UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM ______ TO ______

COMMISSION FILE NUMBER 0-11204

AMERISERV FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

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

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

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

Title Of Each Class	**Name Of Each Exchange On Which Registered**
None	

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

Common Stock, $0.01 Par Value	**Share Purchase Rights**
(Title of class)	**(Title of class)**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. þ Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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 accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company þ

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of the business day of the registrant s most recently completed second fiscal quarter. The aggregate market value was $34,170,547 as of June 30, 2010.

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date. There were 21,207,670 shares outstanding as of January 31, 2011.

DOCUMENTS INCORPORATED BY REFERENCE.

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

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PART I

ITEM 1. BUSINESS

GENERAL

AmeriServ Financial, Inc. (the Company) is a bank holding company organized under the Pennsylvania Business Corporation Law. The Company became a holding company upon acquiring all of the outstanding shares of AmeriServ Financial Bank (the Bank) on January 5, 1983. The Company s other wholly owned subsidiaries include AmeriServ Trust and Financial Services Company (the Trust Company) formed in October 1992, and AmeriServ Life Insurance Company (AmeriServ Life) formed in October 1987.

The Company s principal activities consist of owning and operating its three wholly owned subsidiary entities. At December 31, 2010, the Company had, on a consolidated basis, total assets, deposits, and shareholders equity of $949 million, $801 million and $107 million, respectively. The Company and its subsidiaries derive substantially all of their income from banking and bank-related services. The Company functions primarily as a coordinating and servicing unit for its subsidiary entities in general management, accounting and taxes, loan review, auditing, investment accounting, marketing and insurance risk management.

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

AMERISERV FINANCIAL BANKING SUBSIDIARY

AMERISERV FINANCIAL BANK

The Bank is a state bank chartered under the Pennsylvania Banking Code of 1965, as amended. Through 18 locations in Allegheny, Cambria, Centre, Somerset, and Westmoreland Counties, Pennsylvania, AmeriServ Financial Bank conducts a general banking business. It is a full-service Bank offering (i) retail banking services, such as demand, savings and time deposits, money market accounts, secured and unsecured loans, mortgage loans, safe deposit boxes, holiday club accounts, money orders, and traveler s checks; (ii) lending, depository and related financial services to commercial, industrial, financial, and governmental customers, such as real estate-mortgage loans, short and medium-term loans, revolving credit arrangements, lines of credit, inventory and accounts receivable financing, real estate-construction loans, business savings accounts, certificates of deposit, wire transfers, night depository, and lock box services. The Bank also operates 22 automated bank teller machines (ATMs) through its 24-Hour Banking Network that is linked with NYCE, a regional ATM network and CIRRUS, a national ATM network. On March 7, 2007, the Bank completed the acquisition of West Chester Capital Advisors (WCCA). WCCA is a registered investment advisor and as of December 31, 2010 had $106 million in assets under management.

The Bank s deposit base is such that loss of one depositor or a related group of depositors would not have a materially adverse effect on its business. In addition, the loan portfolio is also diversified so that one industry or group of related industries does not comprise a material portion of the loan portfolio. The Bank s business is not seasonal, nor does it have any risks attendant to foreign sources. The majority of the Bank s customer base is located within a 100 mile radius of Johnstown, Pennsylvania.

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The Bank is subject to supervision and regular examination by the Federal Reserve Bank of Philadelphia and the Pennsylvania Department of Banking. Various federal and state laws and regulations govern many aspects of its banking operations. The following is a summary of key data (dollars in thousands) and ratios at December 31, 2010:

Headquarters	**Johnstown, PA**
Total Assets	**$ 924,287**
Total Investment Securities	**156,251**
Total Loans and Loans Held for Sale (net of unearned income)	**678,181**
Total Deposits	**801,416**
Total Net Income	**2,496**
Asset Leverage Ratio	**9.13%**
Return on Average Assets	**0.27**
Return on Average Equity	**2.59**
Total Full-time Equivalent Employees	**279**

RISK MANAGEMENT OVERVIEW:

Risk identification and management are essential elements for the successful management of the Company. In the normal course of business, the Company is subject to various types of risk, which includes interest rate, credit, and liquidity risk. The Company controls and monitors these risks with policies, procedures, and various levels of managerial and Board oversight.

