives are also periodically reassessed to determine if any amortization period adjustments are required. The identifiable intangible assets consist of a core deposit intangible which is being amortized on an accelerated basis over a ten-year useful life.

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 excluded for earnings per share purposes. Options to purchase 22,000, 139,759, and 12,000 shares of common stock were outstanding during 2021, 2020 and 2019, 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 $4.00-$4.22, $3.18-$4.22, and $4.19-$4.22 during 2021, 2020 and 2019, respectively.

	YEAR ENDED DECEMBER 31,		
	2021	**2020**	**2019**
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Numerator:			
Net income	**$ 7,072**	$ 4,598	$ 6,028
Denominator:			
Weighted average common shares outstanding (basic)	**17,073**	17,053	17,359
Effect of stock options	**41**	10	81
Weighted average common shares outstanding (diluted)	**17,114**	17,063	17,440
Earnings per common share:			
Basic	**$ 0.41**	$ 0.27	$ 0.35
Diluted	**0.41**	0.27	0.35

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 or Black-Scholes option pricing model and the expense is recognized ratably over the service period. Forfeitures are recognized as they occur. See Note 19 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 both money market funds and commercial paper. The Company made $200,000 in income tax payments in 2021; $315,000 in 2020; and $785,000 in 2019. The Company had non-cash transfers to other real estate owned (OREO) and repossessed assets in the amounts of $8,000 in 2021; $40,000 in 2020; and $75,000 in 2019. During 2020, the Company entered into two new financing leases, one related to office equipment and the other to a branch location, and recorded a right-of-use asset and lease liability of $149,000. 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 made total interest payments of $8,049,000 in 2021; $11,040,000 in 2020; and $13,779,000 in 2019.

In addition to the branch acquisition related information disclosed on the Consolidated Statements of Cash Flows, the following were recorded as non-cash transfers on the corresponding lines of the Consolidated Balance Sheets as of December 31, 2021 (in thousands).

Acquisition of Riverview Bank Branches	
Non-cash assets acquired	
Loans	**$ 36**
Other premises and equipment, net	**158**
Intangible assets	**1,844**
	2,038
Non-cash liabilities assumed	
Non-interest bearing deposits	**(7,372)**
Interest bearing deposits	**(35,060)**
Other liabilities	**(37)**
	(42,469)
Net non-cash liabilities assumed	**$ (40,431)**

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 in amounts that offset. 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. Additionally, pension expense can also be impacted by settlement accounting charges if the amount of employees selected lump sum distributions exceed the total amount of service and interest component costs of the net periodic pension cost in a particular year.

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 is 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 17 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. 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. This update is effective 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, a smaller reporting company, continues to evaluate the impact that ASU 2016-13 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 ASU 2016-13. 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.

In January 2020, the FASB issued ASU 2020-4, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, March 2020*, to provide temporary optional expedients and exceptions to the US GAAP guidance on contract modifications to ease the financial reporting burdens of the expected market transition from LIBOR to alternative reference rates, such as Secured Overnight Financing Rate. Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls reference rate reform, if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. The amendments in this ASU are effective for all entities upon issuance through December 31, 2022. The Company has identified its LIBOR exposure across product categories and is analyzing the risks associated with the LIBOR transition. However, it is too early to predict whether a new rate index replacement and the adoption of this ASU will have a material impact on the Company's financial statements.

3. 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 76.8% of the total revenue of the Company.

Non-interest 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 $850,000 has been established as of December 31, 2021 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, ATM and VISA debit card fees, 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 Company offers ATM and VISA debit cards to deposit account holders which allows our customers to access their account electronically at ATMs and POS terminals. Fees related to ATM and VISA debit card transactions are recognized when the transactions are completed and the Company has satisfied it performance obligation.

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, 2021, 2020, and 2019 (in thousands).

	AT DECEMBER 31,		
	2021	**2020**	**2019**
Non-interest income:			
In-scope of Topic 606			
Wealth management fees	**$ 11,986**	$ 10,212	$ 9,730
Service charges on deposit accounts	**965**	903	1,271
Other	**2,017**	1,708	1,759
Non-interest income (in-scope of topic 606)	**14,968**	12,823	12,760
Non-interest income (out-of-scope of topic 606)	**2,793**	3,452	2,013
Total non-interest income	**$ 17,761**	$ 16,275	$ 14,773

4. CASH AND DUE FROM DEPOSITORY INSTITUTIONS

Cash and due from depository institutions totaled $24.7 million and $20.4 million as of December 31, 2021 and 2020, respectively. The Federal Reserve reduced reserve requirements to zero as of March 26, 2020.

5. INVESTMENT SECURITIES

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

Investment securities available for sale:

	DECEMBER 31, 2021			
	COST BASIS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(IN THOUSANDS)			
U.S. Agency	**$ 7,371**	**$ 86**	**$ (70)**	**$ 7,387**
U.S. Agency mortgage-backed securities	**80,136**	**1,202**	**(1,171)**	**80,167**
Municipal	**20,066**	**851**	**(25)**	**20,892**
Corporate bonds	**53,843**	**1,028**	**(146)**	**54,725**
Total	**$ 161,416**	**$ 3,167**	**$ (1,412)**	**$ 163,171**

Investment securities held to maturity:

	DECEMBER 31, 2021			
	COST BASIS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(IN THOUSANDS)			
U.S. Agency	**$ 2,500**	**$ —**	**$ (11)**	**$ 2,489**
U.S. Agency mortgage-backed securities	**10,556**	**203**	**(115)**	**10,644**
Municipal	**33,188**	**1,734**	**(103)**	**34,819**
Corporate bonds and other securities	**7,507**	**64**	**(7)**	**7,564**
Total	**$ 53,751**	**$ 2,001**	**$ (236)**	**$ 55,516**

Investment securities available for sale:

	DECEMBER 31, 2020			
	COST BASIS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(IN THOUSANDS)			
U.S. Agency	$ 2,971	$ 181	$ —	$ 3,152
U.S. Agency mortgage-backed securities	65,398	2,533	(18)	67,913
Municipal	19,000	1,348	—	20,348
Corporate bonds	52,315	666	(229)	52,752
Total	$ 139,684	$ 4,728	$ (247)	$ 144,165

Investment securities held to maturity:

	DECEMBER 31, 2020			
	COST BASIS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(IN THOUSANDS)			
U.S. Agency mortgage-backed securities	$ 8,119	$ 369	$ —	$ 8,488
Municipal	30,076	2,455	(49)	32,482
Corporate bonds and other securities	6,027	113	(4)	6,136
Total	$ 44,222	$ 2,937	$ (53)	$ 47,106

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, 2021, 47.1% of the portfolio was rated AAA as compared to 42.2% at December 31, 2020. Approximately 14.7% and 15.2% of the portfolio was rated below A or unrated on December 31, 2021 and 2020, respectively. The Company and its subsidiaries, collectively, did not hold securities of any single issuer, excluding U.S. agencies, that exceeded 10% of shareholders' equity at December 31, 2021.

The book value of securities, both available for sale and held to maturity, pledged to secure public and trust deposits was $122,574,000 at December 31, 2021 and $111,694,000 at December 31, 2020.

The Company realized $84,000 of gross investment security gains in 2021, sold no investment securities during 2020, and realized $118,000 of gross investment security gains in 2019. On a net basis, the realized gain for 2021 was $66,000 after factoring in tax expense of $18,000 and the realized gain for 2019 was $93,000 after factoring in tax expense of $25,000. Proceeds from sales of investment securities available for sale were $960,000 for 2021 and $3.4 million for 2019.

The Company's consolidated investment securities portfolio had an effective duration of approximately 3.46 years. The weighted average expected maturity for available for sale securities at December 31, 2021 for U.S. agency, U.S. agency mortgage-backed, corporate bond, and municipal securities was 8.50, 5.29, 4.83, and 4.63 years, respectively. The weighted average expected maturity for held to maturity securities at December 31, 2021 for U.S. agency, U.S. agency mortgage-backed, corporate bond/other securities, and municipal securities was 8.40, 5.33, 4.19, and 6.05 years, respectively. The following table sets forth the contractual maturity distribution of the investment securities, cost basis and fair market values as of December 31, 2021.

Investment securities available for sale:

	AT DECEMBER 31, 2021				
	U. S. AGENCY	MUNICIPAL	CORPORATE BONDS	U.S. AGENCY MORTGAGE-BACKED SECURITIES	TOTAL INVESTMENT SECURITIES AVAILABLE FOR SALE
			(IN THOUSANDS)		
COST BASIS					
Within 1 year	$ —	$ 700	$ 3,002	$ 22	$ 3,724
After 1 year but within 5 years	—	11,099	22,648	2,034	35,781
After 5 years but within 10 years	5,497	8,267	27,543	6,657	47,964
Over 10 years	1,874	—	650	71,423	73,947
Total	$ 7,371	$ 20,066	$ 53,843	$ 80,136	$ 161,416
FAIR VALUE					
Within 1 year	$ —	$ 708	$ 3,014	$ 23	$ 3,745
After 1 year but within 5 years	—	11,647	22,797	2,133	36,577
After 5 years but within 10 years	5,438	8,537	28,250	6,910	49,135
Over 10 years	1,949	—	664	71,101	73,714
Total	$ 7,387	$ 20,892	$ 54,725	$ 80,167	$ 163,171

Investment securities held to maturity:

	AT DECEMBER 31, 2021				
	U.S. AGENCY	MUNICIPAL	CORPORATE BONDS AND OTHER	U.S. AGENCY MORTGAGE-BACKED SECURITIES	TOTAL INVESTMENT SECURITIES HELD TO MATURITY
			(IN THOUSANDS)		
COST BASIS					
Within 1 year	$ —	$ 200	$ —	$ —	$ 200
After 1 year but within 5 years	—	5,130	6,021	1,037	12,188
After 5 years but within 10 years	2,500	21,287	500	457	24,744
Over 10 years	—	6,571	986	9,062	16,619
Total	$ 2,500	$ 33,188	$ 7,507	$ 10,556	$ 53,751
FAIR VALUE					
Within 1 year	$ —	$ 205	$ —	$ —	$ 205
After 1 year but within 5 years	—	5,431	6,078	1,064	12,573
After 5 years but within 10 years	2,489	22,540	500	485	26,014
Over 10 years	—	6,643	986	9,095	16,724
Total	$ 2,489	$ 34,819	$ 7,564	$ 10,644	$ 55,516

The following table presents information concerning investments with unrealized losses as of December 31, 2021 (in thousands):

Total investment securities:

	DECEMBER 31, 2021					
	LESS THAN 12 MONTHS		12 MONTHS OR LONGER		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
U.S. Agency	$ 7,419	$ (81)	$ —	$ —	$ 7,419	$ (81)
U.S. Agency mortgage-backed securities	45,422	(972)	6,691	(314)	52,113	(1,286)
Municipal	7,832	(128)	—	—	7,832	(128)
Corporate bonds and other securities	14,558	(92)	2,439	(61)	16,997	(153)
Total	$ 75,231	$ (1,273)	$ 9,130	$ (375)	$ 84,361	$ (1,648)

The following table presents information concerning investments with unrealized losses as of December 31, 2020 (in thousands):

Total investment securities:

	DECEMBER 31, 2020					
	LESS THAN 12 MONTHS		12 MONTHS OR LONGER		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
U.S. Agency mortgage-backed securities	$ 6,394	$ (17)	$ 123	$ (1)	$ 6,517	$ (18)
Municipal	—	—	751	(49)	751	(49)
Corporate bonds and other securities	13,083	(162)	7,929	(71)	21,012	(233)
Total	$ 19,477	$ (179)	$ 8,803	$ (121)	$ 28,280	$ (300)

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 89 positions that are considered temporarily impaired at December 31, 2021. 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.

