AMERISERV FINANCIAL INC /PA/
Form 10-Q
August 08, 2014

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

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the period ended **June 30, 2014**

o **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, PA	15907-0430
(Address of principal executive offices)	(Zip Code)

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

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes x No o

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

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company x

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at August 1, 2014
Common Stock, par value $0.01	18,794,888

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Item 1. Financial Statements

AmeriServ Financial, Inc.

CONSOLIDATED BALANCE SHEETS
(In thousands except shares)
(Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
Cash and due from depository institutions	$20,000	$20,288
Interest bearing deposits	2,963	2,967
Short-term investments in money market funds	5,050	6,811
Total cash and cash equivalents	28,013	30,066
Investment securities:		
Available for sale	134,504	141,978
Held to maturity (fair value $19,263 on June 30, 2014 and $17,788 on December 31, 2013)	19,099	18,187
Loans held for sale	4,689	3,402
Loans	800,557	783,927
Less: Unearned income	571	581
Allowance for loan losses	10,150	10,104
Net loans	789,836	773,242
Premises and equipment, net	13,400	13,119
Accrued interest income receivable	3,186	2,908
Goodwill	12,613	12,613
Bank owned life insurance	37,040	36,669
Net deferred tax asset	8,717	9,572
Federal Home Loan Bank stock	4,518	4,677
Federal Reserve Bank stock	2,125	2,125
Other assets	5,977	7,478
TOTAL ASSETS	$1,063,717	$1,056,036
LIABILITIES		
Non-interest bearing deposits	$153,416	$154,002
Interest bearing deposits	720,492	700,520
Total deposits	873,908	854,522
Short-term borrowings	18,677	41,555
Advances from Federal Home Loan Bank	34,000	25,000
Guaranteed junior subordinated deferrable interest debentures	13,085	13,085
Total borrowed funds	65,762	79,640
Other liabilities	8,101	8,567

TOTAL LIABILITIES	947,771	942,729
SHAREHOLDERS EQUITY		
Preferred stock, no par value; $1,000 per share liquidation preference; 2,000,000 shares authorized; 21,000 shares issued and outstanding on June 30, 2014 and December 31, 2013	21,000	21,000
Common stock, par value $0.01 per share; 30,000,000 shares authorized; 26,412,707 shares issued and 18,794,888 outstanding on June 30, 2014; 26,402,007 shares issued and 18,784,188 outstanding on December 31, 2013	264	264
Treasury stock at cost, 7,617,819 shares on June 30, 2014 and December 31, 2013	(74,829)	(74,829)
Capital surplus	145,235	145,190
Retained earnings	28,985	27,557
Accumulated other comprehensive loss, net	(4,709)	(5,875)
TOTAL SHAREHOLDERS EQUITY	115,946	113,307
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$1,063,717	$1,056,036

See accompanying notes to unaudited consolidated financial statements.

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AmeriServ Financial, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
INTEREST INCOME				
Interest and fees on loans	$8,939	$8,590	$17,971	$17,218
Interest bearing deposits	1	3	2	4
Short-term investments in money market funds	2	4	4	6
Investment securities:				
Available for sale	905	907	1,829	1,863
Held to maturity	136	123	272	238
Total Interest Income	9,983	9,627	20,078	19,329
INTEREST EXPENSE				
Deposits	1,240	1,288	2,451	2,638
Short-term borrowings	5	8	24	13
Advances from Federal Home Loan Bank	74	30	134	55
Guaranteed junior subordinated deferrable interest debentures	280	280	560	560
Total Interest Expense	1,599	1,606	3,169	3,266
NET INTEREST INCOME	8,384	8,021	16,909	16,063
Provision (credit) for loan losses		150		(100)
NET INTEREST INCOME AFTER PROVISION (CREDIT) FOR LOAN LOSSES	8,384	7,871	16,909	16,163
NON-INTEREST INCOME				
Trust and investment advisory fees	1,948	1,999	3,980	3,880
Service charges on deposit accounts	501	538	979	1,049
Net gains on sale of loans	171	241	272	627
Mortgage related fees	160	228	277	429
Net realized gains on investment securities	120		177	71
Bank owned life insurance	184	388	371	589
Other income	554	681	1,114	1,246
Total Non-Interest Income	3,638	4,075	7,170	7,891
NON-INTEREST EXPENSE				
Salaries and employee benefits	6,107	6,176	12,421	12,507
Net occupancy expense	717	751	1,556	1,524
Equipment expense	494	455	964	910
Professional fees	1,464	1,150	2,772	2,185
Supplies, postage and freight	187	211	370	422

Miscellaneous taxes and insurance	312	365	608	741
Federal deposit insurance expense	154	151	314	285
Other expense	1,185	1,183	2,353	2,490
Total Non-Interest Expense	10,620	10,442	21,358	21,064

See accompanying notes to unaudited consolidated financial statements.

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AmeriServ Financial, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS (continued) (In thousands, except per share data) (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
PRETAX INCOME	$1,402	$1,504	$2,721	$2,990
Provision for income tax expense	423	434	812	864
NET INCOME	979	1,070	1,909	2,126
Preferred stock dividends	52	52	105	104
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$927	$1,018	$1,804	$2,022
PER COMMON SHARE DATA:				
Basic:				
Net income	$0.05	$0.05	$0.10	$0.11
Average number of shares outstanding	18,795	19,039	18,790	19,103
Diluted:				
Net income	$0.05	$0.05	$0.10	$0.11
Average number of shares outstanding	18,936	19,128	18,920	19,192
Cash dividends declared	$0.01	$0.01	$0.02	$0.01

See accompanying notes to unaudited consolidated financial statements.

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AmeriServ Financial, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
COMPREHENSIVE INCOME				
Net income	$979	$1,070	$1,909	$2,126
Other comprehensive income (loss), before tax:				
Pension obligation change for defined benefit plan		334	392	823
Income tax effect		(114)	(133)	(280)
Unrealized holding gains (losses) on available for sale securities arising during period	1,037	(3,122)	1,551	(3,604)
Income tax effect	(353)	1,062	(527)	1,224
Reclassification adjustment for gains on available for sale securities included in net income	(120)		(177)	(71)
Income tax effect	41		60	24
Other comprehensive income (loss)	605	(1,840)	1,166	(1,884)
Comprehensive income (loss)	$1,584	$(770)	$3,075	$242

See accompanying notes to unaudited consolidated financial statements.

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AmeriServ Financial, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six months ended June 30,	
	2014	2013
OPERATING ACTIVITIES		
Net income	$1,909	$2,126
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision (credit) for loan losses		(100)
Depreciation expense	924	782
Net amortization of investment securities	186	449
Net realized gains on investment securities available for sale	(177)	(71)
Net gains on loans held for sale	(272)	(627)
Amortization of deferred loan fees	(134)	(159)
Origination of mortgage loans held for sale	(18,393)	(33,789)
Sales of mortgage loans held for sale	17,378	38,367
Increase in accrued interest income receivable	(278)	(282)
Decrease in accrued interest payable	(306)	(526)
Earnings on bank owned life insurance	(371)	(402)
Deferred income taxes	254	831
Stock based compensation expense	45	37
Decrease in prepaid Federal Deposit Insurance		1,444
Other, net	1,336	683
Net cash provided by operating activities	2,101	8,763
INVESTING ACTIVITIES		
Purchases of investment securities available for sale	(7,144)	(30,907)
Purchases of investment securities held to maturity	(1,599)	(6,432)
Proceeds from sales of investment securities available for sale	5,242	1,218
Proceeds from maturities of investment securities available for sale	10,763	27,547
Proceeds from maturities of investment securities held to maturity	667	1,496
Purchases of regulatory stock	(3,897)	(2,316)
Proceeds from redemption of regulatory stock	4,056	1,629
Long-term loans originated	(76,648)	(96,463)
Principal collected on long-term loans	59,696	77,971
Loans purchased or participated	(1,764)	(8,000)
Loans sold or participated	2,250	1,000
Proceeds from sale of other real estate owned	434	173
Proceeds from life insurance policy		356

Purchases of premises and equipment	(1,198)	(1,826)
Net cash used in investing activities	(9,142)	(34,554)

See accompanying notes to unaudited consolidated financial statements.

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AmeriServ Financial, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued) (In thousands) (Unaudited)

	Six months ended June 30,	
	2014	2013
FINANCING ACTIVITIES		
Net increase in deposit balances	$ 19,347	$ 4,459
Net (decrease) increase in other short-term borrowings	(22,878)	18,632
Principal borrowings on advances from Federal Home Loan Bank	9,000	9,000
Principal repayments on advances from Federal Home Loan Bank		(6,000)
Purchases of treasury stock		(1,171)
Common stock dividends	(376)	(190)
Preferred stock dividends	(105)	(104)
Net cash provided by financing activities	4,988	24,626
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,053)	(1,165)
CASH AND CASH EQUIVALENTS AT JANUARY 1	30,066	26,820
CASH AND CASH EQUIVALENTS AT JUNE 30	$ 28,013	$ 25,655

See accompanying notes to unaudited consolidated financial statements.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of AmeriServ Financial, Inc. (the Company) and its wholly-owned subsidiaries, AmeriServ Financial Bank (the Bank), AmeriServ Trust and Financial Services Company (the Trust Company), and AmeriServ Life Insurance Company (AmeriServ Life). The Bank is a Pennsylvania state-chartered full service bank with 17 locations in Pennsylvania. The Trust Company offers a complete range of trust and financial services and administers assets valued at $1.8 billion that are not reported on the Company s balance sheet at June 30, 2014. AmeriServ Life is a captive insurance company that engages in underwriting as a reinsurer of credit life and disability insurance.

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. Significant intercompany accounts and transactions have been eliminated in preparing the consolidated financial statements.

2. Basis of Preparation

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. In the opinion of management, all adjustments consisting of normal recurring entries considered necessary for a fair presentation have been included. They are not, however, necessarily indicative of the results of consolidated operations for a full-year.

For further information, refer to the consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

3. Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* This Update applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The

amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. This ASU did not have a significant impact on the Company s financial statements.

In January 2014, the FASB issued ASU 2014-04, *Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.* The amendments in this Update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

3. Recent Accounting Pronouncements (continued)

recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments in this Update are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. An entity can elect to adopt the amendments in this Update using either a modified retrospective transition method or a prospective transition method. This ASU is not expected to have a significant impact on the Company s financial statements.

4. Earnings Per Common Share

Basic earnings per share include only the weighted average common shares outstanding. Diluted earnings per share include the weighted average common shares outstanding and any potentially dilutive common stock equivalent shares in the calculation. Treasury shares are treated as retired for earnings per share purposes. Options to purchase 3,625 common shares, at exercise prices ranging from $4.60 to $5.22, and 101,070 common shares, at exercise prices ranging from $3.23 to $5.75, were outstanding as of June 30, 2014 and 2013, respectively, but were not included in the computation of diluted earnings per common share because to do so would be antidilutive. Dividends on preferred shares are deducted from net income in the calculation of earnings per common share.