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

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

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

Commercial

This category includes credit extensions to commercial and industrial borrowers. Business assets, including accounts receivable, inventory and/or equipment, typically secure these credits. In appropriate instances, extensions of credit in this category are subject to collateral advance formulas. Balance sheet strength and profitability are considered when analyzing these credits, with special attention given to historical, current and prospective sources of cash flow, and the ability of the customer to sustain cash flow at acceptable levels. Our policy permits flexibility in determining acceptable debt service coverage ratios, with a minimum level of 1.1 to 1 desired. Personal guarantees are frequently required; however, as the financial strength of the borrower increases, the Company s ability to obtain personal guarantees decreases. In addition to economic risk, this

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category is impacted by the strength of the borrower s management and industry risk, which are also considered during the underwriting process.

Commercial Loans Secured by Real Estate

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

Real Estate Mortgage

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

Consumer

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

INVESTMENTS

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

The investment portfolio is primarily made up of AAA rated agency mortgage-backed securities and short maturity agency securities. The purpose of this type of portfolio is to generate adequate cash flow to fund potential loan growth, as the market allows. Management strives to maintain a relatively short duration in the portfolio. All holdings must meet standards documented in the AmeriServ Financial Investment Policy.

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

Investment securities available for sale at:

	AT DECEMBER 31, 2010	2009	2008
	(IN THOUSANDS)		
U.S. Agency	**$ 15,956**	$ 12,342	$ 10,387
U.S. Agency mortgage-backed securities	**145,727**	116,088	114,380
Other securities			24
Total cost basis of investment securities available for sale	**$ 161,683**	$ 128,430	$ 124,791
Total fair value of investment securities available for sale	**$ 164,811**	$ 131,272	$ 126,781

Investment securities held to maturity at:

	AT DECEMBER 31, 2010	2009	2008
	(IN THOUSANDS)		
U.S. Treasury	**$**	$ 3,009	$ 3,082
U.S. Agency mortgage-backed securities	**6,824**	7,602	9,562
Other securities	**1,000**	1,000	3,250
Total cost basis of investment securities held to maturity	**$ 7,824**	$ 11,611	$ 15,894
Total fair value of investment securities held to maturity	**$ 8,267**	$ 11,996	$ 16,323

DEPOSITS AND OTHER SOURCES OF FUNDS

Deposits

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

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

	AT DECEMBER 31, 2010		2009		2008	
	(IN THOUSANDS, EXCEPT PERCENTAGES)					
Demand:						
Non-interest bearing	**$ 122,963**	%	$ 114,473	%	$ 110,601	%
Interest bearing	**58,118**	**0.30**	62,494	0.41	64,683	1.01
Savings	**77,381**	**0.51**	72,350	0.73	70,255	0.76
Money market	**186,560**	**0.87**	169,823	1.44	107,843	2.24
Other time	**358,472**	**2.44**	343,841	2.88	341,185	3.54

Total deposits	**$ 803,494**	**1.61**	$ 762,981	2.02	$ 694,567	2.69

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Interest expense on deposits consisted of the following:

	YEAR ENDED DECEMBER 31, 2010	2009	2008
	(IN THOUSANDS)		
Interest bearing demand	**$ 176**	$ 256	$ 653
Savings	**397**	530	535
Money market	**1,622**	2,437	2,417
Certificates of deposit in denominations of $100,000 or more	**834**	1,186	1,744
Other time	**7,916**	8,700	10,331
Total interest expense	**$ 10,945**	$ 13,109	$ 15,680

Additionally, the following table provides more detailed maturity information regarding certificates of deposit issued in denominations of $100,000 or more as of December 31, 2010**:**

MATURING IN:

	(IN THOUSANDS)
Three months or less	**$ 12,695**
Over three through six months	**21,695**
Over six through twelve months	**5,321**
Over twelve months	**11,097**
Total	**$ 50,808**

Borrowings

The Company, when needed, uses both overnight borrowings and term advances from the Federal Home Loan Bank of Pittsburgh for liquidity management purposes. During the past several years the Company has significantly deleveraged its balance sheet and reduced its level of borrowings through investment portfolio cash flow.