The interest rate environment and market yields can also have a significant impact on the yield earned on mortgage-backed securities (MBS). Prepayment speed assumptions are an important factor to consider when evaluating the returns on an MBS. Generally, as interest rates decline, borrowers have more incentive to refinance into a lower rate, so prepayments will rise. Conversely, as interest rates increase, prepayments will decline. When an MBS is purchased at a premium, the yield will decrease as prepayments increase and the yield will increase as prepayments decrease. As of December 31, 2021, the Company had low premium risk as the book value of our mortgage-backed securities purchased at a premium was only 101.0% of the par value.

As of December 31, 2021 and 2020, the Company reported $526,000 and $443,000, respectively, 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. The realized gain on equity securities was $36,000 and $2,000 during 2021 and 2020, respectively. The unrealized gain was $7,000 and $3,000 in 2021 and 2020, respectively. 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.

6. LOANS

The loan portfolio of the Company consisted of the following:

	AT DECEMBER 31,	
	2021	**2020**
	(IN THOUSANDS)	
Commercial:		
Commercial and industrial	**$ 134,182**	$ 151,162
Paycheck Protection Program (PPP)	**17,311**	58,344
Commercial loans secured by owner occupied real estate [(1)]	**99,644**	95,486
Commercial loans secured by non-owner occupied real estate [(1)]	**430,825**	400,751
Real estate − residential mortgage [(1)]	**287,996**	249,989
Consumer	**15,096**	16,363
Loans, net of unearned income	**$ 985,054**	$ 972,095

(1) Real estate construction loans constituted 5.6% and 7.0% of the Company's total loans, net of unearned income as of December 31, 2021 and 2020, respectively.

Loan balances at December 31, 2021 and 2020 are net of unearned income of $826,000 and $1,202,000, respectively. The unearned income balance at December 31, 2021 includes $386,000 of unrecognized fee income from PPP loan originations compared to $755,000 at December 31, 2020. Real estate construction loans comprised 5.6% and 7.0% of total loans net of unearned income at December 31, 2021 and 2020, 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, 2021 and 2020, 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 $601,000 and $615,000 at December 31, 2021 and 2020, respectively.

The ongoing COVID-19 pandemic is a fluid situation and continues to evolve, impacting the way many businesses operate. The pandemic and its associated impacts on trade (including supply chains and export levels), travel, employee productivity, unemployment, and consumer spending has resulted in less economic activity and significant volatility and disruption. Certain loans within our commercial and commercial real estate portfolios have been disproportionately adversely affected by the pandemic. Due to mandatory lockdowns and travel restrictions, certain industries, such as hospitality, travel, food service and restaurants and bars, have suffered as a result of COVID-19.

The following table provides information regarding our potential COVID-19 risk concentrations for commercial and commercial real estate loans by industry type at December 31, 2021 and 2020 (in thousands).

	DECEMBER 31, 2021				
	Commercial and industrial	Paycheck Protection Program	Commercial loans secured by owner occupied real estate	Commercial loans secured by non-owner occupied real estate	Total
1-4 unit residential	**$ 1,246**	**$ —**	**$ 96**	**$ 8,565**	**$ 9,907**
Multifamily/apartments/student housing	**—**	**—**	**245**	**73,912**	**74,157**
Office	**37,386**	**203**	**8,644**	**28,500**	**74,733**
Retail	**7,253**	**444**	**20,439**	**148,668**	**176,804**
Industrial/manufacturing/warehouse	**74,508**	**5,940**	**21,468**	**44,316**	**146,232**
Hotels	**154**	**1,764**	**—**	**42,425**	**44,343**
Eating and drinking places	**484**	**6,591**	**4,537**	**1,752**	**13,364**
Personal care	**1,197**	**173**	**—**	**4,315**	**5,685**
Amusement and recreation	**92**	**53**	**5,402**	**12**	**5,559**
Mixed use	**—**	**—**	**4,031**	**62,088**	**66,119**
Other	**11,862**	**2,143**	**34,782**	**16,272**	**65,059**
Total	**$ 134,182**	**$ 17,311**	**$ 99,644**	**$ 430,825**	**$ 681,962**

	DECEMBER 31, 2020				
	Commercial and industrial	Paycheck Protection Program	Commercial loans secured by owner occupied real estate	Commercial loans secured by non-owner occupied real estate	Total
1-4 unit residential	$ 1,450	$ —	$ 105	$ 6,139	$ 7,694
Multifamily/apartments/student housing	—	—	469	66,879	67,348
Office	33,525	6,872	10,095	37,164	87,656
Retail	8,080	1,542	21,180	124,325	155,127
Industrial/manufacturing/warehouse	87,021	26,222	18,255	38,814	170,312
Hotels	329	837	—	41,779	42,945
Eating and drinking places	769	13,479	4,390	1,925	20,563
Personal care	4,118	621	—	9,356	14,095
Amusement and recreation	190	46	3,307	38	3,581
Mixed use	—	—	2,411	65,585	67,996
Other	15,680	8,725	35,274	8,747	68,426
Total	$ 151,162	$ 58,344	$ 95,486	$ 400,751	$ 705,743

Paycheck Protection Program

The Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, was signed into law on March 27, 2020, and provides emergency economic relief to individuals and businesses impacted by the COVID-19 pandemic. The CARES Act and subsequent legislation authorized the Small Business Administration (SBA) to temporarily guarantee loans under a new 7(a) program called the Paycheck Protection Program (PPP). As a qualified SBA lender, the Company was automatically authorized to originate PPP loans.

An eligible business could apply for a PPP loan up to the lesser of: (1) 2.5 times its average monthly payroll costs; or (2) $10.0 million. PPP loans have: (a) an interest rate of 1.0%; (b) a two-year (if originated prior to June 5, 2020) or five-year (if originated after June 5, 2020) loan term to maturity; and (c) principal and interest payments deferred for six months from the date of disbursement. The SBA will guarantee 100% of the PPP loans made to eligible borrowers pursuant to standards as defined by the SBA. The entire principal amount of the borrower's PPP loan, including any accrued interest, is eligible to be reduced by the loan forgiveness amount under the PPP so long as employee and compensation levels of the business are maintained and at least 60% of the loan proceeds are used for payroll expenses, with the remaining loan proceeds being used for other qualifying expenses such as interest on mortgages, rent, and utilities.

In addition, PPP allows certain eligible borrowers that previously received a PPP loan to apply for a second draw loan with the same general terms described above. The maximum loan amount of a second draw PPP loan is 2.5 times, or 3.5 times for borrowers within the hospitality industry, the average monthly 2019 or 2020 payroll costs up to $2.0 million. Eligibility for a second draw PPP loan is based on the following criteria: (a) borrower previously received a first draw PPP loan and used the full amount for only authorized expenditures; (b) borrower has 300 or less employees; and (c) borrower can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020. The PPP loan program expired on May 31, 2021 for originating new loans.

As of December 31, 2021, the Company had 114 PPP loans outstanding totaling $17.3 million and has recorded a total of $2.3 million of processing fee income and interest income from PPP lending activity. Also, there is approximately $386,000 of PPP processing fees that will be amortized into income over the time period that the loans remain on our balancec sheet or until the PPP loan is forgiven at which time the remaining fee will be recognized immediately as income. As of December 31, 2020, the Company had 364 PPP loans outstanding totaling $58.3 million and has recorded a total of $1.9 million of processing fee income and interest income from PPP lending activity.

7. 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, 2020	CHARGE-OFFS	RECOVERIES	PROVISION (CREDIT)	BALANCE AT DECEMBER 31, 2021
Commercial	$ 3,472	$ (146)	$ 89	$ (344)	$ 3,071
Commercial loans secured by non-owner occupied real estate	5,373	—	51	968	6,392
Real estate − residential mortgage	1,292	(17)	49	266	1,590
Consumer	115	(131)	58	71	113
Allocation for general risk	1,093	—	—	139	1,232
Total	$ 11,345	$ (294)	$ 247	$ 1,100	$ 12,398

	BALANCE AT DECEMBER 31, 2019	CHARGE-OFFS	RECOVERIES	PROVISION (CREDIT)	BALANCE AT DECEMBER 31, 2020
Commercial	$ 3,951	$ (111)	$ 4	$ (372)	$ 3,472
Commercial loans secured by non-owner occupied real estate	3,119	—	44	2,210	5,373
Real estate − residential mortgage	1,159	(233)	62	304	1,292
Consumer	126	(143)	68	64	115
Allocation for general risk	924	—	—	169	1,093
Total	$ 9,279	$ (487)	$ 178	$ 2,375	$ 11,345

	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

The $344,000 allowance for loan losses credit recorded during the year ended December 31, 2021 within the commercial portfolio was attributable to lower criticized commercial and industrial loans outstanding resulting from upgrades of certain credits originally impacted by the pandemic, as well as lower historical loss rates. While a $968,000 allowance for loan losses provision was recorded for the non-owner occupied commercial real estate portfolio which stemmed from overall portfolio growth as well as elevated classified commercial real estate balances.

For the year ended December 31, 2020, a $372,000 allowance for loan losses credit was recognized for the commercial portfolio due to portfolio contraction, reduced classified asset levels, and lower historical loss factors. In addition, a $2.2 million allowance for loan losses provision was recorded for the non-owner occupied commercial real estate portfolio which resulted from overall portfolio growth coupled with escalated criticized asset levels driven primarily by pandemic related downgrades.

The $881,000 allowance for loan losses provision recorded during the year ended December 31, 2019 within the commercial portfolio was due to two sizable downgrades that occurred during the year. Additionally, a $255,000 allowance for loan losses credit was recorded for the non-owner occupied commercial real estate portfolio as, despite portfolio growth, criticized and classified asset levels were reduced.