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(In thousands, except per share data)			
Numerator:				
Net income	$ 979	$ 1,070	$ 1,909	$ 2,126
Preferred stock dividends	52	52	105	104
Net income available to common shareholders	$ 927	$ 1,018	$ 1,804	$ 2,022
Denominator:				
Weighted average common shares outstanding (basic)	18,795	19,039	18,790	19,103
Effect of stock options	141	89	130	89
Weighted average common shares outstanding (diluted)	18,936	19,128	18,920	19,192
Earnings per common share:				
Basic	$ 0.05	$ 0.05	$ 0.10	$ 0.11
Diluted	0.05	0.05	0.10	0.11

5. Consolidated Statement of Cash Flows

On a consolidated basis, cash and cash equivalents include cash and due from depository institutions, interest-bearing deposits, federal funds sold and short-term investments in money market funds. The Company made $558,000 in income tax payments in the first six months of 2014 as compared to $34,000 for the first six months of 2013. The Company made total interest payments of $3,475,000 in the first six months of 2014 compared to $3,792,000 in the

same 2013 period. The Company had $6,000 non-cash transfers to other real estate owned (OREO) in the first six months of 2014 compared to $593,000 in the same 2013 period.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Investment Securities

The cost basis and fair values of investment securities are summarized as follows (in thousands):

Investment securities available for sale (AFS):

	June 30, 2014			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US Agency	$ 6,928	$ 41	$ (45)	$ 6,924
US Agency mortgage-backed securities	111,629	3,574	(542)	114,661
Corporate bonds	12,993	61	(135)	12,919
Total	$ 131,550	$ 3,676	$ (722)	$ 134,504

Investment securities held to maturity (HTM):

	June 30, 2014			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US Agency mortgage-backed securities	$ 13,231	$ 365	$ (159)	$ 13,437
Taxable municipal	1,873	44	(40)	1,877
Corporate bonds and other securities	3,995		(46)	3,949
Total	$ 19,099	$ 409	$ (245)	$ 19,263

Investment securities available for sale (AFS):

	December 31, 2013			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US Agency	$ 6,926	$ 35	$ (126)	$ 6,835
US Agency mortgage-backed securities	121,480	3,129	(1,227)	123,382
Corporate bonds	11,992	21	(252)	11,761
Total	$ 140,398	$ 3,185	$ (1,605)	$ 141,978

Investment securities held to maturity (HTM):

	December 31, 2013			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US Agency mortgage-backed securities	$ 12,671	$ 289	$ (477)	$ 12,483
Taxable municipal	1,521		(120)	1,401
Corporate bonds and other securities	3,995		(91)	3,904
Total	$ 18,187	$ 289	$ (688)	$ 17,788

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 Investor s Service or Standard & Poor s rating of A. At June 30, 2014, 87.5% of the portfolio was rated AAA as compared to 89.0% at December 31, 2013. 2.0% of the portfolio was either rated below A or unrated at June 30, 2014. The Company has no exposure to subprime mortgage loans in the investment portfolio. At June 30, 2014, the Company s consolidated investment securities portfolio had an effective duration of approximately 3.11 years.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Investment Securities (continued)

Total proceeds from the sale of AFS securities for the second quarter of 2014 were $2.5 million resulting in $120,000 of gross investment security gains. Total proceeds from the sale of AFS securities for the first six months of 2014 were $5.2 million resulting in $182,000 of gross investment security gains and $5,000 of gross security losses. Total proceeds from the sale of AFS securities for the first six months of 2013 were $1.2 million resulting in $71,000 of gross investment security gains. The Company had no sales of AFS securities in the second quarter of 2013.

The book value of securities, both available for sale and held to maturity, pledged to secure public and trust deposits, and certain Federal Home Loan Bank borrowings was $121,224,000 at June 30, 2014 and $110,780,000 at December 31, 2013.

The following tables present information concerning investments with unrealized losses as of June 30, 2014 and December 31, 2013 (in thousands):

Total investment securities:

	June 30, 2014					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Agency	$50	$ (1)	$3,855	$ (44)	$3,905	$ (45)
US Agency mortgage-backed securities	5,268	(31)	27,360	(670)	32,628	(701)
Taxable municipal	149	(3)	974	(37)	1,123	(40)
Corporate bonds and other securities	4,926	(69)	6,886	(112)	11,812	(181)
Total	$10,393	$ (104)	$39,075	$ (863)	$49,468	$ (967)

Total investment securities:

	December 31, 2013					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Agency	$3,812	$ (64)	$938	$ (62)	$4,750	$ (126)
US Agency mortgage-backed securities	52,163	(1,701)	669	(3)	52,832	(1,704)
Taxable municipal	891	(120)			891	(120)
Corporate bonds and other securities	9,687	(300)	2,957	(43)	12,644	(343)
Total	$66,553	$ (2,185)	$4,564	$ (108)	$71,117	$ (2,293)

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 44 positions that are considered temporarily impaired at June 30, 2014. 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.

Total investment securities:	21

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Investment Securities (continued)

Contractual maturities of securities at June 30, 2014 are shown below (in thousands). Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without prepayment penalties.

Total investment securities:

	June 30, 2014			
	Available for sale		Held to maturity	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Within 1 year	$	$	$ 1,000	$ 996
After 1 year but within 5 years	15,043	15,218	2,000	1,975
After 5 years but within 10 years	18,089	18,358	3,340	3,260
After 10 years but within 15 years	58,879	60,192	1,011	974
Over 15 years	39,539	40,736	11,748	12,058
Total	$ 131,550	$ 134,504	$ 19,099	$ 19,263

7. Loans

The loan portfolio of the Company consists of the following (in thousands):

	June 30, 2014	December 31, 2013
Commercial	$ 133,736	$ 120,102
Commercial loans secured by real estate	401,861	411,691
Real estate-mortgage	247,317	235,689
Consumer	17,072	15,864
Loans, net of unearned income	$ 799,986	$ 783,346

Loan balances at June 30, 2014 and December 31, 2013 are net of unearned income of $571,000 and $581,000, respectively. Real estate-construction loans comprised 2.8% and 3.0% of total loans, net of unearned income at June 30, 2014 and December 31, 2013, respectively.

8. Allowance for Loan Losses

The following tables summarize the rollforward of the allowance for loan losses by portfolio segment for the three and six month periods ending June 30, 2014 and 2013 (in thousands).

	Three months ended June 30, 2014				
	Balance at March 31, 2014	Charge-Offs	Recoveries	Provision (Credit)	Balance at June 30, 2014
Commercial	$ 3,065	$	$ 55	$ 134	$ 3,254
Commercial loans secured by real estate	4,662		19	(206)	4,475
Real estate-mortgage	1,273	(30)	11	47	1,301
Consumer	139	(22)	8	20	145
Allocation for general risk	970			5	975
Total	$ 10,109	$ (52)	$ 93	$	$ 10,150

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Allowance for Loan Losses (continued)

	Three months ended June 30, 2013				
	Balance at March 31, 2013	Charge-Offs	Recoveries	Provision (Credit)	Balance at June 30, 2013
Commercial	$ 2,667	$	$ 20	$ 93	$ 2,780
Commercial loans secured by real estate	5,989		34	(40)	5,983
Real estate-mortgage	1,267	(18)	12	18	1,279
Consumer	147	(41)	28	12	146
Allocation for general risk	890			67	957
Total	$ 10,960	$ (59)	$ 94	$ 150	$ 11,145

	Six months ended June 30, 2014				
	Balance at December 31, 2013	Charge-Offs	Recoveries	Provision (Credit)	Balance at June 30, 2014
Commercial	$ 2,844	$ (72)	$ 105	$ 377	$ 3,254
Commercial loans secured by real estate	4,885	(66)	172	(516)	4,475
Real estate-mortgage	1,260	(73)	25	89	1,301
Consumer	136	(58)	13	54	145
Allocation for general risk	979			(4)	975
Total	$ 10,104	$ (269)	$ 315	$	$ 10,150

	Six months ended June 30, 2013				
	Balance at December 31, 2012	Charge-Offs	Recoveries	Provision (Credit)	Balance at June 30, 2013
Commercial	$ 2,596	$	$ 31	$ 153	$ 2,780
Commercial loans secured by real estate	7,796	(1,480)	142	(475)	5,983
Real estate-mortgage	1,269	(47)	67	(10)	1,279
Consumer	150	(79)	40	35	146
Allocation for general risk	760			197	957
Total	$ 12,571	$ (1,606)	$ 280	$ (100)	$ 11,145

As a result of successful ongoing problem credit resolution efforts, the Company achieved further asset quality improvements in 2014 and 2013, specifically in the commercial loans secured by real estate category, which resulted in no provision in 2014 and a credit provision in 2013.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Allowance for Loan Losses (continued)

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

	At June 30, 2014					
	Commercial	Commercial Loans Secured by Real Estate	Real Estate-Mortgage	Consumer	Allocation for General Risk	Total
Loans:						
Individually evaluated for impairment	$	$ 2,350	$	$		$ 2,350
Collectively evaluated for impairment	133,736	399,511	247,317	17,072		797,636
Total loans	$ 133,736	$ 401,861	$ 247,317	$ 17,072		$ 799,986
Allowance for loan losses:						
Specific reserve allocation	$	$ 1,025	$	$	$	$ 1,025
General reserve allocation	3,254	3,450	1,301	145	975	9,125
Total allowance for loan losses	$ 3,254	$ 4,475	$ 1,301	$ 145	$ 975	$ 10,150

	At December 31, 2013					
	Commercial	Commercial Loans Secured by Real Estate	Real Estate-Mortgage	Consumer	Allocation for General Risk	Total
Loans:						
Individually evaluated for impairment	$	$ 3,005	$	$ 61		$ 3,066
Collectively evaluated for impairment	120,102	408,686	235,689	15,803		780,280
Total loans	$ 120,102	$ 411,691	$ 235,689	$ 15,864		$ 783,346
Allowance for loan losses:						
Specific reserve allocation	$	$ 812	$	$ 1	$	$ 813
General reserve allocation	2,844	4,073	1,260	135	979	9,291
Total allowance for loan losses	$ 2,844	$ 4,885	$ 1,260	$ 136	$ 979	$ 10,104

The segments of the Company s loan portfolio are disaggregated to a level that allows management to monitor risk and performance. The loan segments 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 and therefore, no further disaggregation into classes is necessary. The overall risk profile for the commercial loan segment is impacted by non-owner occupied CRE loans, which include loans secured by non-owner occupied nonfarm nonresidential

properties, as a meaningful but declining portion of the commercial portfolio is centered in these types of accounts. The residential mortgage loan segment is comprised of first lien amortizing residential mortgage loans and home equity loans. 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 with a loan balance in excess of $100,000 that is in nonaccrual status or classified as a Troubled Debt Restructure (TDR). 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

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8. Allowance for Loan Losses (continued)

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. The Company does not separately evaluate individual consumer and residential mortgage loans for impairment, unless such loans are part of a larger relationship that is impaired, or are classified as a TDR.

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

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

When reviewing an appraisal associated with an existing collateral real estate 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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Allowance for Loan Losses (continued)

The following tables present impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary (in thousands).