The outstanding balances and related information for federal funds purchased and other short-term borrowings are summarized as follows:

	AT DECEMBER 31, 2010 FEDERAL FUNDS PURCHASED	OTHER SHORT-TERM BORROWINGS
	(IN THOUSANDS, EXCEPT RATES)	
Balance	**$**	**$ 4,550**
Maximum indebtedness at any month end		**9,230**
Average balance during year	**9**	**3,110**
Average rate paid for the year	**0.51%**	**0.71%**
Interest rate on year-end balance		**0.62**

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	AT DECEMBER 31, 2009	
	FEDERAL FUNDS PURCHASED	SHORT-TERM BORROWINGS
	(IN THOUSANDS, EXCEPT RATES)	
Balance	$	$ 25,775
Maximum indebtedness at any month end	5,968	54,649
Average balance during year	1,358	19,670
Average rate paid for the year	0.50%	0.67%
Interest rate on year-end balance		0.62

	AT DECEMBER 31, 2008	
	FEDERAL FUNDS PURCHASED	OTHER SHORT-TERM BORROWINGS
	(IN THOUSANDS, EXCEPT RATES)	
Balance	$	$ 119,920
Maximum indebtedness at any month end	5,685	138,855
Average balance during year	20	71,617
Average rate paid for the year	3.16%	1.96%
Interest rate on year-end balance		0.60

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

These borrowing transactions can range from overnight to one year in maturity. The average maturity was three days at the end of 2010, and two days at the end of 2009 and 2008.

Loans

The loan portfolio of the Company consisted of the following:

	AT DECEMBER 31,				
	2010	**2009**	**2008**	**2007**	**2006**
	(IN THOUSANDS)				
Commercial	**$ 78,322**	$ 96,158	$ 110,197	$ 118,936	$ 91,746
Commercial loans secured by real estate(1)	**370,375**	396,787	353,870	285,115	269,781
Real estate-mortgage(1)	**203,323**	207,221	218,928	214,839	209,728
Consumer	**19,233**	19,619	23,804	16,676	18,336
Loans	**671,253**	719,785	706,799	635,566	589,591
Less: Unearned income	**477**	671	691	471	514
Loans, net of unearned income	**$ 670,776**	$ 719,114	$ 706,108	$ 635,095	$ 589,077

(1) For each of the periods presented beginning with December 31, 2010, real estate-construction loans constituted 3.9%, 6.8%, 6.2%, 5.5% and 4.4% of the Company s total loans, net of unearned income, respectively.

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Non-performing Assets

The following table presents information concerning non-performing assets:

	2010	2009	2008	2007	2006
	AT DECEMBER 31, (IN THOUSANDS, EXCEPT PERCENTAGES)				
Non-accrual loans					
Commercial	**$ 3,679**	$ 3,375	$ 1,128	$ 3,553	$ 494
Commercial loans secured by real estate	**6,731**	11,716	484	225	195
Real estate-mortgage	**1,879**	2,025	1,765	1,460	1,597
Total	**12,289**	17,116	3,377	5,238	2,286
Past due 90 days or more and still accruing					
Consumer					3
Total					3
Other real estate owned					
Commercial loans secured by real estate	**436**	871	701		
Real estate-mortgage	**302**	350	494	42	3
Total	**738**	1,221	1,195	42	3
Total restructured loans not in non-accrual (TDR)	**1,337**				1,302
Total non-performing assets including TDR	**$ 14,364**	$ 18,337	$ 4,572	$ 5,280	$ 3,594
Total non-performing assets as a percent of loans and loans held for sale, net of unearned income, and other real estate owned	**2.12%**	2.53%	0.65%	0.83%	0.61%

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 the lower of (1) fair value minus estimated costs to sell, or (2) carrying cost.

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.