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

	AT DECEMBER 31, 2021				
Loans:	**COMMERCIAL**	**COMMERCIAL LOANS SECURED BY NON-OWNER OCCUPIED REAL ESTATE**	**REAL ESTATE − RESIDENTIAL MORTGAGE**	**CONSUMER**	**TOTAL**
	(IN THOUSANDS)				
Individually evaluated for impairment	**$ 2,165**	**$ 5**	**$ —**	**$ —**	**$ 2,170**
Collectively evaluated for impairment	**248,972**	**430,820**	**287,996**	**15,096**	**982,884**
Total loans	**$ 251,137**	**$ 430,825**	**$ 287,996**	**$ 15,096**	**$ 985,054**

Allowance for loan losses:	COMMERCIAL	COMMERCIAL LOANS SECURED BY NON-OWNER OCCUPIED REAL ESTATE	REAL ESTATE − RESIDENTIAL MORTGAGE	CONSUMER	ALLOCATION FOR GENERAL RISK	TOTAL
	AT DECEMBER 31, 2021					
			(IN THOUSANDS)			
Specific reserve allocation	**$ 628**	**$ 5**	**$ —**	**$ —**	**$ —**	**$ 633**
General reserve allocation	**2,443**	**6,387**	**1,590**	**113**	**1,232**	**11,765**
Total allowance for loan losses	**$ 3,071**	**$ 6,392**	**$ 1,590**	**$ 113**	**$ 1,232**	**$ 12,398**

Loans:	COMMERCIAL	COMMERCIAL LOANS SECURED BY NON-OWNER OCCUPIED REAL ESTATE	REAL ESTATE − RESIDENTIAL MORTGAGE	CONSUMER	TOTAL
	AT DECEMBER 31, 2020				
		(IN THOUSANDS)			
Individually evaluated for impairment	$ 847	$ 8	$ —	$ —	$ 855
Collectively evaluated for impairment	304,145	400,743	249,989	16,363	971,240
Total loans	$ 304,992	$ 400,751	$ 249,989	$ 16,363	$ 972,095

Allowance for loan losses:	COMMERCIAL	COMMERCIAL LOANS SECURED BY NON-OWNER OCCUPIED REAL ESTATE	REAL ESTATE − RESIDENTIAL MORTGAGE	CONSUMER	ALLOCATION FOR GENERAL RISK	TOTAL
	AT DECEMBER 31, 2020					
			(IN THOUSANDS)			
Specific reserve allocation	$ 96	$ 8	$ —	$ —	$ —	$ 104
General reserve allocation	3,376	5,365	1,292	115	1,093	11,241
Total allowance for loan losses	$ 3,472	$ 5,373	$ 1,292	$ 115	$ 1,093	$ 11,345

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 either the discounted cash flows or 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, 2021				
	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	$ 2,165	$ 628	$ —	$ 2,165	$ 2,260
Commercial loans secured by non-owner occupied real estate	5	5	—	5	27
Total impaired loans	$ 2,170	$ 633	$ —	$ 2,170	$ 2,287

	AT DECEMBER 31, 2020				
	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	$ 847	$ 96	$ —	$ 847	$ 850
Commercial loans secured by non-owner occupied real estate	8	8	—	8	30
Total impaired loans	$ 855	$ 104	$ —	$ 855	$ 880

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

	YEAR ENDED DECEMBER 31,		
	2021	2020	2019
	(IN THOUSANDS)		
Average impaired balance:			
Commercial	**$ 2,301**	$ 839	$ 597
Commercial loans secured by non-owner occupied real estate	**7**	8	10
Average investment in impaired loans	**$ 2,308**	$ 847	$ 607
Interest income recognized:			
Commercial	**$ 15**	$ 38	$ 30
Commercial loans secured by non-owner occupied real estate	**—**	—	—
Interest income recognized on a cash basis on impaired loans	**$ 15**	$ 38	$ 30

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 2021 required review of a minimum of 36% 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, 2021				
	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	TOTAL
			(IN THOUSANDS)		
Commercial and industrial	**$ 125,079**	**$ 6,722**	**$ 738**	**$ 1,643**	**$ 134,182**
Paycheck Protection Program (PPP)	**17,311**	**—**	**—**	**—**	**17,311**
Commercial loans secured by owner occupied real estate	**98,271**	**297**	**1,076**	**—**	**99,644**
Commercial loans secured by non-owner occupied real estate	**399,104**	**19,322**	**12,394**	**5**	**430,825**
Total	**$ 639,765**	**$ 26,341**	**$ 14,208**	**$ 1,648**	**$ 681,962**

	AT DECEMBER 31, 2020				
	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	TOTAL
			(IN THOUSANDS)		
Commercial and industrial	$ 134,186	$ 13,722	$ 3,254	$ —	$ 151,162
Paycheck Protection Program (PPP)	58,344	—	—	—	58,344
Commercial loans secured by owner occupied real estate	92,189	2,154	1,143	—	95,486
Commercial loans secured by non-owner occupied real estate	371,815	23,980	4,948	8	400,751
Total	$ 656,534	$ 39,856	$ 9,345	$ 8	$ 705,743

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, 2021		
	PERFORMING	NON-PERFORMING	TOTAL
		(IN THOUSANDS)	
Real estate – residential mortgage	**$ 286,843**	**$ 1,153**	**$ 287,996**
Consumer	**15,096**	**—**	**15,096**
Total	**$ 301,939**	**$ 1,153**	**$ 303,092**

	AT DECEMBER 31, 2020		
	PERFORMING	NON-PERFORMING	TOTAL
	(IN THOUSANDS)		
Real estate – residential mortgage	$ 247,520	$ 2,469	$ 249,989
Consumer	16,356	7	16,363
Total	$ 263,876	$ 2,476	$ 266,352

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 non-accrual loans.

	AT DECEMBER 31, 2021						
	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	**$ 133,918**	**$ 14**	**$ 250**	**$ —**	**$ 264**	**$ 134,182**	**$ —**
Paycheck Protection Program (PPP)	**17,311**	**—**	**—**	**—**	**—**	**17,311**	**—**
Commercial loans secured by owner occupied real estate	**99,454**	**—**	**190**	**—**	**190**	**99,644**	**—**
Commercial loans secured by non-owner occupied real estate	**428,790**	**2,035**	**—**	**—**	**2,035**	**430,825**	**—**
Real estate – residential mortgage	**283,178**	**2,449**	**1,240**	**1,129**	**4,818**	**287,996**	**—**
Consumer	**14,938**	**151**	**7**	**—**	**158**	**15,096**	**—**
Total	**$ 977,589**	**$ 4,649**	**$ 1,687**	**$ 1,129**	**$ 7,465**	**$ 985,054**	**$ —**

	AT DECEMBER 31, 2020						
	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	$ 148,023	$ 536	$ 2,603	$ —	$ 3,139	$ 151,162	$ —
Paycheck Protection Program (PPP)	58,344	—	—	—	—	58,344	—
Commercial loans secured by owner occupied real estate	95,486	—	—	—	—	95,486	—
Commercial loans secured by non-owner occupied real estate	399,850	230	671	—	901	400,751	—
Real estate – residential mortgage	246,279	776	1,178	1,756	3,710	249,989	—
Consumer	16,274	82	—	7	89	16,363	—
Total	$ 964,256	$ 1,624	$ 4,452	$ 1,763	$ 7,839	$ 972,095	$ —

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.

8. 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 and in-substance foreclosures) and repossessed assets.

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

	AT DECEMBER 31, 2021	AT DECEMBER 31, 2020
	(IN THOUSANDS, EXCEPT PERCENTAGES)	
Non-accrual loans:		
Commercial and industrial	**$ 2,165**	$ 16
Commercial loans secured by non-owner occupied real estate	**5**	8
Real estate – residential mortgage	**1,153**	2,469
Consumer	**—**	7
Total	**3,323**	2,500
TDR's not in non-accrual:		
Commercial and industrial	**—**	831
Total	**—**	831
Total non-performing assets including TDR	**$ 3,323**	$ 3,331
Total non-performing assets as a percent of loans, net of unearned income, other real estate owned and repossessed assets	**0.34 %**	0.34 %

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 $132,000 and $103,000 as of December 31, 2021 and 2020, respectively.

The following table details the loan modified as a TDR during the year ended December 31, 2021 (dollars in thousands).

Loans in non-accrual status	# of Loans	Current Balance	Concession Granted
Commercial and industrial	**1**	**$ 477**	Subsequent modification of a TDR - Extension of maturity date with a below market interest rate

The following table details the loans modified in TDRs during the year ended December 31, 2020 (dollars in thousands).

Loans in accrual status	# of Loans	Current Balance	Concession Granted
Commercial and industrial	1	$ 750	Subsequent modification of a TDR - Extension of maturity date with a below market interest rate
Commercial and industrial	1	47	Extension of maturity date with a below market interest rate

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, 2021, 2020 or 2019, 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 and repossessed assets are 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, 2021 and 2020, there were no residential real estate foreclosed assets included in other assets. As of December 31, 2021, the Company had initiated formal foreclosure procedures on $116,000 of consumer residential mortgages.

Loan Modifications Related to COVID-19

Under section 4013 of the CARES Act, loans less than 30 days past due as of December 31, 2019 will be considered current for COVID-19 modifications. A financial institution can then suspend the requirements under GAAP for loan modifications related to COVID-19 that would otherwise be categorized as a TDR, and suspend any determination of a loan modified as a result of COVID-19 as being a TDR, including the requirement to determine impairment for accounting purposes and reporting the loan as past due. Financial institutions wishing to utilize this authority must make a policy election, which applies to any COVID-19 modification made between March 1, 2020 and the earlier of either December 31, 2020 or the 60th day after the end of the COVID-19 national emergency so long as the loan was current on payments as of December 31, 2019. The suspension of TDR identification and accounting triggered by the effects of the COVID-19 pandemic was extended by the Consolidated Appropriations Act, 2021, signed into law on December 27, 2020. The period established by Section 4013 of the CARES Act was extended to the earlier of January 1, 2022 or 60 days after the date on which the national COVID-19 emergency terminates. Additionally, the Financial Accounting Standards Board has confirmed that short-term modifications made on a good-faith basis in response to COVID-19 to loan customers who were current prior to any relief are not TDRs.

In response to the COVID-19 pandemic, the Company remains committed to prudently working with and supporting our borrowers that have been hardest hit by the pandemic by granting them loan payment modifications. The following table presents information comparing loans which were subject to a loan modification related to COVID-19, as of December 31, 2021 and 2020. Note that the percentage of outstanding loans presented below was calculated based on loan totals excluding PPP loans. Management believes that this method more accurately reflects the concentration of COVID-19 related modifications within the loan portfolio.