	June 30, 2014				
	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
Commercial loans secured by real estate	$ 2,350	$ 1,025	$	$ 2,350	$ 2,420
Total impaired loans	$ 2,350	$ 1,025	$	$ 2,350	$ 2,420

	December 31, 2013				
	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
Commercial loans secured by real estate	$ 3,005	$ 812	$	$ 3,005	$ 3,118
Consumer	61	1		61	61
Total impaired loans	$ 3,066	$ 813	$	$ 3,066	$ 3,179

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Average loan balance:				
Commercial loans secured by real estate	$2,296	$ 2,294	$2,678	$ 3,131
Consumer		12		12
Average investment in impaired loans	$2,296	$ 2,306	$2,678	$ 3,143
Interest income recognized:				
Commercial loans secured by real estate	$1	$	$2	$

Interest income recognized on a cash basis on impaired loans	$1	$	$2	$

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. Loans in the Doubtful category have all the weaknesses inherent in a credit classified Substandard with weaknesses pronounced to a point where collection or liquidation in full, on the basis of current facts, conditions, and value is highly questionable, but the extent of loss is not currently determinable. 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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Allowance for Loan Losses (continued)

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 $250,000 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 2014 required review of a minimum range of 50% to 55% of the commercial loan portfolio.

In addition to loan monitoring by the account officer and Loan Review Department, the Company also requires presentation of all credits rated Pass-6 with aggregate balances greater than $1,000,000, 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 loan portfolios summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard and Doubtful within the internal risk rating system (in thousands).

	June 30, 2014				
	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ 125,021	$ 2,177	$ 6,397	$ 141	$ 133,736
Commercial loans secured by real estate	392,813	3,699	4,648	701	401,861
Total	$ 517,834	$ 5,876	$ 11,045	$ 842	$ 535,597

	December 31, 2013				
	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ 108,623	$ 8,880	$ 2,599	$	$ 120,102
Commercial loans secured by real estate	396,788	6,961	7,482	460	411,691
Total	$ 505,411	$ 15,841	$ 10,081	$ 460	$ 531,793

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8. Allowance for Loan Losses (continued)

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 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 portfolios (in thousands).

	June 30, 2014	
	Performing	Non-Performing
Real estate-mortgage	$ 245,709	$ 1,608
Consumer	17,072	
Total	$ 262,781	$ 1,608

	December 31, 2013	
	Performing	Non-Performing
Real estate-mortgage	$ 234,450	$ 1,239
Consumer	15,803	61
Total	$ 250,253	$ 1,300

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

	June 30, 2014						
	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
Commercial	$ 133,703	$ 33	$	$	$ 33	$ 133,736	$
Commercial loans secured by real estate	400,367	180		1,314	1,494	401,861	
Real estate-mortgage	243,562	2,275	615	865	3,755	247,317	
Consumer	16,990	70	12		82	17,072	
Total	$ 794,622	$ 2,558	$ 627	$ 2,179	$ 5,364	$ 799,986	$

	December 31, 2013						
	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
Commercial	$120,102	$	$	$	$	$120,102	$
Commercial loans secured by real estate	410,619	457		615	1,072	411,691	
Real estate-mortgage	231,740	2,232	670	1,047	3,949	235,689	
Consumer	15,804	33	27		60	15,864	
Total	$778,265	$2,722	$ 697	$1,662	$5,081	$783,346	$

An allowance for loan losses (ALL) is maintained to absorb losses 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.

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8. Allowance for Loan Losses (continued)

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

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

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

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

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

9. Non-performing Assets Including Troubled Debt Restructurings (TDR)

The following table presents information concerning non-performing assets including TDR (in thousands, except percentages):

	June 30, 2014	December 31, 2013

Non-accrual loans		
Commercial loans secured by real estate	$2,132	$1,632
Real estate-mortgage	1,608	1,239
Total	3,740	2,871
Other real estate owned		
Commercial loans secured by real estate	344	344
Real estate-mortgage	167	673
Total	511	1,017
TDR s not in non-accrual	218	221
Total non-performing assets including TDR	$4,469	$4,109
Total non-performing assets as a percent of loans, net of unearned income, and other real estate owned	0.56 %	0.52 %

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9. Non-performing Assets Including Troubled Debt Restructurings (TDR) (continued)

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

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Interest income due in accordance with original terms	$ 34	$ 39	$ 67	$ 102
Interest income recorded				
Net reduction in interest income	$ 34	$ 39	$ 67	$ 102

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 troubled debt restructure 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); and
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

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9. Non-performing Assets Including Troubled Debt Restructurings (TDR) (continued)

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.

The following table details the loans modified as TDRs during the three month period ended June 30, 2014 (dollars in thousands).

Loans in non-accrual status	# of Loans	Current Balance	Concession Granted
Commercial loan secured by real estate	1	$ 141	Extension of maturity date

The following table details the loans modified as TDRs during the six month period ended June 30, 2014 (dollars in thousands).

Loans in non-accrual status	# of Loans	Current Balance	Concession Granted
Commercial loan secured by real estate	1	$ 253	Extension of maturity date

The Company had no loans modified as TDR s for the three or six month periods ended on June 30, 2013.

In all instances where loans have been modified in troubled debt restructurings the pre- and post-modified balances are the same. The specific ALL reserve for loans modified as TDR s was $542,000 and $372,000 as of June 30, 2014 and 2013, respectively.

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 an additional six consecutive monthly payments in accordance with the terms of the loan.

The following table presents the recorded investment in loans that were modified as TDR s during each 12-month period prior to the current reporting periods, which begin January 1, 2014 and 2013 (six month periods) and April 1, 2014 and 2013 (3 month periods), respectively, and that subsequently defaulted during these reporting periods (dollars in thousands).

	Three months ended June 30,	Six months ended June 30,

	2014	2013	2014	2013
Recorded investment of defaults				
Commercial loan secured by real estate	$	$ 2,104	$	$ 656
Total	$	$ 2,104	$	$ 656

All TDR s are individually evaluated for impairment and a related allowance is recorded, as needed. All TDR s which defaulted in the above table had a related allowance adequate to reserve for anticipated losses.

The Company is unaware of any additional loans which are required to either be charged-off or added to the non-performing asset totals disclosed above. Other real estate owned is recorded at fair value minus estimated costs to sell.

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10. Federal Home Loan Bank Borrowings

Total Federal Home Loan Bank (FHLB) borrowings and advances consist of the following (in thousands, except percentages):

	At June 30, 2014		
Type	Maturing	Amount	Weighted Average Rate
Open Repo Plus	Overnight	$ 18,677	0.25 %
Advances	2015	4,000	0.52
	2016	12,000	0.81
	2017	11,000	1.04
	2018	7,000	1.47
Total advances		34,000	0.99
Total FHLB borrowings		$ 52,677	0.73 %

	At December 31, 2013		
Type	Maturing	Amount	Weighted Average Rate
Open Repo Plus	Overnight	$ 41,555	0.25 %
Advances	2015	4,000	0.52
	2016	12,000	0.81
	2017	7,000	1.07
	2018	2,000	1.47
Total advances		25,000	0.89
Total FHLB borrowings		$ 66,555	0.49 %

The rate on Open Repo Plus advances can change daily, while the rates on the advances are fixed until the maturity of the advance.

11. Preferred Stock

On August 11, 2011, pursuant to the Small Business Lending Fund (SBLF), the Company issued and sold to the US Treasury 21,000 shares of its Senior Non-Cumulative Perpetual Preferred Stock, Series E (Series E Preferred Stock) for the aggregate proceeds of $21 million. The SBLF is a voluntary program sponsored by the US Treasury that encourages small business lending by providing capital to qualified community banks at favorable rates. The initial interest rate on the Series E Preferred Stock has been initially set at 5% per annum and may be decreased to as low as 1% per annum if growth thresholds are met for qualified outstanding small business loans. The Company used the proceeds from the Series E Preferred Stock issued to the US Treasury to repurchase all 21,000 shares of its outstanding preferred shares previously issued to the US Treasury under the TARP Capital Purchase Program.

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11. Preferred Stock (continued)

The Series E Preferred Stock has an aggregate liquidation preference of approximately $21 million and qualifies as Tier 1 Capital for regulatory purposes. The terms of the Series E Preferred Stock provide for the payment of non-cumulative dividends on a quarterly basis. The dividend rate, as a percentage of the liquidation amount, may fluctuate while the Series E Preferred Stock is outstanding based upon changes in the level of qualified small business lending (QSBL) by the Bank from its average level of QSBL at each of the four quarter ends leading up to June 30, 2010 (the Baseline) as follows:

DIVIDEND PERIOD ANNUALIZED BEGINNING	ENDING	ANNUALIZED DIVIDEND RATE
August 11, 2011	December 31, 2011	5.0%
January 1, 2012	December 31, 2013	1.0% to 5.0%
January 1, 2014	February 7, 2016	1.0% to 7.0%(1)
February 8, 2016	Redemption	9.0%(2)

(1) Between January 1, 2014 and February 7, 2016, the dividend rate was fixed at a rate in such range based upon the level of percentage change in QSBL between September 30, 2013 and the Baseline.

(2) Beginning on February 8, 2016, the dividend rate will be fixed at nine percent (9%) per annum.

As of September 30, 2013, the Company had increased its QSBL to a level that reduced the dividend rate to 1%. Accordingly, this 1% rate will continue through February 7, 2016.

As long as shares of Series E Preferred Stock remain outstanding, we may not pay dividends to our common shareholders (nor may we repurchase or redeem any shares of our common stock) during any quarter in which we fail to declare and pay dividends on the Series E Preferred Stock and for the next three quarters following such failure. In addition, under the terms of the Series E Preferred Stock, we may only declare and pay dividends on our common stock (or repurchase shares of our common stock), if, after payment of such dividend, the dollar amount of our Tier 1 capital would be at least ninety percent (90%) of Tier 1 capital as of June 30, 2011, excluding any charge-offs and redemptions of the Series E Preferred Stock (the Tier 1 Dividend Threshold). The Tier 1 Dividend Threshold is subject to reduction, beginning January 1, 2014, based upon the extent by which, if at all, the QSBL at September 30, 2013 has increased over the Baseline.

We may redeem the Series E Preferred Stock at any time at our option, at a redemption price of 100% of the liquidation amount plus accrued but unpaid dividends, subject to the approval of our federal banking regulator.

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12. Accumulated Other Comprehensive Loss

The following table presents the changes in each component of accumulated other comprehensive loss, net of tax, for the three months ended June 30, 2014 and 2013 (in thousands):

	Three months ended June 30, 2014			Three months ended June 30, 2013		
	Net Unrealized Gains and Losses on Investment Securities AFS[1]	Defined Benefit Pension Items[1]	Total[1]	Net Unrealized Gains and Losses on Investment Securities AFS[1]	Defined Benefit Pension Items[1]	Total[1]
Beginning balance	$1,345	$(6,659)	$(5,314)	$3,774	$(9,197)	$(5,423)
Other comprehensive income before Reclassifications	684		684	(2,060)		(2,060)
Amounts reclassified from accumulated other comprehensive loss	(79)		(79)		220	220
Net current period other comprehensive income (loss)	605		605	(2,060)	220	(1,840)
Ending balance	$1,950	$(6,659)	$(4,709)	$1,714	$(8,977)	$(7,263)

(1) Amounts in parentheses indicate debits.

