



2 0 1 6 A N N U A L R E P O R T

Financial Highlights

AmeriServ Financial, Inc. and Subsidiaries
dollars in thousands, except dividend, per share and ratio data

<i>Per Share</i>		2016	2015	Change	Change
Net Income	\$	0.12	\$ 0.31	\$ (0.19)	(61)%
Book Value at December 31		5.05	5.19	(0.14)	(3)%
Tangible Book Value at December 31		4.41	4.56	(0.15)	(3)%
Dividends Declared		0.05	0.04	0.01	25%
Market Value at December 31		3.70	3.20	0.50	16%

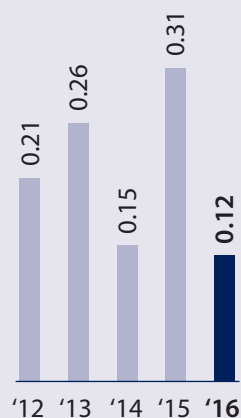
For the Year

Net Income	\$	2,310	\$ 5,997	\$ (3,687)	(61)%
Return On Average Assets		0.20%	0.54%	(0.34)	(63)%

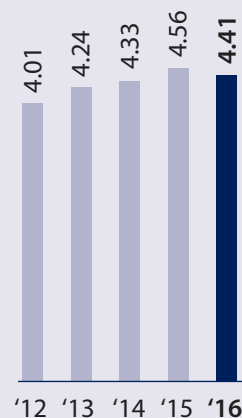
At Year-End

Assets	\$	1,153,780	\$ 1,148,497	\$ 5,283	0.5%
Loans		886,858	883,987	2,871	0.3%
Deposits		967,786	903,294	64,492	7%
Nonperforming Loans/Total Loans		0.18%	0.69%	(0.51)	(74)%

Earnings Per Share



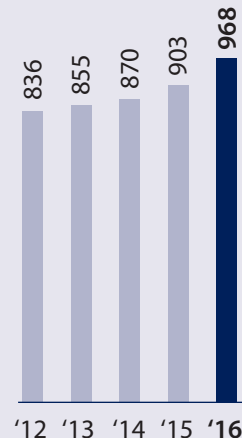
Tangible Book Value Per Share



Loans in Millions



Deposits in Millions





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A Message to Our Shareholders

Over the last 12 months, our decision to adopt the ethos of *Banking for Life* has fully permeated the lifeblood of AmeriServ.

Sure, it has always been the undercurrent of our work and our mission, long before we officially shared it with you and our customers in 2015. It has always represented what we consider to be the foundation from which we operate. *Banking for Life* is more than a slogan, it is our way of conveying our commitment and dedication to helping our customers navigate each phase of their financial life.

What does it really mean to become a financial partner not just for a new product, but for a lifetime of service? We asked each administrator, each department, each employee to ask themselves that question. While their answers varied based on their areas of responsibility and expertise, the common goal remains the same – to help others achieve the financial milestones that are a part of their *Banking for Life* experience.

In 2016, we put *Banking for Life* into action and while it was not the year we had envisioned financially, we addressed our challenges head on

and reaffirmed our commitment to achieving the level of performance that our shareholders and customers deserve.

AmeriServ is headquartered in Johnstown, Pennsylvania and is an active economic force in Cambria and Somerset Counties. However, this franchise has and will follow growth beyond our traditional footprint into areas representing opportunities to share and foster our *Banking for Life* philosophy with both consumers and small-to-mid-sized businesses in more robust economic markets such as Pittsburgh, State College, and Hagerstown/Frederick, Maryland. And clearly, this commitment is working. Over the last five years, loans outstanding have increased by 29% and total deposits have grown by 15%. Assets under administration by our Trust and Financial Services Company have also increased by 31%.

What truly sets our company apart is that we continually strive for excellence. We are fiercely devoted to bringing our customers the very best products, latest technologies and unparalleled convenience. We seek excellence to give our customers the very best available. And we do it because we're committed to building lasting relationships that grow alongside our customers' many phases of life.

So how have we practiced what we've been preaching? We've reimagined our mission to become a company that can measure up to almost every customer's financial challenge – whether that be traditional banking products or wealth management services. AmeriServ will seek to be their financial partner and counselor, while safeguarding their funds and providing state-of-the-art products and services that really work.