	At December 31, 2021		At December 31, 2020	
	Balance (in thousands)	**% of Outstanding Non-PPP Loans**	**Balance (in thousands)**	**% of Outstanding Non-PPP Loans**
CRE/Commercial	**$ 7,488**	**1.1 %**	$ 47,037	7.0 %
Home Equity/Consumer	**57**	**0.1**	83	0.1
Residential Mortgage	**203**	**0.1**	1,943	1.3
Total	**$ 7,748**	**0.8**	$ 49,063	5.3

The balance of loan modifications related to COVID-19 at December 31, 2021 represents a decrease of $41.3 million, or 84.2%, from the balance of loans modified for COVID-19 at December 31, 2020. In addition, this current level of borrowers requesting payment deferrals is down sharply from its peak level of approximately $200 million that occurred at June 30, 2020. As a result of these loan modifications, the Company has recorded $541,000 of accrued interest income that has not been received as of December 31, 2021.

Borrower requested modifications primarily consist of the deferral of principal and/or interest payments for a period of three to six months. The following table presents the composition of the types of payment relief that have been granted.

	At December 31, 2021		At December 31, 2020	
Type of Payment Relief	**Number of Loans**	**Balance (in thousands)**	**Number of Loans**	**Balance (in thousands)**
Interest only payments	**6**	**$ 3,768**	11	$ 26,900
Complete payment deferrals	**5**	**3,980**	59	22,163
Total	**11**	**$ 7,748**	70	$ 49,063

Management continues to carefully monitor asset quality with a particular focus on customers that have requested payment deferrals during this difficult economic time. Deferral extension requests are considered based upon the customer's needs and their impacted industry, borrower and guarantor capacity to service debt as well as issued regulatory guidance. At December 31, 2021, the COVID-19 related modifications within the commercial real estate and commercial loan portfolios are to five borrowers primarily in the hospitality and personal care industries, with loans totaling approximately $7.5 million. In order to properly monitor the increased credit risk associated with the modified loans, the Asset Quality Task Force is meeting at least monthly to review these particular relationships, receiving input from the business lenders regarding their ongoing discussions with the borrowers.

9. PREMISES AND EQUIPMENT

An analysis of premises and equipment follows:

	AT DECEMBER 31, 2021	AT DECEMBER 31, 2020
	(IN THOUSANDS)	
Land	**$ 1,225**	$ 1,198
Premises	**28,944**	28,070
Furniture and equipment	**8,908**	8,502
Leasehold improvements	**1,174**	1,174
Total at cost	**40,251**	38,944
Less: Accumulated depreciation and amortization	**26,169**	24,608
Premises and equipment, net	**$ 14,082**	$ 14,336

The Company recorded depreciation and amortization expense of $1.7 million for 2021, $1.6 million for 2020, and $1.5 million for 2019.

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 $241,000, $232,000, and $218,000 for the years ended December 31, 2021, 2020, and 2019, respectively.

10. LEASE COMMITMENTS

The Company has operating and financing leases for several office locations and equipment. Several assumptions and judgments were made when applying the requirements of ASU 2016-02, *Leases (Topic 842)*, to the Company's 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 years ended December 31, 2021, 2020, and 2019.

	YEAR ENDED DECEMBER 31, 2021	2020	2019
		(IN THOUSANDS)	
Lease cost			
Financing lease cost:			
Amortization of right-of-use asset	**$ 272**	$ 271	$ 258
Interest expense	**106**	112	117
Operating lease cost	**116**	116	117
Total lease cost	**$ 494**	$ 499	$ 492

The following table presents the weighted-average remaining lease term and discount rate for the leases outstanding at December 31, 2021 and 2020.

	AT DECEMBER 31, 2021		2020	
	OPERATING	FINANCING	OPERATING	FINANCING
Weighted-average remaining term (years)	**11.0**	**15.5**	11.4	16.0
Weighted-average discount rate	**3.53 %**	**3.56 %**	3.49 %	3.52 %

The following table presents the undiscounted cash flows due related to operating and financing leases as of December 31, 2021 and 2020, along with a reconciliation to the discounted amount recorded on the Consolidated Balance Sheets.

DECEMBER 31, 2021	OPERATING	FINANCING
	(IN THOUSANDS)	
Undiscounted cash flows due in:		
2022	**$ 98**	**$ 320**
2023	**69**	**309**
2024	**69**	**249**
2025	**69**	**248**
2026	**69**	**181**
Thereafter	**452**	**2,578**
Total undiscounted cash flows	**826**	**3,885**
Discount on cash flows	**(144)**	**(986)**
Total lease liabilities	**$ 682**	**$ 2,899**

DECEMBER 31, 2020	OPERATING	FINANCING
	(IN THOUSANDS)	
Undiscounted cash flows due in:		
2021	$ 120	$ 316
2022	98	320
2023	69	309
2024	69	249
2025	69	248
Thereafter	520	2,760
Total undiscounted cash flows	945	4,202
Discount on cash flows	(169)	(1,093)
Total lease liabilities	$ 776	$ 3,109

The Company leases approximately 1,049 square feet of office space within its headquarters building to a Director of the Company. The amount paid by this related party totaled $13,000 for the years ended December 31, 2021, 2020, and 2019 and is reported in net occupancy expense on the Consolidated Statements of Operations.

11. DEPOSITS

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

	AT DECEMBER 31, 2021	AT DECEMBER 31, 2020
	(IN THOUSANDS)	
Demand:		
Non-interest bearing	**$ 211,106**	$ 177,533
Interest bearing	**235,582**	200,969
Savings	**133,163**	112,353
Money market	**267,202**	219,919
Certificates of deposit	**292,325**	344,146
Total deposits	**$ 1,139,378**	$ 1,054,920

The following table sets forth the balance of certificates of deposit as of December 31, 2021 maturing in the periods presented:

YEAR:	CERTIFICATES OF DEPOSIT (IN THOUSANDS)
2022	$ 182,694
2023	55,286
2024	19,827
2025	13,542
2026	8,330
2027 and after	12,646
Total	$ 292,325

The aggregate amount of certificates of deposit that exceed the FDIC insurance limit of $250,000 at December 31, 2021 and 2020 are $66.7 million and $81.7 million, respectively.

The amount of related party deposits totaled $2,177,000 and $938,000 at December 31, 2021 and 2020, respectively

12. SHORT-TERM BORROWINGS

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

	AT DECEMBER 31, 2021	
	FEDERAL FUNDS PURCHASED	SHORT-TERM BORROWINGS
	(IN THOUSANDS, EXCEPT RATES)	
Balance	$ —	$ —
Maximum balance at any month end	—	4,077
Average balance during year	—	389
Average rate paid for the year	— %	0.37 %
Interest rate on year-end balance	—	0.28

	AT DECEMBER 31, 2020	
	FEDERAL FUNDS PURCHASED	SHORT-TERM BORROWINGS
	(IN THOUSANDS, EXCEPT RATES)	
Balance	$ —	$ 24,702
Maximum balance at any month end	2,000	41,632
Average balance during year	18	4,929
Average rate paid for the year	0.87 %	0.58 %
Interest rate on year-end balance	—	0.41

	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

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.

13. 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, 2021	
	WEIGHTED AVERAGE YIELD	BALANCE
MATURING	(IN THOUSANDS, EXCEPT RATES)	
2022	**1.88 %**	**$ 22,888**
2023	**1.59**	**15,568**
2024	**1.19**	**4,197**
Total advances from FHLB	**1.71**	**$ 42,653**

	AT DECEMBER 31, 2020	
	WEIGHTED AVERAGE YIELD	BALANCE
MATURING	(IN THOUSANDS, EXCEPT RATES)	
2021	1.00 %	$ 24,336
2022	2.03	20,888
2023	1.59	15,568
2024	1.19	4,197
Total advances from FHLB	1.48	$ 64,989

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, 2021, the Company had immediately available $365 million of overnight borrowing capability at the FHLB, $32 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 represented undivided beneficial interests in the assets of a Delaware business trust, AmeriServ Financial Capital Trust I. The trust preferred securities would have matured on June 30, 2028, and were 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 were 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. In addition, the Company used approximately $12 million of proceeds from a private placement of subordinated notes to retire the remaining outstanding trust preferred securities on September 30, 2021.

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 would have matured December 31, 2025 and had a 6.50% fixed interest rate for the entire term. This subordinated debt had been structured to qualify as tier 2 capital under the Federal Reserve's capital guidelines and was 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 Company used approximately $7.7 million of proceeds from a private placement of subordinated notes to retire this subordinated debt on September 30, 2021.

On August 26, 2021, the Company completed a private placement of $27 million in fixed-to-floating rate subordinated notes to certain accredited investors. The notes mature September 1, 2031 and are non-callable for five years. The notes have a fixed annual interest rate of 3.75%, payable until September 1, 2026. From and including September 1, 2026, the interest rate will reset quarterly to the then-current three-month Secured Overnight Financing Rate (SOFR) plus 3.11%. This subordinated debt has been structured to qualify as tier 2 capital under the Federal Reserve's capital guidelines. As previously disclosed, the Company used approximately $20 million of the net proceeds to retire its existing subordinated debt and trust preferred securities on September 30, 2021. The remainder of the proceeds are being utilized for general corporate purposes, including the downstream of $3.5 million as capital to the bank. The net balance of subordinated debt as of December 31, 2021 was $26.6 million. This compares to the net balance of guaranteed junior subordinated deferrable interest debentures (trust preferred securities) of $13.0 million and subordinated debt of $7.5 million as of December 31, 2020.

14. 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 interest rate swaps used for interest rate risk management and the risk participation agreement associated with a commercial real estate loan are based on an external derivative valuation model using data inputs from similar transactions as of the valuation date and classified Level 2.

The following table presents the assets and liabilities measured and reported on the Consolidated Balance Sheets on a recurring basis at their fair value as of December 31, 2021 and 2020, by level within the fair value hierarchy (in thousands).

	FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2021 USING			
	TOTAL	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Equity securities (1)	**$ 526**	**$ 526**	**$ —**	**$ —**
Available for sale securities:				
U.S. Agency	**7,387**	**—**	**7,387**	**—**
U.S. Agency mortgage-backed securities	**80,167**	**—**	**80,167**	**—**
Municipal	**20,892**	**—**	**20,892**	**—**
Corporate bonds	**54,725**	**—**	**54,725**	**—**
Interest rate swap asset (1)	**1,226**	**—**	**1,226**	**—**
Interest rate swap liability (2)	**(1,226)**	**—**	**(1,226)**	**—**
Risk participation agreement (2)	**—**	**—**	**—**	**—**

	FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2020 USING			
	TOTAL	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Equity securities (1)	$ 443	$ 443	$ —	$ —
Available for sale securities:				
U.S. Agency	3,152	—	3,152	—
U.S. Agency mortgage-backed securities	67,913	—	67,913	—
Municipal	20,348	—	20,348	—
Corporate bonds	52,752	—	52,752	—
Interest rate swap asset (1)	3,320	—	3,320	—
Interest rate swap liability (2)	(3,320)	—	(3,320)	—

(1) Included within other assets on the Consolidated Balance Sheets.