The following table presents the changes in each component of accumulated other comprehensive loss, net of tax, for the six months ended June 30, 2014 and 2013 (in thousands):

	Six months ended June 30, 2014			Six months ended June 30, 2013		
	Net Unrealized Gains and Losses on Investment Securities AFS[1]	Defined Benefit Pension Items[1]	Total[1]	Net Unrealized Gains and Losses on Investment Securities AFS[1]	Defined Benefit Pension Items[1]	Total[1]
Beginning balance	$1,043	$(6,918)	$(5,875)	$4,141	$(9,520)	$(5,379)

Other comprehensive income before Reclassifications	1,024	259	1,283	(2,380)	103	(2,277)
Amounts reclassified from accumulated other comprehensive loss	(117)		(117)	(47)	440	393
Net current period other comprehensive income (loss)	907	259	1,166	(2,427)	543	(1,884)
Ending balance	$1,950	$(6,659)	$(4,709)	$1,714	$(8,977)	$(7,263)

(1) Amounts in parentheses indicate debits.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

12. Accumulated Other Comprehensive Loss (continued)

The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss for the three months ended June 30, 2014 and 2013 (in thousands):

Details about accumulated other comprehensive loss components	Amount reclassified from accumulated other comprehensive loss[1] For the three months ended June 30, 2014	For the three months ended June 30, 2013	Affected line item in the statement of operations
Unrealized gains and losses on sale of securities			
	$(120)	$	Net realized gains on investment securities
	41		Provision for income tax expense
	$(79)	$	Net of tax
Amortization of defined benefit items[2]			
Estimated net loss	$	$ 341	Salaries and employee benefits
Prior service cost		(5)	Salaries and employee benefits
Transition asset		(2)	Salaries and employee benefits
		334	Pretax income
		(114)	Provision for income tax expense
	$	$ 220	Net income
Total reclassifications for the period	$(79)	$ 220	Net income

(1) Amounts in parentheses indicate credits.

(2) These accumulated other comprehensive loss components are included in the computation of net periodic benefit cost (see Note 16 for additional details).

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

12. Accumulated Other Comprehensive Loss (continued)

The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss for the six months ended June 30, 2014 and 2013 (in thousands):

Details about accumulated other comprehensive loss components	Amount reclassified from accumulated other comprehensive loss[1] For the six months ended June 30, 2014	For the six months ended June 30, 2013	Affected line item in the statement of operations
Unrealized gains and losses on sale of securities			
	$(177)	$ (71)	Net realized gains on investment securities
	60	24	Provision for income tax expense
	$(117)	$ (47)	Net of tax
Amortization of defined benefit items[2]			
Estimated net loss	$	$ 682	Salaries and employee benefits
Prior service cost		(10)	Salaries and employee benefits
Transition asset		(4)	Salaries and employee benefits
		668	Pretax income
		(228)	Provision for income tax expense
	$	$ 440	Net income
Total reclassifications for the period	$(117)	$ 393	Net income

(1) Amounts in parentheses indicate credits.

(2) These accumulated other comprehensive loss components are included in the computation of net periodic benefit cost (see Note 16 for additional details).

13. 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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

13. Regulatory Capital (continued)

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 and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. As of June 30, 2014, the Federal Reserve categorized the Company as Well Capitalized under the regulatory framework for prompt corrective action. The Company believes that no conditions or events have occurred that would change this conclusion. To be categorized as Well Capitalized, the Company must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. Additionally, while not a regulatory capital ratio, the Company s tangible common equity ratio was 7.83% at June 30, 2014 (in thousands, except ratios).

	At June 30, 2014					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (To Risk Weighted Assets) Consolidated	$130,682	15.23%	$68,651	8.00%	$85,814	10.00%
AmeriServ Financial Bank	105,564	12.45	67,844	8.00	84,806	10.00
Tier 1 Capital (To Risk Weighted Assets) Consolidated	119,952	13.98	34,326	4.00	51,488	6.00
AmeriServ Financial Bank	94,959	11.20	33,922	4.00	50,883	6.00
Tier 1 Capital (To Average Assets) Consolidated	119,952	11.56	41,502	4.00	51,877	5.00
AmeriServ Financial Bank	94,959	9.40	40,398	4.00	50,498	5.00

	At December 31, 2013					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (To Risk Weighted Assets) Consolidated	$128,469	15.28%	$67,247	8.00%	$84,059	10.00%
AmeriServ Financial Bank	103,009	12.39	66,506	8.00	83,132	10.00
Tier 1 Capital (To Risk Weighted Assets) Consolidated	117,957	14.03	33,624	4.00	50,435	6.00
AmeriServ Financial Bank	92,611	11.14	33,253	4.00	49,879	6.00
Tier 1 Capital (To Average Assets) Consolidated	117,957	11.45	41,204	4.00	51,505	5.00

AmeriServ Financial Bank	92,611	9.23	40,124	4.00	50,155	5.00

On July 2, 2013, the Board of Governors of the Federal Reserve System approved final rules that substantially amend the regulatory risk-based capital rules applicable to the Company and the Bank. The final rules implement the Basel III regulatory capital reforms, as well as certain changes required by the Dodd-Frank Act, which will require institutions to, among other things, have more capital and a higher quality of capital by increasing the minimum regulatory capital ratios, and requiring capital buffers. The new rules become effective for the Company and the Bank on January 1, 2015, with an implementation period that stretches to 2019. For a more detailed discussion see the Capital Resources section of the MD&A.

14. 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 retail banking, commercial lending, trust, 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

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

14. Segment Results (continued)

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.

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, and commercial real-estate loans. The trust segment contains our wealth management businesses which include the Trust Company, West Chester Capital Advisors, our registered investment advisory firm and financial services. 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. Financial services include the sale of mutual funds, annuities, and insurance products. The Wealth management businesses also includes the union collective investment funds, namely the ERECT and BUILD 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 guaranteed junior subordinated deferrable interest debentures, 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 for the three and six months ended June 30, 2014 and 2013 were as follows (in thousands):

	Three months ended June 30, 2014		Six months ended June 30, 2014		June 30, 2014
	Total revenue	Net income (loss)	Total revenue	Net income (loss)	Total assets
Retail banking	$ 6,470	$ 617	$ 12,587	$ 965	$ 356,547
Commercial banking	4,085	1,030	8,412	2,126	551,083
Trust	2,041	356	4,155	664	4,924
Investment/Parent	(574)	(1,024)	(1,075)	(1,846)	151,163
Total	$ 12,022	$ 979	$ 24,079	$ 1,909	$ 1,063,717

	Three months ended June 30, 2013		Six months ended June 30, 2013		December 31, 2013
	Total revenue	Net income (loss)	Total revenue	Net income (loss)	Total assets
Retail banking	$ 6,761	$ 787	$ 13,510	$ 1,610	$ 347,823
Commercial banking	3,981	1,008	7,868	2,053	545,556
Trust	2,183	330	4,168	506	4,722

Investment/Parent	(829)	(1,055)	(1,592)	(2,043)	157,935
Total	$ 12,096	$ 1,070	$ 23,954	$ 2,126	$ 1,056,036

15. Commitments and Contingent Liabilities

The Company had various outstanding commitments to extend credit approximating $167.6 million and standby letters of credit of $13.6 million as of June 30, 2014. 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 Bank uses the same credit and collateral policies in making commitments and conditional obligations as for all other lending.

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

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15. Commitments and Contingent Liabilities (continued)

claims nor the funding of these credit commitments will have a material adverse effect on the Company s consolidated financial position, results of operation or cash flows.

16. Pension Benefits

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. Plan assets are primarily debt securities (including US Treasury and Agency securities, corporate notes and bonds), listed common stocks (including shares of AmeriServ Financial, Inc. common stock which is limited to 10% of the plan s assets), mutual funds, and short-term cash equivalent instruments. The net periodic pension cost for the three and six months ended June 30, 2014 and 2013 were as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Components of net periodic benefit cost				
Service cost	$ 430	$ 453	$ 860	$ 906
Interest cost	331	291	662	582
Expected return on plan assets	(498)	(440)	(996)	(880)
Amortization of prior year service cost	(5)	(5)	(10)	(10)
Amortization of transition asset		(2)		(4)
Recognized net actuarial loss	272	341	544	682
Net periodic pension cost	$ 530	$ 638	$ 1,060	$ 1,276

The Company implemented a soft freeze of its defined benefit pension plan to provide that non-union employees hired on or after January 1, 2013 and union employees hired on or after January 1, 2014 are not eligible to participate in the pension plan. Instead, such employees are eligible to participate in a qualified 401(k) plan. This change was made to help reduce pension costs in future periods.

17. 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. 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 on a Recurring Basis

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 US 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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

17. Disclosures about Fair Value Measurements (continued)

The following tables present the assets reported on the consolidated balance sheets at their fair value as of June 30, 2014 and December 31, 2013, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets and liability measured at fair value on a recurring basis are summarized below (in thousands):

	Fair Value Measurements at June 30, 2014 Using			
	Total	(Level 1)	(Level 2)	(Level 3)
US Agency securities	$ 6,924	$	$ 6,924	$
US Agency mortgage-backed securities	114,661		114,661	
Corporate bonds	12,919		12,919	

	Fair Value Measurements at December 31, 2013 Using			
	Total	(Level 1)	(Level 2)	(Level 3)
US Agency securities	$ 6,835	$	$ 6,835	$
US Agency mortgage-backed securities	123,382		123,382	
Corporate bonds	11,761		11,761	

Assets Measured 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. As detailed in the allowance for loan loss footnote, impaired loans are reported at fair value of the underlying collateral if the repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs based on observable market data which at times are discounted. At June 30, 2014, impaired loans with a carrying value of $2.3 million were reduced by a specific valuation allowance totaling $1.0 million resulting in a net fair value of $1.3 million. At December 31, 2013, impaired loans with a carrying value of $3.1 million were reduced by a specific valuation allowance totaling $813,000 million resulting in a net fair value of $2.3 million.

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

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

	Fair Value Measurements at June 30, 2014 Using			
	Total	(Level 1)	(Level 2)	(Level 3)
Impaired loans	$ 1,325	$	$	$ 1,325

Other real estate owned	511	511

	Fair Value Measurements at December 31, 2013 Using			
	Total	(Level 1)	(Level 2)	(Level 3)
Impaired loans	$ 2,253	$	$	$ 2,253
Other real estate owned	1,017			1,017

	Quantitative Information About Level 3 Fair Value Measurements			
June 30, 2014	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Wgtd Ave)
Impaired loans	$1,325	Appraisal of collateral[1]	Appraisal adjustments[2]	0% to 35% (30%)
			Liquidation expenses[2]	1% to 15% (10%)
Other real estate owned	511	Appraisal of collateral[1],[3]	Appraisal adjustments[2]	0% to 48% (38%)
			Liquidation expenses[2]	1% to 20% (10%)

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17. Disclosures about Fair Value Measurements (continued)

	Quantitative Information About Level 3 Fair Value Measurements			
December 31, 2013	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range(Wgtd Ave)
Impaired loans	$2,253	Appraisal of collateral[1]	Appraisal adjustments[2] Liquidation expenses[2]	0% to 37% (30%) 1% to 15% (10%)
Other real estate owned	1,017	Appraisal of collateral[1],[3]	Appraisal adjustments[2] Liquidation expenses[2]	0% to 48% (38%) 1% to 20% (10%)

(1) Fair Value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not identifiable.