We put our confidence in our trained corps of professional bankers. They seek a lifetime relationship not based on a single product or service, but reflecting the customer's confidence in them. This team of bankers has technology at its fingertips and diligently works to create a reputation for service over a lifetime.

We believe this transition to a new phase is very meaningful to you and all other AmeriServ shareholders. We're aware of the many offerings of the mega banks. We're also aware of the shortcomings of those same banks. However, at AmeriServ, we add a very personal touch to our products and services to create a completely different tone. We believe our tangible growth in recent years is a real testimony to our new business model.

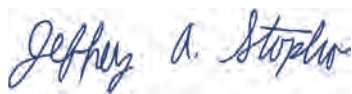
On January 1, 2017, AmeriServ embarked on a new three-year strategic plan that expands upon our *Banking for Life* philosophy to focus on our four key constituencies – **our shareholders, our customers, our staff and our communities**. The plan builds on our core values of integrity, service, commitment and teamwork to grow customers from both the consumer and commercial world.

We've also introduced a new mission statement to guide our path throughout the next three years to provide you with an improving financial performance. It will also guide our efforts to be a positive force through our staff and in our communities.

We thank you for providing the capital that enables AmeriServ to exist. This Board and this Management team will work to reward you for your investment. And as always, we welcome your feedback at any time.



Craig G. Ford
Chairman



Jeffrey A. Stopko
President & CEO

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.



Retail Banking

The banking industry has reached an inflexion point. Changing customer expectations are reshaping the world of retail banking. In 2016, AmeriServ continued to build our retail banking network around the most important facet – the customer experience.

One of our most important initiatives is the development of a fresh, new, highly secure digital presence. Our current website is being retooled with smart, responsive technology which will enable customers to view, interact and conduct transactions on any device – computer, tablet or smartphone.



Renovations are underway at our University Heights office to create a "branch of the future."

As a core contributor to our goal of *Banking for Life*, we are optimizing our website for unique visitor experiences and extended value including integration of

all banking products, a location finder, a business banking section geared toward both employers and employees, a robust shareholder/investor relations section, a career section and an extensive pressroom.

In 2016, the bank began to convert our debit card portfolio to state-of-the-art, chip-enabled EMV technology. Our newly-designed AmeriServ EMV VISA Check Card now provides customers with the global standard of security. It's also the first step to introducing SecurLock Equip, an app which will allow users to receive notifications if fraudulent activity is suspected.



Advancements in technology have also opened new opportunities in branch design and AmeriServ has committed to applying investment and innovation to our branch network. We are currently in the process of creating the AmeriServ "branch of the future" at our University Heights office in Richland Township. The new look and feel will be warm and welcoming with a concierge desk, iPad-equipped personal bankers to help anyone, anywhere in the branch, and no lines with tellers now positioned at convenient teller pods. The result will debut in the 2nd Quarter and will set the tone for a new, more accessible relationship with our customers, while creating more opportunity for AmeriServ services and expertise to be directly available.

We have re-opened the East Hills drive-up facility to offer teller services and to support the University Heights renovations and the overall growth experienced in Richland Township and the surrounding areas.

Another example of reworking and redesigning our network will happen in the highly competitive and expanding State College market. With online and mobile banking providing the convenience that multiple branches used to, we made the strategic decision to merge all our business lines under one roof – easily accessible to any member of the community who would require additional banking services.

In preparation for this advancement, we closed our South Atherton branch and entered into an agreement to build an addition onto our North Atherton office, thus creating a "super-branch." The result will be a compelling, full-service office with a complete array of banking and financial services including consumer and commercial banking, mortgage lending, business banking and trust and financial services.

The watch phrase is improving the customer experience. Customers have more power and choice than ever before. AmeriServ will continue to build on the idea that every customer experience will stand out from the noise, speak to families and coming-of-age Millennials, and reward loyal customers with a true sense of *Banking for Life*.

Retail Lending

AmeriServ significantly expanded its retail lending footprint throughout the Commonwealth in 2016 – while staying true to our roots of creating growth and building market share within our hometown region.

Our ongoing partnership with the Pennsylvania State Education Association (PSEA) has ushered in even more opportunities to lend throughout the state.

As PSEA's only endorsed lender for mortgages, home equity loans and personal lines of credit, AmeriServ holds a unique position that enables us to leverage our local resources and build a more varied customer base.