(2) Included within other liabilities on the Consolidated Balance Sheets.

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 using unobservable inputs. At December 31, 2021, impaired loans evaluated using the collateral method with a carrying value of $5,000 were reduced by a specific valuation allowance totaling $5,000 resulting in a net fair value of zero. At December 31, 2020, impaired loans with a carrying value of $266,000 were reduced by a specific valuation allowance totaling $8,000 resulting in a net fair value of $258,000.

Other real estate owned is measured at fair value based on appraisals, less estimated costs to sell at the date of foreclosure. The Bank's internal Assigned Risk Department estimates the fair value of repossessed assets, such as vehicles and equipment, using a formula driven analysis based on automobile or other industry data, less estimated costs to sell at the time of repossession. 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 and repossessed assets.

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, 2021 USING			
	TOTAL	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Impaired loans	$ —	$ —	$ —	$ —

	FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2020 USING			
	TOTAL	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Impaired loans	$ 258	$ —	$ —	$ 258

	Quantitative Information About Level 3 Fair Value Measurements			
December 31, 2021	Fair Value	Valuation Techniques	Unobservable Input	Range (Wgtd Avg)
Impaired loans	$ —	Appraisal of collateral (1)	Appraisal adjustments(2)	100% (100%)

	Quantitative Information About Level 3 Fair Value Measurements			
December 31, 2020	Fair Value	Valuation Techniques	Unobservable Input	Range (Wgtd Avg)
Impaired loans	$ 258	Appraisal of collateral (1)	Appraisal adjustments(2)	0% to 100% (3%)

(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.

15. 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, deposits with no stated maturities, 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, 2021 and 2020, for the remaining financial instruments not required to be measured or reported at fair value were as follows:

	AT DECEMBER 31, 2021				
	Carrying Value	Fair Value	(Level 1)	(Level 2)	(Level 3)
	(IN THOUSANDS)				
FINANCIAL ASSETS:					
Investment securities – HTM	**$ 53,751**	**$ 55,516**	**$ —**	**$ 52,523**	**$ 2,993**
Loans held for sale	**983**	**1,022**	**1,022**	**—**	**—**
Loans, net of allowance for loan loss and unearned income	**972,656**	**969,681**	**—**	**—**	**969,681**
FINANCIAL LIABILITIES:					
Deposits with stated maturities	**292,325**	**294,280**	**—**	**—**	**294,280**
All other borrowings [1]	**69,256**	**69,506**	**—**	**—**	**69,506**

	AT DECEMBER 31, 2020				
	Carrying Value	Fair Value	(Level 1)	(Level 2)	(Level 3)
	(IN THOUSANDS)				
FINANCIAL ASSETS:					
Investment securities – HTM	$ 44,222	$ 47,106	$ —	$ 44,108	$ 2,998
Loans held for sale	6,250	6,428	6,428	—	—
Loans, net of allowance for loan loss and unearned income	960,750	969,433	—	—	969,433
FINANCIAL LIABILITIES:					
Deposits with stated maturities	344,146	347,927	—	—	347,927
All other borrowings[1]	85,493	90,907	—	—	90,907

(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.

16. INCOME TAXES

The expense for income taxes is summarized below and includes both federal and applicable state corporate income taxes:

	YEAR ENDED DECEMBER 31,		
	2021	2020	2019
	(IN THOUSANDS)		
Current	**$ 973**	$ (400)	$ 1,393
Deferred	**729**	1,614	179
Income tax expense	**$ 1,702**	$ 1,214	$ 1,572

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

	YEAR ENDED DECEMBER 31,					
	2021		2020		2019	
	AMOUNT	RATE	AMOUNT	RATE	AMOUNT	RATE
	(IN THOUSANDS, EXCEPT PERCENTAGES)					
Income tax expense based on federal statutory rate	**$ 1,843**	**21.0 %**	$ 1,221	21.0 %	$ 1,596	21.0 %
Tax exempt income	**(253)**	**(2.9)**	(188)	(3.2)	(131)	(1.4)
Other	**112**	**1.3**	181	3.1	107	1.1
Total expense for income taxes	**$ 1,702**	**19.4 %**	$ 1,214	20.9 %	$ 1,572	20.7 %

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

	AT DECEMBER 31,	
	2021	2020
	(IN THOUSANDS)	
DEFERRED TAX ASSETS:		
Allowance for loan losses	**$ 2,604**	$ 2,382
Unfunded commitment reserve	**208**	183
Premises and equipment	**743**	686
Lease liabilities	**752**	816
Other	**175**	149
Total tax assets	**4,482**	4,216
DEFERRED TAX LIABILITIES:		
Investment accretion	**(51)**	(88)
Unrealized investment security gains	**(369)**	(941)
Lease right-of-use assets	**(704)**	(780)
Accrued pension obligation	**(4,098)**	(646)
Other	**(194)**	(189)
Total tax liabilities	**(5,416)**	(2,644)
Net deferred tax asset (liability)	**$ (934)**	$ 1,572

At December 31, 2021 and 2020, 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.

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 2017 have been closed for purposes of examination by the Internal Revenue Service and the Pennsylvania Department of Revenue.

17. EMPLOYEE BENEFIT PLANS

PENSION PLAN:

The Company has a noncontributory defined benefit pension plan covering certain 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 $1.8 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.

PENSION BENEFITS:

	YEAR ENDED DECEMBER 31,	
	2021	2020
	(IN THOUSANDS)	
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	**$ 54,861**	$ 49,561
Service cost	**1,708**	1,676
Interest cost	**894**	1,281
Actuarial loss	**273**	6,085
Settlements	**(6,516)**	—
Benefits paid	**(933)**	(3,742)
Benefit obligation at end of year	**50,287**	54,861
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	**58,447**	44,831
Actual return on plan assets	**11,434**	8,358
Employer contributions	**8,000**	9,000
Settlements	**(6,516)**	—
Benefits paid	**(933)**	(3,742)
Fair value of plan assets at end of year	**70,432**	58,447
Funded status of the plan	**$ 20,145**	$ 3,586

	YEAR ENDED DECEMBER 31,	
	2021	2020
	(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	**$ 9,319**	$ 20,628
Total	**$ 9,319**	$ 20,628

	YEAR ENDED DECEMBER 31,	
	2021	**2020**
	(IN THOUSANDS)	
ACCUMULATED BENEFIT OBLIGATION:		
Accumulated benefit obligation	**$ 46,319**	$ 50,435

The weighted-average assumptions used to determine benefit obligations at December 31, 2021 and 2020 were as follows:

	YEAR ENDED DECEMBER 31,	
	2021	**2020**
WEIGHTED AVERAGE ASSUMPTIONS:		
Discount rate	**2.80 %**	2.47 %
Salary scale	**2.50**	2.50

	YEAR ENDED DECEMBER 31,		
	2021	**2020**	**2019**
	(IN THOUSANDS)		
COMPONENTS OF NET PERIODIC BENEFIT COST:			
Service cost	**$ 1,708**	$ 1,676	$ 1,470
Interest cost	**894**	1,281	1,569
Expected return on plan assets	**(4,008)**	(3,241)	(3,025)
Amortization of net loss	**2,421**	2,453	1,649
Settlement charge	**1,736**	—	—
Net periodic pension cost	**$ 2,751**	$ 2,169	$ 1,663

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.

The Company recognized a $1.7 million settlement charge in connection with its definded benefit pension plan in 2021. A settlement charge must be recognized when the total dollar amount of lump sum distributions paid from the pension plan to retired employees exceed a threshold of expected annual service and interest costs in the current year. In 2021, all but one employee that retired elected to take a lump sum distribution as opposed to collecting future monthly annuity payments since the value of the lump sums was elevated due to historically low interest rates. It is important to note that since the retired employees have chosen to take the lump sum payments, these individuals are no longer included in the pension plan. Therefore, we anticipate that the Company's normal annual pension expense should be lower in the future.

The accrued pension liability, which had a positive (debit) balance of $19.5 million and $3.0 million, was reclassified to other assets on the Consolidated Balance Sheets as of December 31, 2021 and 2020, respectively. The balance of the accrued pension liability became a positive value as a result of the Company's contributions to the plan during the year and the revaluation of the obligation due to the recognition of the settlement charge in 2021.

	YEAR ENDED DECEMBER 31,		
	2021	2020	2019
	(IN THOUSANDS)		
OTHER CHANGES IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN OTHER COMPREHENSIVE LOSS			
Net (gain) loss	**$ (7,153)**	$ 968	$ 5,300
Recognized loss	**(4,157)**	(2,453)	(1,649)
Total recognized in other comprehensive loss before tax effect	**$ (11,310)**	$ (1,485)	$ 3,651
Total recognized in net benefit cost and other comprehensive loss before tax effect	**$ (8,559)**	$ 684	$ 5,314

For the year ended December 31, 2021, actuarial gains in the projected benefit obligation were primarily the result of the increase in discount rate. Other sources of gain/loss such as plan experience, updated census data and minor adjustments to actuarial assumptions, including updates to lump sum interest rates, lump sum mortality tables, and mortality improvement scales, generated a combined loss of less than 4% of expected year end obligations.

The weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2021, 2020 and 2019 were as follows:

	YEAR ENDED DECEMBER 31,		
	2021	2020	2019
WEIGHTED AVERAGE ASSUMPTIONS:			
Discount rate	**2.48 %**	3.20 %	4.28 %
Expected return on plan assets	**7.00**	7.00	7.50
Rate of compensation increase	**2.50**	2.50	2.50

The Company has assumed a 7.00% long-term expected return on plan assets. This assumption was based upon the plan's historical investment performance over a longer-term period of 20 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, 2021. This plan's asset allocation at December 31, 2021 and 2020, by asset category are as follows:

	YEAR ENDED DECEMBER 31,	
	2021	2020
ASSET CATEGORY:		
Cash and cash equivalents	**0.1 %**	1.2 %
Domestic equities	**12.1**	10.6
Mutual funds/ETFs	**84.1**	82.2
International equities	**0.3**	—
Corporate bonds	**3.4**	6.0
Total	**100.0 %**	100.0 %

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,	
	2021	2020
	(IN THOUSANDS)	
Level 1:		
Cash and cash equivalents	**$ 56**	$ 725
Domestic equities	**8,488**	6,219
Mutual funds/ETFs	**59,306**	48,009
International equities	**199**	—
Level 2:		
Corporate bonds	**2,383**	3,494
Total fair value of plan assets	**$ 70,432**	$ 58,447

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 West Chester Capital Advisors. 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, 2021, 2.6% 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 2022 will approximate $5.0 million. Funding requirements for subsequent years are uncertain and will significantly depend on whether the plan's actuary changes any assumptions used to calculate plan funding levels, the actual return on plan assets, changes in the employee groups covered by the plan, and any legislative or regulatory changes affecting plan funding requirements. For tax planning, financial planning, cash flow management or cost reduction purposes the Company may increase, accelerate, decrease or delay contributions to the plan to the extent permitted by law.