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

(3) Includes qualitative adjustments by management and estimated liquidation expenses.

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, cash equivalents, and loans and deposits with floating interest rates have estimated fair values which approximate the recorded book balances. The estimation methodologies used, the estimated fair values based on US GAAP measurements, and recorded book balances at June 30, 2014 and December 31, 2013, were as follows (in thousands):

	June 30, 2014				
	Carrying Value	Fair Value	(Level 1)	(Level 2)	(Level 3)
FINANCIAL ASSETS:					
Cash and cash equivalents	$28,013	$28,013	$28,013	$	$
Investment securities AFS	134,504	134,504		134,504	
Investment securities HTM	19,099	19,263		16,293	2,970

Regulatory stock	6,643	6,643	6,643		
Loans held for sale	4,689	4,766	4,766		
Loans, net of allowance for loan loss and unearned income	789,836	788,842			788,842
Accrued interest income receivable	3,186	3,186	3,186		
Bank owned life insurance	37,040	37,040	37,040		
FINANCIAL LIABILITIES:					
Deposits with no stated maturities	$571,842	$571,842	$571,842	$	$
Deposits with stated maturities	302,066	306,041			306,041
Short-term borrowings	18,677	18,677	18,677		
All other borrowings	47,085	50,519			50,519
Accrued interest payable	1,478	1,478	1,478		

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

17. Disclosures about Fair Value Measurements (continued)

	December 31, 2013 Carrying Value	Fair Value	(Level 1)	(Level 2)	(Level 3)
FINANCIAL ASSETS:					
Cash and cash equivalents	$30,066	$30,066	$30,066	$	$
Investment securities AFS	141,978	141,978		141,978	
Investment securities HTM	18,187	17,788		14,822	2,966
Regulatory stock	6,802	6,802	6,802		
Loans held for sale	3,402	3,453	3,453		
Loans, net of allowance for loan loss and unearned income	773,242	771,460			771,460
Accrued interest income receivable	2,908	2,908	2,908		
Bank owned life insurance	36,669	36,669	36,669		
FINANCIAL LIABILITIES:					
Deposits with no stated maturities	$546,384	$546,384	$546,384	$	$
Deposits with stated maturities	308,138	313,272			313,272
Short-term borrowings	41,555	41,555	41,555		
All other borrowings	38,085	40,598			40,598
Accrued interest payable	1,784	1,784	1,784		

The fair value of cash and cash equivalents, regulatory stock, accrued interest income receivable, short-term borrowings, and accrued interest payable are equal to the current carrying value.

The fair value of investment securities is equal to the available quoted market price for similar securities. The fair value measurements consider observable data that may include dealer quoted market spreads, cash flows, the US 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 Level 3 securities are valued by discounted cash flows using the US Treasury rate for the remaining term of the securities.

Loans held for sale are priced individually at market rates on the day that the loan is locked for commitment with an investor. All loans in the held for sale account conform to Fannie Mae underwriting guidelines, with the specific intent of the loan being purchased by an investor at the predetermined rate structure. Loans in the held for sale account have specific delivery dates that must be executed to protect the pricing commitment (typically a 30, 45, or 60 day lock period).

The net loan portfolio has been valued using a present value discounted cash flow. The discount rate used in these calculations is based upon the treasury yield curve adjusted for non-interest operating costs, credit loss, current market prices and assumed prepayment risk.

The fair value of bank owned life insurance is based upon the cash surrender value of the underlying policies and matches the book value.

Deposits with stated maturities have been valued using a present value discounted cash flow with a discount rate approximating current market for similar assets and liabilities. Deposits with no stated maturities have an estimated fair value equal to both the amount payable on demand and the recorded book balance.

The fair value of all other borrowings is based on the discounted value of contractual cash flows. The discount rates are estimated using rates currently offered for similar instruments with similar remaining maturities.

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17. Disclosures about Fair Value Measurements (continued)

Commitments to extend credit and standby letters of credit are financial instruments generally not subject to sale, and fair values are not readily available. The carrying value, represented by the net deferred fee arising from the unrecognized commitment, and the fair value, determined by discounting the remaining contractual fee over the term of the commitment using fees currently charged to enter into similar agreements with similar credit risk, is not considered material for disclosure. The contractual amounts of unfunded commitments are presented in Note 15.

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.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (M.D.& A.)

.....2014 SECOND QUARTER SUMMARY OVERVIEW..... AmeriServ Financial, Inc. (AmeriServ or the Company) reported net income available to common shareholders of $927,000 or $0.05 per share for the second quarter of 2014. This was $91,000 less than the second quarter of 2013, but $50,000 higher than the first quarter of 2014. Each of these three quarters produced diluted earnings per share of $0.05.

We have previously discussed the negative impact of the Federal Reserve Zero Interest Rate policy on the revenue of financial institutions such as AmeriServ. Therefore it has been our considered strategy to seek increased revenues from other sources as well as our normal earnings on lending activities, which is already benefiting from our increased emphasis on loan originations. For example, for the period ended June 30, 2014, AmeriServ reported an increase in net loans outstanding in the second quarter of $15 million which was an increase of $53 million since June 30, 2013. This growth has permitted AmeriServ to announce a new record of loans outstanding at the close of each of the last five quarters.

Not to be outdone, the growth in deposits has also been solid, increasing by almost $34 million between June 30, 2014 and June 30, 2013. It has been encouraging to note that many of our new borrowing customers have also chosen to make AmeriServ their bank for their business operating accounts.

However, in economic times like these it is also important that the AmeriServ Trust Company seek revenue growth. The equity markets have been strong and the AmeriServ investment strategies have surpassed many wealth management benchmarks. This has again resulted in an increase in Trust Company revenue for the first six months of 2014 and, therefore, is projected to be the fourth consecutive year of revenue growth by the Trust Company.

This data indicates that the strategy to increase revenue is progressing well in spite of Federal Reserve policies and a lackluster economy. Yet, as we noted previously, earnings per share has yet to show a similar growth pattern. Our analysis indicates that overall expenses have also been growing. Therefore, during the second quarter of 2014, we invited a team of experts in the area of expense rationalization to AmeriServ. This team has performed similar analyses in over 400 other companies in the past. They were given complete access to every function of the Company. Their analysis is now complete, and during the third quarter of 2014 they will make their recommendations to the Board and to management. Our goal is to be able to continue to increase revenues but with a lesser rate of increase in expenses. It is our opinion that over the next few years the nation will continue to pursue an easy money policy with low rates and a less than healthy overall economy. Therefore it is necessary that, in a manner of speaking, we watch every dollar carefully as it comes in the door. But we have high hopes for this emphasis on cost rationalization enabling us to translate more of this revenue growth into earnings per share growth.

The issue of technology in the world of financial services is becoming even more pervasive every day. The process of miniaturization lies at the heart of this. At one time the computer was so large, expensive and complex that only the largest companies and super-rich individuals could possess them. But today virtually every capability possessed by the largest bank in our nation is also available to AmeriServ, and to any other technically proficient smaller company. It is our intent to maintain our very personal service tradition but to combine it with a full menu of the best technological assists. For example, in the third quarter AmeriServ s Trust Company is installing a whole new technology package that promises more efficiency but also better information and new client service capabilities.

AmeriServ has now been profitable in seven of the last eight years. It continues to set new quarter end records in the basic blocking and tackling of financial services. But it is also committed to search out new technologies and new ideas that will improve earnings per share. Just as in most businesses, we believe that the growth in customer generated revenue is just the first challenge. The next challenge is to find ways to report more of that increased revenue as increased earnings per share. Today that is the focus of our Board, it is the focus of our management team and it is the focus of every AmeriServ banker.

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THREE MONTHS ENDED JUNE 30, 2014 VS. THREE MONTHS ENDED JUNE 30, 2013

.....PERFORMANCE OVERVIEW..... The following table summarizes some of the Company s key performance indicators (in thousands, except per share and ratios).

	Three months ended June 30, 2014	Three months ended June 30, 2013
Net income	$ 979	$ 1,070
Net income available to common shareholders	927	1,018
Diluted earnings per share	0.05	0.05
Return on average assets (annualized)	0.37 %	0.43 %
Return on average equity (annualized)	3.41 %	3.86 %

The Company reported second quarter 2014 net income available to common shareholders of $927,000 or $0.05 per diluted common share. Net income available to common shareholders in the second quarter of 2014 declined by $91,000, or 8.9%, from the prior year second quarter due primarily to reduced non-interest revenue and higher non-interest expense in 2014. These negative items more than offset a 4.5% increase in net interest income in the second quarter of 2014 due to the previously mentioned loan growth and a $150,000 reduction in the provision for loans losses. Finally, diluted earnings per share was consistent between periods as total shares outstanding were lower in 2014 due to the success of the Company s common stock repurchase program which was completed in the second quarter of 2013.

.....NET INTEREST INCOME AND MARGIN..... The Company s net interest income represents the amount by which interest income on average earning assets exceeds interest paid on average interest bearing liabilities. Net interest income is a primary source of the Company s earnings, and it is affected by interest rate fluctuations as well as changes in the amount and mix of average earning assets and average interest bearing liabilities. The following table compares the Company s net interest income performance for the second quarter of 2014 to the second quarter of 2013 (in thousands, except percentages):

	Three months ended June 30, 2014	Three months ended June 30, 2013	$ Change	% Change
Interest income	$ 9,983	$ 9,627	$ 356	3.7 %
Interest expense	1,599	1,606	(7)	(0.4)
Net interest income	$ 8,384	$ 8,021	$ 363	4.5
Net interest margin	3.47 %	3.50 %	(0.03)	N/M

N/M not meaningful

The Company s net interest income in the second quarter of 2014 increased by $363,000 or 4.5% when compared to the second quarter of 2013. The Company s net interest margin of 3.47% for the second quarter of 2014 was three basis points lower than the net interest margin of 3.50% for the second quarter 2013. This demonstrates that the recent pace of net interest margin contraction has slowed from the pace of margin decline experienced over the previous two years. The Company has been able to mitigate this net interest margin pressure and increase net interest income by both growing its earning assets and reducing its cost of funds. Specifically, the earning asset growth has occurred in the loan portfolio as total loans averaged $795 million in the second quarter of 2014 which is $67 million, or 9.2%, higher than the $728 million average for the second quarter of 2013. This loan growth reflects the successful results of the Company s more intensive sales calling efforts, with an emphasis on generating commercial loans and owner occupied commercial real estate loans, which qualify as Small Business Lending Fund (SBLF) loans, particularly through its loan production offices. As a result of this growth in SBLF qualified loans, the Company has locked in the lowest preferred dividend rate available under the program of 1% until the first quarter of 2016. Interest income in 2014 has also benefitted from reduced premium amortization on mortgage backed securities due to slower mortgage prepayment speeds. Due largely to this reduced premium amortization, the yield on the total securities portfolio increased by 22 basis points to 2.65% in the second quarter of 2014.