Through PSEA, we've had the opportunity to continue to build market share while attracting new borrowers from areas outside of our footprint.

In fact, in 2016, our mortgage production within the PSEA unit more than doubled since 2015.

The success of our PSEA relationship has sparked several new union-affiliated alliances with the goal of replicating the PSEA model of offering mortgages, home equity loans and personal lines of credit – an initiative we plan to expand upon in 2017.

The year 2016 also brought the launch of our spring and fall Loan in a Line campaign, "This Is Your Moment," where we underscored our *Banking for Life* theme through the narrative that our loans can affordably help create important moments in our customers' lives.

The campaign pushed forward the notion that AmeriServ is your bank for life by offering you the financial products and services for each of life's moments, from your daughter's wedding to a family vacation. AmeriServ will be there for all of life's moments.



LOAN LINE

THIS IS YOUR MOMENT.
Make your dreams happen.

  **AMERISERV**
BANKING FOR LIFE



LOAN LINE

THIS IS YOUR MOMENT.
They grow up too fast.

  **AMERISERV**
BANKING FOR LIFE



LOAN LINE

THIS IS YOUR MOMENT.
Give her a day to remember.

  **AMERISERV**
BANKING FOR LIFE



Business Services

We encouraged an increased emphasis on relationship building at AmeriServ in 2016 – and it paid off in business services sectors across the board.

We not only opened an impressive number of new bundled checking account products, but we've also significantly increased our balances.

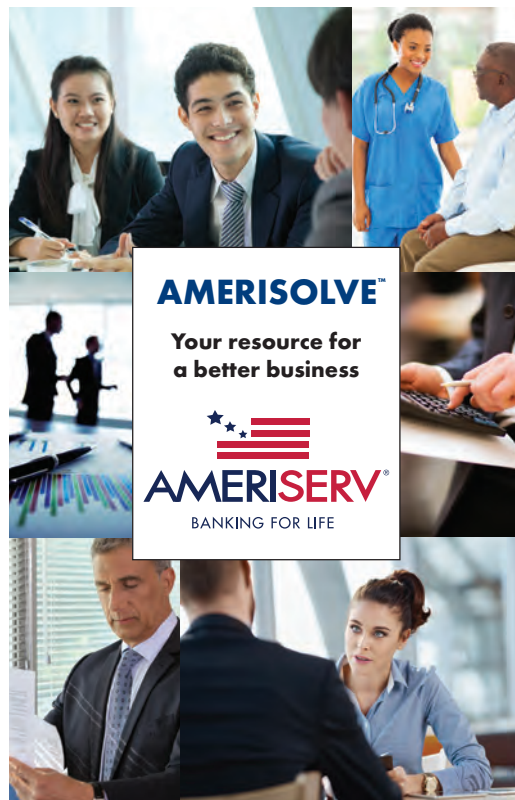
AmeriServ joined forces with Benefits Network and CTR Human Capital Management to launch AmeriSolve – a creative collaboration and innovative business resource aimed at helping employers navigate new and existing regulations while streamlining business services.

Through a series of seminars held throughout the region – in Johnstown, Somerset, Greensburg, Cranberry and State College – we built new relationships with employers and showed how AmeriSolve can deliver greater efficiencies, leading-edge technology, enhanced productivity and cost savings for businesses.

We also teamed up internally, connecting business services with trust, retail and commercial banking to create a streamlined, one-stop resource resulting in more convenience for our customers.

We've added Business Services education centers in our lobbies where business customers can learn about our suite of Small Business Solutions through demo software customized just for them.

It's all part of our ongoing commitment to strengthening existing relationships and building upon our current customer base.



AmeriSolve provides businesses with a network of business solutions.

Commercial Banking

AmeriServ not only increased income from our commercial banking cash management services in 2016, we also significantly grew our deposits.

Our solid performance was also supported by some of our best year-end asset quality metrics, in addition to the steady growth of our commercial banking loan portfolio. Specifically, we generated \$156 million of new commercial loan originations in 2016 with a significant portion coming from our loan production offices.

The year 2016 brought turbulence in business sectors throughout the U.S. in response to the presidential election cycle and new business regulations, but our results remained encouraging in part due to our continued strategy: relationship outreach and business development.

Online banking remained a centerpiece of our commercial deposit growth. A significant increase in direct contact with commercial customers through calling and face-to-face visits also contributed to loan and deposit growth.

