

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

AmeriServ Financial Inc.

| | | | |
|--------------------------------|--|--|--------------|
| Point of Contact: | Jeffrey Stopko, Executive Vice President & CFO | RSSD: (For Bank Holding Companies) | 1117316 |
| UST Sequence Number: | 207 | Docket Number: (For Thrift Holding Companies) | |
| CPP/CDCI Funds Received: | 21,000,000 | FDIC Certificate Number: (For Depository Institutions) | 7542 |
| CPP/CDCI Funds Repaid to Date: | | Credit Union Charter Number: (For Credit Unions) | |
| Date Funded (first funding): | December 19, 2008 | City: | Johnstown |
| Date Repaid ¹ : | N/A | State: | Pennsylvania |

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

CPP Funds provided us with capital to support our loan portfolio during a difficult economic period. On a net basis, our total loan portfolio grew by \$15.8 million or 2.2% in 2009 but declined by \$44.7 million or 6.2% in 2010 due primarily to heightened commercial real estate loan pay-offs.

To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

In 2010 we originated \$164 million of new loans which included: \$96 million of residential mortgage loans, \$44 million of commercial real estate and commercial loans and \$24 million of consumer loans. Residential mortgage lending was at a record level with 68% sold into the secondary market.

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Increase securities purchased (ABS, MBS, etc.).

In 2010, we elected to use the cash from the net loan portfolio paydown to primarily purchase government agency mortgage backed securities to support the secondary market for mortgage loans. Our investment portfolio grew by purchasing \$73 million of mortgage backed securities in 2010.

Make other investments.

Increase reserves for non-performing assets.

The CPP Funds provided us with capital support to continue to maintain a strong allowance for loan losses in 2010. Specifically, our allowance for loan losses totalled \$19.8 million at 12/31/10 and provided 145% coverage of non-performing loans.

Reduce borrowings.

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Increase charge-offs.

Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

CPP Funds provided us with good capital to work through the challenges of a weak economy during the past two years. Our capital ratios improved in 2010 as ASRV returned to profitability after recording a loss in 2009. Our Tier 1 leverage ratio of 11.2% significantly exceeds the well capitalized req.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The CPP funds provided us with a capital cushion such that we did not have to consider any type of external common equity offering that would have been dilutive to our shareholders during a period when our stock price was low. Additionally, as a result of this capital cushion, ASRV did not have to reduce or restrict lending to quality borrowers in the communities we serve in an effort to preserve our capital ratios.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Of the \$21 million of CPP funds that we received, we have downstreamed a total of \$7 million to our subsidiary bank over the past two years to provide capital support. This capital support allowed our subsidiary bank to meet the credit needs of creditworthy borrowers in the communities it serves during a period of economic weakness and stressed market conditions. This capital support also helped us maintain a strong allowance for loan losses in 2010 to support improving, but still heightened levels of non-performing assets and classified loans. Overall, the CPP funds continued to act somewhat as a capital insurance policy for AmeriServ Financial in 2010. We originally took the CPP funds as a healthy financial institution that was committed to continue lending to meet the credit needs of small businesses and consumers in the Western Pennsylvania communities in which we operate. We also took the funds to provide us with additional capital support should the economic weakness last longer than anticipated. We have used the CPP funds as we expected. In concluding, I would highlight that the CPP funds have provided us with a strong capital cushion thus giving us greater operating flexibility and liquidity during a challenging economic period. This capital strength can best be seen by comparing our December 31, 2010 regulatory capital ratios to those at September 30, 2008 (the last quarter-end prior to the receipt of the CPP funds in December 2008). Each of these ratios significantly exceeds the well capitalized requirement and demonstrates our strong conservatively positioned balance sheet.

| | 12/31/10 | 9/30/08 | Total Capital to Risk Weighted Assets | 16.54 % | 13.65 % | Tier 1 Capital to |
|----------------------|----------|---------|---------------------------------------|---------|---------|-------------------|
| Risk Weighted Assets | 15.27 % | 12.40 % | Tier 1 Leverage Ratio | | 11.20 % | |
| | 10.37 % | | | | | |

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.