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Total interest expense for the second quarter of 2014 declined by $7,000 from the 2013 second quarter due to the Company s proactive efforts to reduce deposit costs. Even with this reduction in deposit costs, the Company still experienced growth in deposits which reflects the loyalty of our core deposit base and ongoing efforts to cross sell new loan customers into deposit products. Specifically, total deposits averaged $877 million for the second quarter of 2014 which is $35 million, or 4.2%, higher than the $842 million average in the second quarter of 2013. The Company s loan to deposit ratio has increased to 92.1% at June 30, 2014 from 88.6% at June 30, 2013.

The table that follows provides an analysis of net interest income on a tax-equivalent basis for the three month periods ended June 30, 2014 and June 30, 2013 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) the Company s 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) the Company s net interest margin (net interest income as a percentage of average total interest earning assets). For purposes of these tables, loan balances do 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. Additionally, a tax rate of 34% is used to compute tax-equivalent yields.

Three months ended June 30 (In thousands, except percentages)

	2014			2013		
	Average Balance	Interest Income/ Expense	Yield/Rate	Average Balance	Interest Income/ Expense	Yield/Rate
Interest earning assets:						
Loans and loans held for sale, net of unearned income	$795,233	$8,945	4.47 %	$728,189	$8,596	4.69 %
Interest bearing deposits	7,512	1	0.04	9,511	3	0.13
Short-term investment in money market funds	2,296	2	0.47	5,702	4	0.40
Investment securities AFS	138,417	905	2.62	151,609	907	2.39
Investment securities HTM	18,931	136	2.87	17,873	123	2.75
Total investment securities	157,348	1,041	2.65	169,482	1,030	2.43
Total interest earning assets/interest income	962,389	9,989	4.14	912,884	9,633	4.21
Non-interest earning assets:						
Cash and due from banks	15,267			16,470		
Premises and equipment	13,194			12,799		
Other assets	69,538			75,924		
Allowance for loan losses	(10,122)			(10,989)		
TOTAL ASSETS	$1,050,266			$1,007,088		
Interest bearing liabilities:						
Interest bearing deposits:						
Interest bearing demand	$100,249	$50	0.20 %	$74,721	$35	0.19 %
Savings	89,871	36	0.16	88,919	35	0.16
Money markets	229,626	196	0.34	208,050	180	0.36
Time deposits	304,022	958	1.26	309,318	1,038	1.35
Total interest bearing deposits	723,768	1,240	0.69	681,008	1,288	0.76

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	2014			2013		
	Average Balance	Interest Income/ Expense	Yield/Rate	Average Balance	Interest Income/ Expense	Yield/Rate
Short-term borrowings:						
Other short-term borrowings	7,249	5	0.28	12,067	8	0.27
Advances from Federal Home Loan Bank	30,378	74	0.96	16,000	30	0.76
Guaranteed junior subordinated deferrable interest debentures	13,085	280	8.57	13,085	280	8.57
Total interest bearing liabilities/interest expense	774,480	1,599	0.83	722,160	1,606	0.89
Non-interest bearing liabilities:						
Demand deposits	152,976			160,773		
Other liabilities	7,582			12,860		
Shareholders equity	115,228			111,295		
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$1,050,266			$1,007,088		
Interest rate spread			3.31			3.32
Net interest income/Net interest margin		8,390	3.47 %		8,027	3.50 %
Tax-equivalent adjustment		(6)			(6)	
Net Interest Income		$8,384			$8,021	

.....PROVISION FOR LOAN LOSSES..... The Company did not record a provision for loan losses in the second quarter of 2014 as compared to a $150,000 provision recorded in the second quarter of 2013. The Company continued to maintain outstanding asset quality in the second quarter of 2014. At June 30, 2014, non-performing assets totaled $4.5 million, or 0.56%, of total loans, which is comparable with the level they have averaged for the past six quarters. The Company also experienced net loan recoveries in both the second quarters of 2014 and 2013. When determining the provision for loan losses, the Company considers a number of factors some of which include periodic credit reviews, non-performing assets, loan delinquency and charge-off trends, concentrations of credit, loan volume trends and broader local and national economic trends. In summary, the allowance for loan losses provided a strong 256% coverage of non-performing loans, at June 30, 2014, compared to 327% of non-performing loans at December 31, 2013.

.....NON-INTEREST INCOME..... Non-interest income for the second quarter of 2014 totaled $3.6 million and decreased $437,000, or 10.7%, from the second quarter 2013 performance. Factors contributing to this lower level of non-interest income for the quarter included:

* Reduced revenue from residential mortgage banking activities was caused by lower refinance activity due to higher mortgage rates in 2014. As a result, gains realized on residential mortgage loan sales into the secondary market declined by $70,000 and mortgage related fees dropped by $68,000 due largely to lower mortgage origination and underwriting fees.
* a $204,000, or 52.6%, decrease in bank owned life insurance revenue due to the receipt of a death claim in the prior year.
* a $51,000, or 2.6%, decrease in trust and investment advisory fees resulting from client attrition at our registered investment advisor subsidiary (WCCA) due to the departure of a former CEO in that business.

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* a $120,000 gain realized on the sale of investment securities in the second quarter of 2014 as the Company took advantage of market opportunities to sell certain rapidly prepaying mortgage backed securities.
* a $127,000 decrease in other income due largely to a $78,000 loss realized on the sale of an other real estate owned property in the second quarter of 2014.

.....NON-INTEREST EXPENSE..... Non-interest expense for the second quarter of 2014 totaled $10.6 million and increased by $178,000, or 1.7%, from the prior year s second quarter. Factors contributing to the higher non-interest expense in the quarter included:

* a $314,000 increase in professional fees due to higher legal costs and new recurring costs related to outsourcing our computer operations and statement processing to a third party vendor. The increased legal costs related to litigation with the former CEO of our registered investment advisor subsidiary for violations of the non-solicitation, non-competition, and other provisions included in his employment agreement as well as other statutory and common law claims.
* a $69,000 decrease in salaries and employee benefits due to lower pension expense and incentive compensation expense.

SIX MONTHS ENDED JUNE 30, 2014 VS. SIX MONTHS ENDED JUNE 30, 2013

.....PERFORMANCE OVERVIEW..... The following table summarizes some of the Company s key performance indicators (in thousands, except per share and ratios).

	Six months ended June 30, 2014	Six months ended June 30, 2013
Net income	$ 1,909	$ 2,126
Net income available to common shareholders	1,804	2,022
Diluted earnings per share	0.10	0.11
Return on average assets (annualized)	0.37 %	0.43 %
Return on average equity (annualized)	3.35 %	3.86 %

The Company reported net income available to common shareholders of $1,804,000 or $0.10 per diluted common share for the first six months of 2014. When compared to the first six months of 2013, net income available to common shareholders was down by $218,000, or 10.8%, due primarily to reduced non-interest revenue and higher non-interest expense in 2014. These negative items more than offset a 5.3% increase in net interest income in the first half of 2014 due to the previously mentioned strong loan growth the Company has achieved over the past year.

.....NET INTEREST INCOME AND MARGIN..... The following table compares the Company s net interest income performance for the first six months of 2014 to the first six months of 2013 (in thousands, except percentages):

	Six months ended June 30, 2014	Six months ended June 30, 2013	$ Change	% Change
Interest income	$ 20,078	$ 19,329	$ 749	3.9 %
Interest expense	3,169	3,266	(97)	(3.0)

Net interest income	$ 16,909	$ 16,063	$ 846	5.3
Net interest margin	3.52 %	3.54 %	(0.02)	N/M

N/M not meaningful

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The Company s net interest income in the first six months of 2014 increased by $846,000 or 5.3% when compared to the first six months of 2013. The Company s net interest margin of 3.52% for the first six months of 2014 was two basis points lower than the net interest margin of 3.54% for the first half of 2013. The lower net interest margin demonstrates the impact of Federal Reserve low interest rate policies which have pressured interest revenue. The Company has been able to mitigate this net interest margin pressure and to increase net interest income by both growing its earning assets and reducing its cost of funds. Specifically, the earning asset growth has occurred in the loan portfolio as total loans averaged $791 million in the first half of 2014 which is $63 million, or 8.7%, higher than the $728 million average for the first half of 2013. Interest income in 2014 has also benefitted from reduced premium amortization on mortgage backed securities due to slower mortgage prepayment speeds which has caused the yield on the total securities portfolio to increase by 11 basis points to 2.63% in the first six months of 2014. The size of the total securities portfolio and short term investments has decreased on average by $10 million in 2014 as the Company has utilized cash flow from these instruments to help fund the previously mentioned loan growth.

Total interest expense for the first six months of 2014 declined by $97,000 from the first six months of 2013 due to the Company s proactive efforts to reduce deposit costs. Even with this reduction in deposit costs, the Company still experienced growth in deposits which reflects the loyalty of our core deposit base and ongoing efforts to cross sell new loan customers into deposit products. Specifically, total deposits averaged $866 million for the first half of 2014 which is $28 million, or 3.3%, higher than the $839 million average in the first half of 2013. The Company has also utilized term advances from the FHLB, with maturities ranging between three and five years, to help fund its earning asset growth and manage interest rate risk over the past year. The average balance of FHLB term advances has increased by $13 million while the average cost of these advances has increased by 25 basis points to 0.94%.

The table that follows provides an analysis of net interest income on a tax-equivalent basis for the six month periods ended June 30, 2014 and June 30, 2013. For a detailed discussion of the components and assumptions included in the table, see the paragraph before the quarterly table on page 35-36.