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)
2022	$ **4,608**
2023	**4,302**
2024	**4,456**
2025	**3,944**
2026	**3,923**
Years 2027-2031	**12,088**

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 $704,000, $653,000 and $604,000 for the years ended December 31, 2021, 2020 and 2019, respectively. The fair value of plan assets includes $434,000 pertaining to the value of the Company's common stock that was held by the plan at December 31, 2021.

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, 2021 and 2020, the Company reported a deferred compensation liability of $526,000 and $443,000, respectively, within other liabilities on the Consolidated Balance Sheets. For the year ended December 31, 2021 and 2020, the Company recognized $44,000 and $7,000, respectively, of deferred compensation plan expense which is reported within other expense on the Consolidated Statements of Operations. See Note 5 (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.

18. 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, 2021, the Company had various outstanding commitments to extend credit approximating $216.6 million and standby letters of credit of $13.1 million, compared to commitments to extend credit of $213.9 million and standby letters of credit of $13.3 million at December 31, 2020.

Standby letters of credit had terms ranging from 1 to 5 years with annual extension options available. Standby letters of credit of approximately $8.5 million were secured as of December 31, 2021 and 2020. The carrying amount of the liability for AmeriServ obligations related to unfunded commitments and standby letters of credit was $989,000 at December 31, 2021 and $872,000 at December 31, 2020.

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.

19. STOCK COMPENSATION PLANS

The Company uses the modified prospective method for accounting for stock-based compensation and recognized $43,000 of compensation expense for the year 2021, $3,000 in 2020 and $7,000 in 2019.

During 2021, the Company's Board adopted, and its shareholders approved, the AmeriServ Financial, Inc. 2021 Equity Incentive Plan (the Plan) authorizing the grant of options or restricted stock covering 600,000 shares of common stock. This Plan replaced the expired 2011 Stock Incentive 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 Equity Incentive Plan at December 31, 2021, 2020, and 2019, and changes during the years then ended is presented in the table and narrative following:

	YEAR ENDED DECEMBER 31,					
	2021		2020		2019	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	**230,913**	**$ 3.14**	296,648	$ 3.02	336,313	$ 2.91
Granted	**160,000**	**3.84**	—	—	7,000	4.19
Exercised	**(21,356)**	**2.68**	(38,235)	2.06	(40,917)	2.45
Forfeited	**(510)**	**3.23**	(27,500)	3.30	(5,748)	2.44
Outstanding at end of year	**369,047**	**3.47**	230,913	3.14	296,648	3.02
Exercisable at end of year	**206,713**	**3.18**	224,580	3.11	282,565	2.96
Weighted average fair value of options granted in current year		**$ 1.78**		$ —		$ 0.62

A total of 206,713 of the 369,047 options outstanding at December 31, 2021, are exercisable and have exercise prices between $2.75 and $4.22, with a weighted average exercise price of $3.18 and a weighted average remaining contractual life of 2.71 years. The remaining 162,334 options that are not yet exercisable have exercise prices between $3.83 and $4.19, with a weighted average exercise price of $3.84 and a weighted average remaining contractual life of 9.11 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 2021, 2020, and 2019. No stock options were granted during 2020.

	YEAR ENDED DECEMBER 31,		
PRICING MODEL ASSUMPTION RANGES	2021	2020	2019
Risk-free interest rate	**1.27 - 1.42 %**	— %	2.65 %
Expected lives in years	**10**	—	10
Expected volatility	**40.38 - 45.03 %**	— %	15.75 %
Expected dividend rate	**2.60 - 2.61 %**	— %	1.91 %

The intrinsic value of stock options exercised was $27,000, $56,000, and $71,000 in 2021, 2020, and 2019, respectively.

20. 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, 2021, 2020, and 2019 (in thousands):

	YEAR ENDING DECEMBER 31, 2021			YEAR ENDED DECEMBER 31, 2020			YEAR ENDING DECEMBER 31, 2019		
	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	**$ 3,539**	**$ (16,737)**	**$ (13,198)**	$ 1,715	$ (17,886)	$ (16,171)	$ (1,409)	$ (12,816)	$ (14,225)
Other comprehensive income (loss) before reclassifications	**(2,087)**	**5,555**	**3,468**	1,824	(789)	1,035	3,217	(6,373)	(3,156)
Amounts reclassified from accumulated other comprehensive loss	**(66)**	**3,284**	**3,218**	—	1,938	1,938	(93)	1,303	1,210
Net current period other comprehensive income (loss)	**(2,153)**	**8,839**	**6,686**	1,824	1,149	2,973	3,124	(5,070)	(1,946)
Ending balance	**$ 1,386**	**$ (7,898)**	**$ (6,512)**	$ 3,539	$ (16,737)	$ (13,198)	$ 1,715	$ (17,886)	$ (16,171)

(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, 2021, 2020, and 2019 (in thousands):

	Amount reclassified from accumulated other comprehensive loss(1)			
Details about accumulated other comprehensive loss components	**YEAR ENDING DECEMBER 31, 2021**	**YEAR ENDING DECEMBER 31, 2020**	**YEAR ENDING DECEMBER 31, 2019**	**Affected line item in the statement of operations**
Realized gains on sale of securities				
	$ (84)	$ —	$ (118)	Net realized gains on investment securities
	18	—	25	Provision for income taxes
	$ (66)	$ —	$ (93)	
Amortization of estimated defined benefit pension plan loss(2)				
	$ 4,157	$ 2,453	$ 1,649	Other expense
	(873)	(515)	(346)	Provision for income taxes
	$ 3,284	$ 1,938	$ 1,303	
Total reclassifications for the period	**$ 3,218**	$ 1,938	$ 1,210	

(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 17 for additional details).

21. INTANGIBLE ASSETS

The Company's Consolidated Balance Sheets show both tangible assets (such as loans, buildings, and investments) and intangible assets (such as goodwill and core deposit intangible). 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 $13.6 million, $11.2 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, 2021 and 2020 was $13.6 million and $11.9 million, respectively. During 2021, the Company recorded $1.7 million of goodwill as a result of the Riverview Bank branch acquisition. See Note 28 for the disclosures related to the branch acquisition.

Other intangible assets, such as core deposit intangible, are assigned useful lives, which are amortized on an accelerated basis over their useful lives. During 2021, the Company recorded a core deposit intangible of $177,000 as a result of the Riverview Bank branch acquisition. As of December 31, 2021, accumulated amortization on the core deposit intangible totaled $19,000. See Note 27 for the disclosures related to the branch acquisition.

As of December 31, 2021, the estimated future amortization expense for the core deposit intangible associated with the Riverview branch acquisition is as follows (in thousands):

2022	**$ 30**
2023	**27**
2024	**24**
2025	**21**
2026	**17**
After five years	**39**
	$ 158

22. 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.

Interest Rate Swap Agreements

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 this large financial institution. 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 the large financial institution 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, 2021 and 2020, the Company received $191,000 and $196,000, respectively, in fees on the interest rate swap transactions, which are recognized as revenue when received.

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 14.

The following table summarizes the interest rate swap transactions that impacted the Company's 2021 and 2020 performance (in thousands, except percentages).

	DECEMBER 31, 2021				
	HEDGE TYPE	AGGREGATE NOTIONAL AMOUNT	WEIGHTED AVERAGE RATE RECEIVED/(PAID)	REPRICING FREQUENCY	INCREASE (DECREASE) IN INTEREST EXPENSE
Swap assets	**N/A**	**$ 67,280**	**2.59 %**	**Monthly**	**$ (857)**
Swap liabilities	**N/A**	**(67,280)**	**(2.59)**	**Monthly**	**857**
Net exposure		**—**	**—**		**—**

	DECEMBER 31, 2020				
	HEDGE TYPE	AGGREGATE NOTIONAL AMOUNT	WEIGHTED AVERAGE RATE RECEIVED/(PAID)	REPRICING FREQUENCY	INCREASE (DECREASE) IN INTEREST EXPENSE
Swap assets	N/A	$ 46,760	2.91 %	Monthly	$ (523)
Swap liabilities	N/A	(46,760)	(2.91)	Monthly	523
Net exposure		—	—		—

Risk Participation Agreement

The Company entered into a risk participation agreement (RPA) with the lead bank of a commercial real estate loan arrangement. As a participating bank, the Company guarantees the performance on a borrower-related interest rate swap contract. The Company has no obligations under the RPA unless the borrower defaults on their swap transaction with the lead bank and the swap is a liability to the borrower. In that instance, the Company has agreed to pay the lead bank a pre-determined percentage of the swap's value at the time of default. In exchange for providing the guarantee, the Company received an upfront fee from the lead bank.

RPAs are derivative financial instruments and are recorded at fair value. These derivatives are not designated as hedges and therefore, changes in fair value are recognized in earnings with a corresponding offset within other liabilities. Disclosures related to the fair value of the RPA can be found in Note 14. The notional amount of the risk participation agreement outstanding at December 31, 2021 was $2.5 million.

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, within the Board of Directors approved Hedging Policy. The Company had no caps or floors outstanding at December 31, 2021 and 2020. None of the Company's derivatives are designated as hedging instruments.