In order to increase internal efficiency, we launched nCino, a comprehensive operating system for loans that streamlines and creates a more user-friendly loan origination process.

Trust and Wealth Management

2016 was a year of rebuilding and restructuring our Trust and Financial Services Company. New management reviewed all lines of business and refocused resources to improve customer relationships, expand opportunities and grow assets for our clients.

The company significantly strengthened its ability to serve clients throughout our expanding geographic footprint with the addition of several seasoned professionals with expertise in both wealth management and financial services. These additions bring our current level of professional accreditation/designation holders to 35% of all Trust associates.

Between Trust associates currently working on professional designations and those with confirmed plans to enroll in designation programs, the company anticipates that 50% of all associates will have one or more professional designations within the year.

Retirement Services continues to be an in-demand specialty and one of the company's greatest growth opportunities. AmeriServ now manages more than \$1 billion in retirement savings, with more than \$214 million in 401(k) accounts alone. We also continue to enhance the offerings of West Chester Capital Advisors, Inc., our Registered Investment Advisor.

Our Specialty Real Estate Division has also shown significant growth in the Greater Pittsburgh market. As trustee for the Employee Real Estate Construction Trust (ERECT) Funds, AmeriServ directed \$32.7 million into four new union construction projects during the year. The funding facilitated \$193.8 million in new commercial projects, yielding nearly 1.2 million work hours and \$74 million in union wages and benefits for the region.

At year end, we are a company with \$2 billion in assets under administration; offering one of the most robust profiles of services available in or outside of our core service area.



Tower Two-Sixty was awarded a 2016 Building Excellence Award by the Master Builders' Association of Western Pennsylvania. This was one of the projects partially funded by the Employee Real Estate Construction Trust (ERECT) Funds, managed by our Specialty Real Estate Division.



Community Service

The health of our business depends on the well-being of our communities. That's why in 2016, AmeriServ gave back through various civic-minded initiatives throughout the region.

The bank continued its role as the main title sponsor for the Flood City Music Festival held each August. This year's festival included a national act on Thursday night to make it a four-day event where our employees greeted attendees at the gates and introduced the performers.



AmeriServ was the title sponsor of the Johnstown Halloween Parade, in which a team of volunteer employees led the parade down Main Street while hundreds of parade-goers enjoyed the evening.

In late November, we introduced a new holiday television commercial that expressed the community spirit of our hometown.

The commercial featured a young boy on a sled as he plunged down a steep hill and into the city of Johnstown, where he passed by all the local businesses and shops. His final destination became the AmeriServ headquarters, where he looked into the window and vintage displays came to life in the AmeriServ lobby.

The holidays also ushered in a new tradition for Johnstown residents: in conjunction with the Discover Downtown Johnstown Partnership, holiday-themed, mini-movies were projected on the front-side of the company headquarters. These movies played at certain intervals throughout the holiday season.



The television commercial "Sled Ride" debuted in late November and relied on animation to showcase the historic holiday displays that fill the Downtown Johnstown office lobby each holiday season.

We continued our tradition to host numerous Thursdays as Business Casual Days, where AmeriServ employees choose a charity of their choice and make donations in exchange for dressing down. This effort, along with other charity donations sponsored by the company, culminated in more than \$142,000 donated to charity in 2016.

Collectively, AmeriServ employees volunteered nearly 4,000 hours in 2016, and donated their time to 244 organizations. Community service plays an important role in our organization, and it's one we fully embraced in 2016.



Community service plays an important role in our organization. Our retail branch managers spent a day at the local food pantry preparing and serving lunches over the holiday season.

Branch Locations

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

Downtown Johnstown

216 Franklin Street
Johnstown, PA 15901

East Hills Drive Up

1213 Scalp Avenue
Johnstown, PA 15904

Eighth Ward

1059 Franklin Street
Johnstown, PA 15905

Galleria Mall

500 Galleria Drive, Suite 100
Johnstown, PA 15904

Lovell Park

179 Lovell Avenue
Ebensburg, PA 15931

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

LOAN PRODUCTION OFFICES**Altoona**

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

Hagerstown

1829 Howell Road, Suite 3
Hagerstown, MD 21740

Monroeville

201 Penn Center Boulevard, Suite 200
Pittsburgh, PA 15235

State College

763 Benner Pike
State College, PA 16801