Six months ended June 30 (In thousands, except percentages)

	2014			2013		
	Average Balance	Interest Income/ Expense	Yield/Rate	Average Balance	Interest Income/ Expense	Yield/Rate
Interest earning assets:						
Loans and loans held for sale, net of unearned income	$791,270	$17,983	4.53 %	$727,846	$17,231	4.72 %
Interest bearing deposits	6,749	2	0.06	8,324	4	0.11
Short-term investment in money market funds	3,231	4	0.25	5,057	6	0.23
Investment securities AFS	141,236	1,829	2.59	149,598	1,863	2.49
Investment securities HTM	18,833	272	2.89	16,961	238	2.81
Total investment securities	160,069	2,101	2.63	166,559	2,101	2.52
Total interest earning assets/interest income	961,319	20,090	4.18	907,786	19,342	4.27
Non-interest earning assets:						
Cash and due from banks	15,618			16,845		
Premises and equipment	13,171			12,475		
Other assets	69,689			78,961		

Allowance for loan losses	(10,132)	(11,768)
TOTAL ASSETS	$1,049,665	$1,004,299

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	2014			2013		
	Average Balance	Interest Income/ Expense	Yield/Rate	Average Balance	Interest Income/ Expense	Yield/Rate
Interest bearing liabilities:						
Interest bearing deposits:						
Interest bearing demand	$91,433	$88	0.19 %	$68,850	$62	0.18 %
Savings	89,202	71	0.16	88,058	69	0.16
Money markets	229,170	388	0.34	210,626	367	0.35
Time deposits	303,583	1,904	1.26	311,667	2,140	1.38
Total interest bearing deposits	713,388	2,451	0.69	679,201	2,638	0.78
Short-term borrowings:						
Other short-term borrowings	18,441	24	0.26	9,966	13	0.25
Advances from Federal Home Loan Bank	28,544	134	0.94	15,774	55	0.69
Guaranteed junior subordinated deferrable interest debentures	13,085	560	8.57	13,085	560	8.57
Total interest bearing liabilities/interest expense	773,458	3,169	0.82	718,026	3,266	0.92
Non-interest bearing liabilities:						
Demand deposits	152,894			159,512		
Other liabilities	8,519			15,634		
Shareholders equity	114,794			111,127		
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$1,049,665			$1,004,299		
Interest rate spread			3.36			3.35
Net interest income/Net interest margin		16,921	3.52 %		16,076	3.54 %
Tax-equivalent adjustment		(12)			(13)	
Net Interest Income		$16,909			$16,063	

.....PROVISION FOR LOAN LOSSES..... For the six month period in 2014, the Company did not record a provision for loan losses compared to a $100,000 negative provision in the first six months of 2013. Overall, sustained improvements in asset quality evidenced by low levels of non-performing assets and classified loans has allowed the Company to benefit from zero or negative loan loss provisions in both 2014 and 2013 while still maintaining strong coverage ratios. For the six month periods, there were modest net loan recoveries of $46,000, or 0.01% of total loans, in 2014 compared to net loan charge-offs of $1.3 million, or 0.37% of total loans, in 2013 when the Company resolved its largest non-performing credit. The allowance for loan losses was 1.26% of total loans at June 30, 2014, compared to 1.29% of total loans at December 31, 2013.

.....NON-INTEREST INCOME..... Non-interest income for the first six months of 2014 totaled $7.2 million and decreased $721,000, or 9.1%, from the first six months 2013 performance. Factors contributing to this lower level of non-interest income for the period included:

* Reduced revenue from residential mortgage banking activities was caused by both lower refinance activity due to higher mortgage rates and reduced purchase activity due to the harsh winter weather conditions in the first quarter. As a result, gains realized on residential mortgage loan sales into the secondary market declined by $355,000 or 56.6% and mortgage related fees dropped by $152,000 due largely to lower mortgage origination and underwriting

fees.

* a $100,000, or 2.6%, increase in trust and investment advisory fees due to increased assets under management which reflects both successful new business development activities and market appreciation of existing assets.

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* a $70,000, or 6.7%, decrease in deposit service charges as this line item was clearly impacted by reduced business activity in the first quarter of 2014.
* a $218,000, or 37.0%, decrease in bank owned life insurance revenue due to the receipt of a death claim in the prior year.

.....NON-INTEREST EXPENSE..... Non-interest expense for the first six months of 2014 totaled $21.4 million and increased by $294,000, or 1.4%, from the prior year s first six months. Factors contributing to the higher non-interest expense in the period included:

* professional fees increased by $587,000 for the six month period due to higher legal costs and new recurring costs related to outsourcing our computer operations and statement processing to a third party vendor. The overall cost savings benefit from outsourcing these services is captured in lower personnel costs in these departments and reduced software expense which is a key factor contributing to the decline in other expenses of $137,000 for the six month period in 2014.
* an $86,000 decrease in salaries and employee benefits as they were down modestly between periods as the benefits of lower pension expense and incentive compensation expense were partially offset by increased health insurance premiums.

.....INCOME TAX EXPENSE..... The Company recorded an income tax expense of $812,000 or an effective tax rate of 29.8% for the first six months of 2014 compared to an income tax expense of $864,000 or an effective tax rate of 28.9% for the first six months of 2013. The effective tax rate was modestly lower in 2013 due to an increased level of tax free earnings from bank owned life insurance. The Company s deferred tax asset was $8.7 million at June 30, 2014 and relates primarily to the allowance for loan losses and net operating loss carryforwards.

.....SEGMENT RESULTS..... Retail banking s net income contribution was $617,000 in the second quarter and $965,000 for the first six months of 2014 which was down by $170,000 and $645,000, respectively, from the net income contribution for the same 2013 periods. This decline in earnings in 2014 was due to the previously discussed sharp decline in residential mortgage banking related revenues, lower deposit service charges and reduced revenue from bank owned life insurance in 2014. Net interest income was also down in this segment reflecting the ongoing net interest margin pressure from the continued low interest rate environment which causes the funding benefit for deposits provided by this segment to be lower.

The commercial banking segment reported net income contributions of $1.0 million in the second quarter and $2.1 million for the first six months of 2014 which were modestly better than the 2013 results for the same periods. This improved net income contribution was due to higher net interest income as a result of the previously discussed strong growth in commercial and commercial real estate loans over the past year. This growth in net interest income more than offset no earnings benefit from a negative loan loss provision, reduced non-interest revenue from a $78,000 loss realized on the sale of an other real estate owned property and generally higher non-interest expenses in this segment in 2014.

The trust segment s net income contribution amounted to $356,000 for the second quarter of 2014 and $664,000 for the first six months of 2014 which was up by $26,000 and $158,000 from the net income contributions for the same 2013 periods, respectively. The higher net income contribution in 2014 is due to greater trust revenue from increased assets under management which reflects both successful new business development activities and market appreciation of existing assets. Non-interest revenue for this segment was negatively impacted by client attrition at WCCA due to the departure of a former CEO in January 2014 and lower financial services revenue due to fewer production personnel in 2014. However, non-interest expense in this segment was also down due to reduced personnel cost at WCCA which has helped mitigate a significant portion of the revenue decline.

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The investment/parent segment reported net losses of $1.0 million in the second quarter and $1.8 million for the first six months of 2014 which represented an improvement of $31,000 and $197,000 compared to the same 2013 periods. The improvement between years reflects the benefit of reduced premium amortization on mortgage backed securities and increased gains realized on investment security sales in 2014. However, overall this segment has felt the most earnings pressure from the continued low interest rate environment.

.....BALANCE SHEET..... The Company s total consolidated assets were $1.064 billion at June 30, 2014, which grew by $7.7 million, or 0.7%, from the December 31, 2013 asset level. The growth in assets was due to a $17.9 million, or 2.3%, increase in net loans during the first six months of 2014. This loan increase was partially offset by a $6.6 million decrease in investment securities and a $2 million decline in cash and cash equivalents as the Company utilized these items to help fund the loan growth.

Total deposits increased by $19 million, or 2.3%, in the first half of 2014. The Company used these deposits to fund loans and reduce FHLB short-term borrowings. The FHLB term advances with maturities between 3 and 5 years grew by $9 million and now total $34 million as the Company s has utilized these advances to help manage interest rate risk in a rising rate environment. The Company s total shareholders equity increased by $2.6 million over the first six months of 2014 due to the Company s net retention of earnings after dividend payments and a reduction in accumulated other comprehensive loss. The Company continues to be considered well capitalized for regulatory purposes with a risk based capital ratio of 15.23%, and an asset leverage ratio of 11.56% at June 30, 2014. The Company s book value per common share was $5.05, its tangible book value per common share was $4.38, and its tangible common equity to tangible assets ratio was 7.83% at June 30, 2014.

.....LOAN QUALITY..... The following table sets forth information concerning the Company s loan delinquency, non-performing assets, and classified assets (in thousands, except percentages):

	June 30, 2014	December 31, 2013	June 30, 2013
Total accruing loan delinquency (past due 30 to 89 days)	$2,932	$3,264	$2,049
Total non-accrual loans	3,740	2,871	3,210
Total non-performing assets including TDR*	4,469	4,109	5,028
Accruing loan delinquency, as a percentage of total loans, net of unearned income	0.37 %	0.42 %	0.28 %
Non-accrual loans, as a percentage of total loans, net of unearned income	0.47	0.37	0.43
Non-performing assets, as a percentage of total loans, net of unearned income, and other real estate owned	0.56	0.52	0.67
Non-performing assets as a percentage of total assets	0.42	0.39	0.49
As a percent of average loans, net of unearned income:			
Annualized net charge-offs	(0.01)	0.18	0.37
Annualized provision (credit) for loan losses		(0.15)	(0.03)
Total classified loans (loans rated substandard or doubtful)	$13,496	$11,779	$15,127

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

The Company continued to maintain strong asset quality in the first half of 2014 as evidenced by low levels of non-accrual loans, non-performing assets, and loan delinquency levels that continue to be well below 1% of total loans. We continue to closely monitor the loan portfolio given the slow recovery in the economy and the number of relatively large-sized commercial and commercial real estate loans within the portfolio. As of June 30, 2014, the 25 largest credits represented 26.7% of total loans outstanding.

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.....ALLOWANCE FOR LOAN LOSSES..... The following table sets forth the allowance for loan losses and certain ratios for the periods ended (in thousands, except percentages):

	June 30, 2014	December 31, 2013	June 30, 2013
Allowance for loan losses	$10,150	$10,104	$11,145
Allowance for loan losses as a percentage of each of the following total loans, net of unearned income	1.27 %	1.29 %	1.50 %
total accruing delinquent loans (past due 30 to 89 days)	346.18	309.56	543.92
total non-accrual loans	256.44	351.93	347.20
total non-performing assets	227.12	245.90	221.70

The Company recorded no loan loss provision in the first six months of 2014 and reversed a portion of the allowance for loan losses into earnings during the same period in 2013 due to the previously discussed sustained improvement in asset quality. As a result, the balance in the allowance for loan losses was relatively constant in the first six months of 2014 while the Company has been able to still maintain strong coverage of non-accrual loans and non-performing assets as indicated in the above table.

.....LIQUIDITY..... The Company s liquidity position has been strong during the last several years. Our core retail deposit base has grown over the past five years and has been more than adequate to fund the Company s operations. Cash flow from maturities, prepayments and amortization of securities was also used to help fund loan growth over the past few years. We strive to operate our loan to deposit ratio in a range of 85% to 95%. At June 30, 2014, the Company s loan to deposit ratio was 92.1%. We are optimistic that we can increase the loan to deposit ratio in the future given current commercial loan pipelines, the further development of three newer loan production offices opened in 2012, and our focus on small business lending.

Liquidity can be analyzed by utilizing the Consolidated Statement of Cash Flows. Cash and cash equivalents decreased by $2.1 million from December 31, 2013 to June 30, 2014, due to $9.1 million of cash used in investing activities. This more than offset $2.1 million of cash provided by operating activities and $5.0 million of cash provided by financing activities. Within investing activities, cash provided from investment security maturities and sales was higher than cash used for new investment security purchases by $7.9 million. Cash advanced for new loan fundings and purchases (excluding residential mortgages sold in the secondary market) totaled $78.4 million and was $16.5 million higher than the $61.9 million of cash received from loan principal payments and participations. Within financing activities, deposit growth provided $19.3 million of cash. Total borrowings decreased as paydowns of short-term advances exceeded purchases of FHLB advances by $13.9 million. At June 30, 2014, the Company had immediately available $353 million of overnight borrowing capacity at the FHLB and $39 million of unsecured federal funds lines with correspondent banks.