23. 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 (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, 2021			
	COMMUNITY BANKING	WEALTH MANAGEMENT	INVESTMENT/ PARENT	TOTAL
	(IN THOUSANDS)			
Net interest income (expense)	**$ 45,934**	**$ 72**	**$ (6,923)**	**$ 39,083**
Provision for loan loss	**1,100**	**—**	**—**	**1,100**
Non-interest income	**5,649**	**11,986**	**126**	**17,761**
Non-interest expense	**35,636**	**8,349**	**2,985**	**46,970**
Income (loss) before income taxes	**14,847**	**3,709**	**(9,782)**	**8,774**
Income tax expense (benefit)	**2,797**	**841**	**(1,936)**	**1,702**
Net income (loss)	**$ 12,050**	**$ 2,868**	**$ (7,846)**	**$ 7,072**
Total assets	**$ 1,111,856**	**$ 10,822**	**$ 212,882**	**$ 1,335,560**

	YEAR ENDED DECEMBER 31, 2020			
	COMMUNITY BANKING	WEALTH MANAGEMENT	INVESTMENT/ PARENT	TOTAL
	(IN THOUSANDS)			
Net interest income (expense)	$ 42,862	$ 55	$ (6,550)	$ 36,367
Provision for loan loss	2,375	—	—	2,375
Non-interest income	6,022	10,212	41	16,275
Non-interest expense	34,136	7,683	2,636	44,455
Income (loss) before income taxes	12,373	2,584	(9,145)	5,812
Income tax expense (benefit)	2,303	598	(1,687)	1,214
Net income (loss)	$ 10,070	$ 1,986	$ (7,458)	$ 4,598
Total assets	$ 1,086,653	$ 10,471	$ 185,609	$ 1,282,733

	YEAR ENDED DECEMBER 31, 2019			
	COMMUNITY BANKING	WEALTH MANAGEMENT	INVESTMENT/ PARENT	TOTAL
	(IN THOUSANDS)			
Net interest income (expense)	$ 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

24. 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, common equity tier 1, and tier 1 capital to risk-weighted assets (as defined) 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, 2021 and 2020 , 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 as of such date. To be categorized as well capitalized, the Company must maintain minimum total capital, common equity tier 1 capital, tier 1 capital, and tier 1 leverage ratios as set forth in the table.

	AT DECEMBER 31, 2021					
	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)	**$ 149,177**	**14.04 %**	**$ 133,881**	**12.66 %**	**8.00 %**	**10.00 %**
Tier 1 Common Equity (To Risk Weighted Assets)	**109,292**	**10.29**	**120,656**	**11.41**	**4.50**	**6.50**
Tier 1 Capital (To Risk Weighted Assets)	**109,292**	**10.29**	**120,656**	**11.41**	**6.00**	**8.00**
Tier 1 Capital (To Average Assets)	**109,292**	**8.17**	**120,656**	**9.12**	**4.00**	**5.00**

	AT DECEMBER 31, 2020					
	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)	$ 135,777	12.93 %	$ 125,182	11.95 %	8.00 %	10.00 %
Tier 1 Common Equity (To Risk Weighted Assets)	105,653	10.06	112,965	10.78	4.50	6.50
Tier 1 Capital (To Risk Weighted Assets)	117,556	11.20	112,965	10.78	6.00	8.00
Tier 1 Capital (To Average Assets)	117,556	9.29	112,965	9.03	4.00	5.00

* Applies to the Bank only.

It should be noted that, in addition to earnings performance positively impacting regulatory capital, the August 26, 2021 issuance of $27 million in subordinated debt resulted in the total capital ratios at both the Company and the Bank improving to a greater degree than they otherwise would have between years. This improvement is due to the new $27 million subordinated debt issuance being larger than the aggregate $20 million of debt instruments that it replaced. The new $27 million of subordinated debt qualifies as tier 2 capital at the Company and replaced $13.1 million of guaranteed junior subordinated debt, which qualified as tier 1 capital, and $7.65 million of subordinated debt that, similar to the new subordinated debt, qualified as tier 2 capital. As a result, the tier 1 capital ratio decreased at the Company and is now equal to the tier 1 common equity ratio. Since the new subordinated debt issuance was greater than the aggregate total of the debt instruments that it replaced, the Parent Company downstreamed $3.5 million as capital to the Bank. This new capital at the Bank qualifies as tier 1 capital and resulted in further improvement to all of its regulatory capital ratios.

25. 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, 2021	2020
	(IN THOUSANDS)	
ASSETS		
Cash	**$ 100**	$ 100
Short-term investments	**5,533**	1,998
Cash and cash equivalents	**5,633**	2,098
Investment securities available for sale	**3,692**	3,789
Equity investment in banking subsidiary	**127,874**	111,513
Equity investment in non-banking subsidiaries	**6,707**	7,327
Other assets	**866**	1,289
TOTAL ASSETS	**$ 144,772**	$ 126,016
LIABILITIES		
Guaranteed junior subordinated deferrable interest debentures	**$ —**	$ 12,970
Subordinated debt	**26,603**	7,534
Other liabilities	**1,620**	1,113
TOTAL LIABILITIES	**28,223**	21,617
STOCKHOLDERS' EQUITY		
Total stockholders' equity	**116,549**	104,399
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 144,772**	$ 126,016

STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2021	2020	2019
	(IN THOUSANDS)		
INCOME			
Inter-entity management and other fees	**$ 2,520**	$ 2,708	$ 2,556
Dividends from banking subsidiary	**2,000**	2,000	3,800
Dividends from non-banking subsidiaries	**1,550**	1,944	1,105
Interest, dividend and other income	**115**	106	186
TOTAL INCOME	**6,185**	6,758	7,647
EXPENSE			
Interest expense	**1,798**	1,642	1,642
Salaries and employee benefits	**2,871**	2,667	2,614
Other expense	**1,783**	1,749	1,707
TOTAL EXPENSE	**6,452**	6,058	5,963
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	**(267)**	700	1,684
Benefit for income taxes	**(802)**	(681)	(676)
Equity in undistributed earnings of subsidiaries	**6,537**	3,217	3,668
NET INCOME	**$ 7,072**	$ 4,598	$ 6,028
COMPREHENSIVE INCOME	**$ 13,758**	$ 7,571	$ 4,082

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2021	**2020**	**2019**
	(IN THOUSANDS)		
OPERATING ACTIVITIES			
Net income	**$ 7,072**	$ 4,598	$ 6,028
Adjustment to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	**(6,537)**	(3,217)	(3,668)
Stock compensation expense	**43**	3	7
Other – net	**1,204**	(133)	(526)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**1,782**	1,251	1,841
INVESTING ACTIVITIES			
Purchase of investment securities – available for sale	**(1,008)**	(1,254)	—
Proceeds from maturity and sales of investment securities – available for sale	**991**	1,246	1,085
Capital contribution to banking subsidiary	**(3,500)**	—	—
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(3,517)**	(8)	1,085
FINANCING ACTIVITIES			
Redemption of guaranteed junior subordinated deferrable interest debentures	**(12,018)**	—	—
Subordinated debt issuance, net	**26,589**	—	—
Redemption of subordinated debt	**(7,650)**	—	—
Stock options exercised	**57**	78	99
Purchases of treasury stock	**—**	(151)	(2,550)
Common stock dividends paid	**(1,708)**	(1,716)	(1,642)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**5,270**	(1,789)	(4,093)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,535**	(546)	(1,167)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**2,098**	2,644	3,811
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**$ 5,633**	$ 2,098	$ 2,644

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 $118,693,000 of restricted surplus and retained earnings at December 31, 2021.

26. SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA (unaudited)

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

	2021 QUARTER ENDED			
	DEC. 31	SEPT. 30	JUNE 30	MARCH 31
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Interest income	**$ 11,690**	**$ 11,372**	**$ 11,838**	**$ 11,769**
Interest expense	**1,392**	**2,146**	**1,971**	**2,077**
Net interest income	**10,298**	**9,226**	**9,867**	**9,692**
Provision for loan losses	**250**	**350**	**100**	**400**
Net interest income after provision for loan losses	**10,048**	**8,876**	**9,767**	**9,292**
Non-interest income	**4,332**	**4,416**	**4,399**	**4,614**
Non-interest expense	**12,107**	**11,520**	**12,038**	**11,305**
Income before income taxes	**2,273**	**1,772**	**2,128**	**2,601**
Provision for income taxes	**421**	**341**	**420**	**520**
Net income	**$ 1,852**	**$ 1,431**	**$ 1,708**	**$ 2,081**
Basic earnings per common share	**$ 0.11**	**$ 0.08**	**$ 0.10**	**$ 0.12**
Diluted earnings per common share	**0.11**	**0.08**	**0.10**	**0.12**
Cash dividends declared per common share	**0.025**	**0.025**	**0.025**	**0.025**

	2020 QUARTER ENDED			
	DEC. 31	SEPT. 30	JUNE 30	MARCH 31
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Interest income	$ 11,640	$ 11,237	$ 12,061	$ 11,944
Interest expense	2,288	2,446	2,588	3,193
Net interest income	9,352	8,791	9,473	8,751
Provision for loan losses	1,075	675	450	175
Net interest income after provision for loan losses	8,277	8,116	9,023	8,576
Non-interest income	4,372	4,304	3,767	3,832
Non-interest expense	11,709	11,107	11,006	10,633
Income before income taxes	940	1,313	1,784	1,775
Provision for income taxes	248	235	365	366
Net income	$ 692	$ 1,078	$ 1,419	$ 1,409
Basic earnings per common share	$ 0.04	$ 0.06	$ 0.08	$ 0.08
Diluted earnings per common share	0.04	0.06	0.08	0.08
Cash dividends declared per common share	0.025	0.025	0.025	0.025

27. BRANCH ACQUISITION

On May 21, 2021, AmeriServ Financial Bank, the Company's wholly owned banking subsidiary, completed its previously announced acquisition from Citizen's Neighborhood Bank (CNB), an operating division of Riverview Bank, the branch and deposit customers in Meyersdale, Pennsylvania and the deposit customers in Somerset, Pennsylvania. On this date, the Meyersdale branch continued in operation under the AmeriServ name while the Somerset branch customers were transferred to the full service AmeriServ office at 108 West Main Street. Pursuant with the terms of the purchase and assumption agreement, the related deposits, totaling approximately $42 million on the closing date, were acquired for a 3.71% deposit premium, or $1.6 million.

The acquisition was accounted for under the acquisition method of accounting as prescribed by FASB Accounting Standards Codification 805, *Business Combinations*, as amended. Accordingly, the acquisition's results of operations have been included in the Company's results of operations as of the date of acquisition. Under this method of accounting, the purchase price has been allocated to the respective assets acquired and liabilities assumed based on their estimated fair values. Management made significant estimates and exercised significant judgment in accounting for the acquisition.

In accordance with the purchase and assumption agreement, the purchase price of the real property (i.e. premise and equipment) was equal to the net book value as of the date of acquisition. The Company determined that the net book value was a reasonable proxy of fair value based on review of appraisals on record at Riverview Bank. The Company engaged a consultant to assist in the valuation of the core deposit intangible asset and fair value of certificates of deposit. Core deposits include demand deposits, interest-bearing checking, money market, and savings accounts. The core deposit intangible value assigned to the acquired deposits was determined using the income approach and represents the future economic benefit of the potential cost savings from acquiring those core deposits compared to the cost of obtaining generally higher cost FHLB borrowings. Certificates of deposit (CDs) are not considered to be core deposits as they typically are less stable and generally do not have an all-in favorable funding advantage to alternative funding sources. The fair value of CDs represents the present value of the certificates' expected contractual payments discounted by market rates for similar CDs.