The holding company had $16.6 million of cash, short-term investments, and investment securities at June 30, 2014. Additionally, dividend payments from our subsidiaries can also provide ongoing cash to the holding company. At June 30, 2014, our subsidiary Bank had $563,000 of cash available for immediate dividends to the holding company under applicable regulatory formulas. Overall, the holding company has strong liquidity to meet its trust preferred debt service requirements and preferred stock dividends, which should approximate $1.2 million over the next twelve months. Additionally, the Company has ample cash to provide for its $0.01 per share quarterly common stock cash dividend, which will require $187,000 of cash on a quarterly basis. The most recent $0.01 dividend was announced on July 18, 2014 payable on August 18, 2014 to shareholders of record on August 4, 2014.

.....CAPITAL RESOURCES..... The Company meaningfully exceeds all regulatory capital ratios for each of the periods presented and is considered well capitalized. The asset leverage ratio was 11.56% and the risk based capital ratio was 15.23% at June 30, 2014. The Company s tangible common equity to tangible assets ratio was 7.83% at June 30, 2014. We anticipate that we will maintain our strong capital ratios throughout the remainder of 2014. Capital generated from earnings will be utilized to pay the SBLF preferred dividend, common stock cash dividend and will also support anticipated balance sheet growth.

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On July 2, 2013, the Board of Governors of the Federal Reserve System approved final rules that substantially amend the regulatory risk-based capital rules applicable to the Company and the Bank. The final rules implement the Basel III regulatory capital reforms, as well as certain changes required by the Dodd-Frank Act. The July 2013 final rules generally implement higher minimum capital requirements, add a new common equity tier 1 capital requirement, and establish criteria that instruments must meet to be considered common equity tier 1 capital, additional tier 1 capital or tier 2 capital. The new minimum capital to risk-adjusted assets requirements are a common equity tier 1 capital ratio of 4.5% (6.5% to be considered well capitalized) and a tier 1 capital ratio of 6.0%, increased from 4.0% (and increased from 6.0% to 8.0% to be considered well capitalized); the total capital ratio remains at 8.0% under the new rules (10.0% to be considered well capitalized). Under the new 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 comprised of common equity tier 1 capital above its minimum risk-based capital requirements in an amount greater than 2.5% of total risk-weighted assets. The new minimum capital requirements are effective for the Company and the Bank on January 1, 2015. The capital contribution buffer requirements phase in over a three-year period beginning January 1, 2016.

The July 2013 final rules include three significant changes from the proposals initially made by federal banking regulators in June 2012: (i) the final rules do not change the current risk weighting for residential mortgage exposures; (ii) the final rules permit institutions, other than certain large institutions, to elect to continue to treat certain components of accumulated other comprehensive income as permitted under the current general risk-based capital rules, and not reflect unrealized gains and losses on available-for-sale securities in common equity tier 1 calculations; and (iii) the final rules permit institutions with less than $15.0 billion in assets to grandfather certain non-qualifying capital instruments (including trust preferred securities) issued prior to May 19, 2009 into tier 1 capital.

The Company is continuing to review the impact of these new rules and currently expects that its capital position will be more than adequate to meet the revised regulatory capital requirements.

.....INTEREST RATE SENSITIVITY..... 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
200bp increase	1.6 %	8.9 %
100bp increase	1.4	6.4
100bp decrease	(3.7)	(15.8)

The Company believes that its overall interest rate risk position is well controlled. The variability of net interest income is modestly positive in the upward rate shocks due to the Company s short duration investment securities portfolio and scheduled repricing of loans tied to LIBOR or prime. Also, the Company expects that it will not have to reprice its core deposit accounts up as quickly when interest rates rise. 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 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.

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.....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 had various outstanding commitments to extend credit approximating $167.6 million and standby letters of credit of $13.6 million as of June 30, 2014. 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.

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

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

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

Commercial and commercial real estate loans are the largest category of credits and the most sensitive to changes in assumptions and judgments underlying the determination of the allowance for loan loss. Approximately $7.7 million, or 76%, of the total allowance for loan losses at June 30, 2014 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 TDR loans, concentrations of credit, trends in loan volume, experience and depth of management, examination and audit results, effects of any changes in lending policies and trends in policy, financial information and documentation exceptions. To the extent actual outcomes differ from management estimates, additional provision for loan losses may be required that would adversely impact earnings in future periods.

ACCOUNT Goodwill
BALANCE SHEET REFERENCE Goodwill
INCOME STATEMENT REFERENCE Goodwill impairment

DESCRIPTION

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

The fair value of acquired assets and liabilities, including the resulting goodwill, was based either on quoted market prices or provided by other third party sources, when available. When third party information was not available, estimates were made in good faith by management primarily through the use of internal cash flow modeling techniques. The assumptions that were used in the cash flow modeling were subjective

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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 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. As of June 30, 2014, goodwill was not considered impaired; however, deteriorating economic conditions could result in impairment, which could adversely affect earnings in future periods.

The Company is currently involved in litigation with the former CEO of West Chester Capital Advisors, Inc. (WCCA), the wholly owned registered investment advisor subsidiary of the Bank which was acquired in 2007, relating to the voluntary termination by the former CEO of his employment on January 31, 2014. The litigation involves alleged violations of the non-solicitation, non-competition, and other provisions included in the former CEO s employment agreement, as well as other statutory and common law claims. The former CEO s departure and the litigation caused certain disruption within the WCCA customer base during the first half of 2014. Depending on the outcome of the litigation and other factors, the Company may be required to recognize a non-cash goodwill impairment charge in a future period relating to its acquisition of WCCA. Whether an impairment charge will be recognized at some point in the future and, if so, the amount of any such impairment charge cannot be determined at this time.

ACCOUNT Income Taxes
BALANCE SHEET REFERENCE Net deferred tax asset
INCOME STATEMENT REFERENCE Provision for income tax expense
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 June 30, 2014, 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.

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

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

Available-for-sale and held-to-maturity securities are reviewed quarterly for possible other-than-temporary impairment. The review includes an analysis of the facts and circumstances of each individual investment such as the severity of loss, the length of time the fair value has been below cost, the expectation for that security s performance, the creditworthiness of the issuer and the Company s intent and ability to hold the security to recovery. A decline in value that is considered to be other-than-temporary is recorded as a loss within non-interest income in the Consolidated Statements of Operations. At June 30, 2014, 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 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 STATEMENT.....

THE STRATEGIC FOCUS:

The challenge for the future is to improve earnings performance to peer levels through a disciplined focus on community banking and improving the profitability of our Trust Company. In accordance with our strategic plan, AmeriServ will maintain its focus as a community bank delivering banking and trust services to the best of our ability and focus on further growing revenues by leveraging our strong capital base and infrastructure. This Company will not succumb to the lure of quick fixes and fancy financial gimmicks. It is our plan to continue to build AmeriServ into a potent banking force in this region and in this industry. Our focus encompasses the following:

Customer Service it is the existing and prospective customer that AmeriServ must satisfy. This means good products and fair prices. But it also means quick response time and professional competence. It means speedy problem resolution and a minimizing of bureaucratic frustrations. AmeriServ is training and motivating its staff to meet these standards while providing customers with more banking options that involve leading technologies such as computers, smartphones, and tablets to conduct business.
Revenue Growth It is necessary for AmeriServ to focus on growing revenues. This means loan growth, deposit growth and fee growth. It also means close coordination between all customer service areas so as many revenue producing products as possible can be presented to existing and prospective customers. The Company s Strategic Plan

contains action plans in each of these areas particularly on increasing loans through several loan production offices. There will be a particular focus on small business commercial lending. An examination of the peer bank database provides ample proof that a well-executed community banking business model can generate a reliable and rewarding revenue stream.

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Expense Rationalization AmeriServ Financial, Inc. remains focused on trying to rationalize expenses. This has not been a program of broad based cuts, but has been targeted so AmeriServ stays strong but spends less. The Company has identified approximately $1 million of non-interest expense savings for 2014. It is critical to be certain that future expenditures are directed to areas that are playing a positive role in the drive to improve revenues.

This Form 10-Q 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, anticipat 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-Q, 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-Q. 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 Board of Governors of the Federal Reserve System; (iii) significant changes in interest rates and prepayment speeds; (iv) inflation, stock and bond market, and monetary fluctuations; (v) credit risks of commercial, real estate, consumer, and other lending activities; (vi) changes in federal and state banking and financial services laws and regulations; (vii) the presence in the Company s market area of competitors with greater financial resources than the Company; (viii) the timely development of competitive new products and services by the Company and the acceptance of those products and services by customers and regulators (when required); (ix) the willingness of customers to substitute competitors products and services for those of the Company and vice versa; (x) changes in consumer spending and savings habits; (xi) unanticipated regulatory or judicial proceedings; and (xii) other external developments which could materially impact the Company s operational and financial performance.

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

Item 3.....QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK..... The Company manages market risk, which for the Company is primarily interest rate risk, through its asset liability management process and committee, see further discussion in Interest Rate Sensitivity section of the M.D. & A.

Item 4.....CONTROLS AND PROCEDURES.....(a) Evaluation of Disclosure Controls and Procedures. The Company s management carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and the operation of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2014, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer along with the Chief Financial Officer concluded that the Company s disclosure controls and procedures as of June 30, 2014, are effective.

(b) Changes in Internal Controls. There have been no changes in AmeriServ Financial Inc. s internal controls over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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Part II Other Information

Item 1. Legal Proceedings

There are no material proceedings to which the Company or any of our subsidiaries are a party or by which, to the Company s knowledge, we, or any of our subsidiaries, are threatened. All legal proceedings presently pending or threatened against the Company or our subsidiaries involve routine litigation incidental to our business or that of the subsidiary involved and are not material in respect to the amount in controversy.

Item 1A. Risk Factors

Not Applicable

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

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 on May 16, 2013, Exhibit 3.2 to the Form 8-K (File No. 000-11204) filed on May 22, 2013.
15.1	Report of S.R. Snodgrass, P.C. regarding unaudited interim financial statement information.
15.2	Awareness Letter of S.R. Snodgrass, P.C.
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.
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.
32.1	Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101	The following information from AMERISERV FINANCIAL, INC. s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, formatted in XBRL (eTensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (unaudited), (iv) Consolidated Statements of Cash Flows (unaudited), and (iv) Notes to the Unaudited Consolidated Financial Statements.

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AmeriServ Financial, Inc.
Registrant
/s/ Glenn L. Wilson

Date: August 8, 2014

Glenn L. Wilson
President and Chief Executive Officer
/s/ Jeffrey A. Stopko

Date: August 8 2014

Jeffrey A. Stopko
Executive Vice President and Chief Financial Officer