The following table reflects the basis of assets acquired and liabilities assumed from Riverview Bank as of the acquisition date (in thousands).

Consideration received		
Cash received		**$ 40,154**
Fair value of assets acquired		
Cash and cash equivalents	**$ 258**	
Loans	**36**	
Premises and equipment	**158**	
Core deposit intangible	**177**	
Other assets	**19**	
		648
Fair value of liabilities assumed		
Deposits	**(42,432)**	
Other liabilities	**(37)**	
		(42,469)
Total fair value of identifiable net assets		**(41,821)**
Goodwill resulting from acquisition		**$ 1,667**

The Company recorded goodwill and other intangibles associated with the acquisition of the Meyersdale and Somerset branches from Riverview Bank totaling $1.8 million. Goodwill is not amortized, but is periodically evaluated for impairment. The Company did not recognize any impairment during the year ended December 31, 2021. The carrying amount of the goodwill at December 31, 2021 related to the Riverview branch acquisition was $1.7 million.

Identifiable intangible assets are amortized to their estimated residual values over their expected useful lives. Such lives are also periodically reassessed to determine if any amortization period adjustments are required. During the year ended December 31, 2021, no such adjustments were recorded. The identifiable intangible assets consist of a core deposit intangible which is being amortized on an accelerated basis over a ten-year useful life. The gross carrying amount of the core deposit intangible at December 31, 2021 was $177,000 with $19,000 accumulated amortization as of that date.

The amount of revenue of the acquired business since the acquisition date, and the pro-forma results of operations, are not material to the financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors 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, 2021 and 2020; the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2021; 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

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 Public Company Accounting Oversight Board (United States) (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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements; and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter, in any way, our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Loan Losses (ALL) – Qualitative Factors

Description of the Matter
The Company's loan portfolio totaled $985.1 million as of December 31, 2021, and the associated ALL was $12.4 million. As discussed in Notes 1, 6, and 7 to the consolidated financial statements, determining the amount of the ALL requires significant judgment about the collectability of loans, which includes an assessment of quantitative factors such as historical loss experience within each risk category of loans and testing of certain commercial loans for impairment. Management applies additional qualitative adjustments to reflect the inherent losses that exist in the loan portfolio at the balance sheet date that are not reflected in the historical loss experience. Qualitative adjustments are made based upon changes in lending policies and practices, economic conditions, changes in the loan portfolio mix, trends in loan delinquencies and classified loans, collateral values, and concentrations of credit risk for the commercial loan portfolios.

We identified these qualitative adjustments within the ALL as critical audit matters because they involve a high degree of subjectivity. In turn, auditing management's judgments regarding the qualitative factors applied in the ALL calculation involved a high degree of subjectivity.

How We Addressed the Matter in Our Audit
We gained an understanding of the Company's process for establishing the ALL, including the qualitative adjustments made to the ALL. We evaluated the design and tested the operating effectiveness of controls over the Company's ALL process, which included, among others, management's review and approval controls designed to assess the need and level of qualitative adjustments to the ALL, as well as the reliability of the data utilized to support management's assessment.

To test the qualitative adjustments, we evaluated the appropriateness of management's methodology and assessed whether all relevant risks were reflected in the ALL.

Regarding the measurement of the qualitative adjustments, we evaluated the completeness, accuracy, and relevance of the data and inputs utilized in management's estimate. For example, we compared the inputs and data to the Company's historical loan performance data and third-party macroeconomic data and considered the existence of new or contrary information. We also compared the ALL to the base range of historical losses to evaluate the level of reserves, including the reasonableness of qualitative adjustments. Furthermore, we analyzed the changes in the components of the qualitative reserves relative to changes in external market factors, the Company's loan portfolio, various internal risk metrics, and asset quality trends.

We also utilized internal credit review specialists with knowledge to evaluate the appropriateness of management's risk-rating processes, to ensure that the risk ratings applied to the commercial loan portfolio were reasonable.

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

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

Cranberry Township, Pennsylvania
March 14, 2022

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, 2021, 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, 2021, its system of internal control over financial reporting is effective and meets the criteria of the "2013 Internal Control — Integrated Framework".

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, 2021.

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

Johnstown, PA
March 14, 2022

STATEMENT OF MANAGEMENT RESPONSIBILITY

March 14, 2022

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	Michael D. Lynch
President & Chief Executive Officer	Executive 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, 2021, 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, 2021.

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, 2021 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/Human Resources Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis," "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 equity incentive plans as of December 31, 2021.

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	369,047	$ 3.47	600,000
Equity compensation plans not approved by security holders	—	—	—
Total	369,047	$ 3.47	600,000

Information required by this section is presented in the "Principal Shareholders" and "Security Ownership of Directors and 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 2021 Form 10-K and Part II — Item 8. Page references are to this Form 10-K.

CONSOLIDATED FINANCIAL STATEMENTS:

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 April 2, 2020.	Exhibit 3.1 to the Current Report on Form 8-K filed on April 6, 2020
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. 2021 Stock Incentive Plan	Appendix A to the Definitive Proxy Statement, filed under Schedule 14A, filed on March 23, 2021
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

EXHIBIT NUMBER	DESCRIPTION	PRIOR FILING OR EXHIBIT PAGE NUMBER HEREIN
21.1	Subsidiaries of the Registrant.	Attached
23.1	Consent of Independent Registered Public Accounting Firm	Attached
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, 2021, 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 14, 2022

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 March 14, 2022:

/s/ Allan R. Dennison Allan R. Dennison	Chairman Director	/s/ Michael D. Lynch Michael D. Lynch	EVP & 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/ Daniel A. Onorato Daniel A. Onorato	Director
/s/ Craig G. Ford Craig G. Ford	Director	/s/ Mark E. Pasquerilla Mark E. Pasquerilla	Director
/s/ Kim W. Kunkle Kim W. Kunkle	Director	/s/ Sara A. Sargent Sara A. Sargent	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 S. Main Street
Carrolltown, PA 15722

Central City
104 Sunshine Avenue
Central City, PA 15926

Derry
112 S. 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

Meyersdale
135 Center Street
Meyersdale, PA 15552

Nanty Glo
1383 Shoemaker Street
Nanty Glo, PA 15943

North Atherton
1857 N. 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 W. 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

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

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

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 505000
Louisville, KY 40233-5000
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.
Mike Adams & Associates LLC

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

Daniel A. Onorato
Executive Vice President, Chief Corporate Affairs and Communications Officer of Highmark Health

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

General Officers

Jeffrey A. Stopko, CPA
President & Chief Executive Officer

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

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

Laura L. Fiore
Senior Vice President, Chief Auditor

Wendy M. Gressick
Senior Vice President, Chief Loan Review Officer

Anthony M. Gojmerac
Vice President, Purchasing & Facilities Officer

Jessica L. Johnson
Vice President & Manager of Regulatory Accounting

Tammie L. Slavick
Vice President, Financial & Profitability Analysis

Sharon M. Callihan
Corporate Secretary

AMERISERV FINANCIAL, INC.

AMERISERV FINANCIAL BANK

Board of Directors

J. Michael Adams, Jr.
Mike Adams & Associates LLC

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

Daniel A. Onorato
Executive Vice President, Chief Corporate Affairs and Communications Officer of Highmark Health

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

General Officers

Jeffrey A. Stopko, CPA
President & Chief Executive Officer

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

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

Robert J. Cabala
Senior Vice President, Area Executive, Johnstown

Mitchell D. Edwards
Senior Vice President, Commercial Relationship Manager

Russell B. Flynn
Senior Vice President, Retail Lending

Bettina D. Fochler
Senior Vice President, Chief Credit Officer

Kevin H. Justice
Senior Vice President, Area Executive, Hagerstown

Kerri L. Mueller
Senior Vice President, Retail Banking

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

Michele M. Scanlan
Senior Vice President, Chief Human Resources Officer

Tara M. Shaffer
Senior Vice President, Area Executive, State College

Shana M. Stiles
Senior Vice President, BSA & Chief Compliance Officer

Charlene J. Tessari
Senior Vice President, Operations - Application

Catherine M. Torok
Senior Vice President, Chief Information Officer

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

Carie L. Braniff
Vice President, Corporate Security Officer

Angela M. Briggs
Vice President, Deposit Operations Mgr.

George T. Chaney II
Vice President, Portfolio Manager

Lori L. Czekaj-Thompson
Vice President, Commercial Relationship Manager

Benjamin M. Danley
Vice President, Commercial Relationship Manager

Bernard A. Eckenrode
Vice President, Commercial Relationship Manager

Jason D. Eminhizer
Vice President, Commercial Relationship Manager

Christine E. Fisher
Vice President, Business Services

Stephen M. Gagan
Vice President, Director of Information Technology

Anthony M. Gojmerac
Vice President, Purchasing & Facilities Officer

Chelsea M. Hartnett
Vice President, Manager Credit Analysis

Melissa A. Lohr
Vice President, Collections & Loan Administration

Randy S. McLaughlin
Vice President, Regional Sales Officer

David J. O'Leary
Vice President, Residential Mortgage Lending

Donald E. Rhodes
Vice President, Commercial Relationship Manager

Heidi L. Rosenberger
Vice President, Retail Operations

Cynthia L. Stewart
Vice President, Mortgage Administration

Anthony T. Weisenburger
Vice President, Portfolio Manager

Michelle D. Wyandt
Vice President, Supervisor Credit Analysis

AMERISERV FINANCIAL, INC.

AMERISERV TRUST & FINANCIAL SERVICES COMPANY

Board of Directors

J. Michael Adams, Jr.
Mike Adams & Associates LLC

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
Retired 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

General Officers

James T. Huerth
President & Chief Executive Officer

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

Michael D. Lynch
Executive Vice President, Treasurer

Robert J. Cabala
Senior Vice President, Area Executive, Johnstown

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

Bettina D. Fochler
Senior Vice President, Chief Credit Officer

Michael P. Geiser
Senior Vice President, Trust Operations Manager

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

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

Keashia R. Holtzman-Kishlock
Vice President, Trust Accounting Officer

James A. Hotchkiss
Vice President, Welath Management Advisor

Mark F. Lumley
Vice President, Assistant Trust Operations Manager

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.
Mike Adams & Associates LLC

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

General Officers

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

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

Frank J. Lapinsky
Vice President, Chief Administrative Officer & 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 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 on Form S-8 of AmeriServ Financial, Inc. of our report dated March 14, 2022, relating to our audit of the consolidated financial statements, 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, 2021.

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

Cranberry Township, Pennsylvania
March 14, 2022

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 14, 2022

/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 14, 2022

/s/Michael D. Lynch
Michael D. Lynch
Executive 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, 2021, 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 14, 2022

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, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael D. Lynch, Executive 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
Executive Vice President and Chief Financial Officer

March 14, 2022

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