	2010	2009	2008	2007	2006
	YEAR ENDED DECEMBER 31, (IN THOUSANDS)				
Interest income due in accordance with original terms	**$ 1,086**	$ 553	$ 198	$ 215	$ 214
Interest income recorded	**(458)**	(75)		(24)	(55)
Net reduction in interest income	**$ 628**	$ 478	$ 198	$ 191	$ 159

Secondary Market Activities

The Residential Lending department of the Company continues to originate one-to-four family mortgage loans for customers, some of which are sold to outside investors in the secondary market and some of which are retained for the Bank s portfolio. Mortgages sold on the secondary market are sold to investors on a flow basis: Mortgages are priced and delivered on a best efforts pricing basis, with servicing released to the investor. Fannie Mae/Freddie Mac guidelines are used in underwriting all mortgages with the exception of CRA loans. Mortgages with longer terms such as 20-year, 30-year, FHA, and VA loans are usually sold. The remaining production of the department includes construction, adjustable rate mortgages, 10-year, 15-year, and bi-weekly mortgages. These loans are usually kept in the Bank s portfolios, although during periods of low interest rates 15-year loans are typically sold into the secondary market.

AMERISERV FINANCIAL NON-BANKING SUBSIDIARIES

AMERISERV TRUST AND FINANCIAL SERVICES COMPANY

AmeriServ Trust and Financial Services Company is a trust company organized under Pennsylvania law in October 1992. As one of the larger providers of trust and investment management products and services between Pittsburgh and Harrisburg, AmeriServ Trust and Financial Services Company is committed to delivering personalized, professional service to its clients. Its staff of approximately 44 professionals administer assets valued at approximately $1.4 billion that are not recognized on the Company s balance sheet at December 31, 2010. The Trust Company focuses on wealth management. Wealth management includes personal trust products and services such as personal portfolio investment management, estate planning and administration, custodial services and pre-need trusts. Also, institutional trust products and services such as 401(k) plans, defined benefit and defined contribution employee benefit plans, and individual retirement accounts are included in this segment. The Wealth management business 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 BUILD fund is in the process of liquidation. At December 31, 2010, AmeriServ Trust and Financial Services had total assets of $3.5 million and total shareholder s equity of $3.1 million. In 2010, the Trust Company contributed earnings to the corporation as its gross revenue amounted to $5.6 million and the net income contribution was $208,000. The Trust Company is subject to regulation and supervision by the Federal Reserve Bank of Philadelphia and the Pennsylvania Department of Banking.

AMERISERV LIFE

AmeriServ Life is a captive insurance company organized under the laws of the State of Arizona. AmeriServ Life engages in underwriting as reinsurer of credit life and disability insurance within the Company s market area. Operations of AmeriServ Life are conducted in each office of the Company s banking subsidiary. AmeriServ Life is subject to supervision and regulation by the Arizona Department of Insurance, the Pennsylvania Insurance Department, and the Federal Reserve System. At December 31, 2010, AmeriServ Life had total assets of $705,000 and total stockholders equity of $666,000.

MONETARY POLICIES

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

COMPETITION

Our subsidiaries face strong competition from other commercial banks, savings banks, credit unions, savings and loan associations, and several other financial or investment service institutions for business in the communities they serve. Several of these institutions are affiliated with major banking and financial institutions which are substantially larger and have greater financial resources than the Bank and the Trust Company. As the financial services industry continues to consolidate, the scope of potential competition affecting our subsidiaries

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will also increase. Brokerage houses, consumer finance companies, insurance companies, and pension trusts are important competitors for various types of financial services. In addition, personal and corporate trust investment counseling services are offered by insurance companies, other firms, and individuals.

MARKET AREA & ECONOMY

Nationally, the economy is improving gradually, although it may take years to fully emerge from the negative effects of the recent economic downturn. The recovery has gathered more momentum, and will get an extra push in 2011 from a further injection of fiscal stimulus including the extension of the Bush tax cuts for the next two years, the two percentage point cut in the employee payroll tax rate for 2011, and a two-year extension of depreciation incentives for business investment. Business and consumer confidence are improving. The recent good news is suggesting 2011 GDP growth should come in near 3.2%. The Fed will continue to be accommodative. Overall, the economy is getting better, but is still not out-of-the-woods. The economy isn t improving fast enough to make a noticeable reduction in unemployment. Risks, however, still loom, particularly from a weak housing market and spending cuts and layoffs from state and local governments.

There are many mixed factors that will affect future economic growth. Positively impacting economic conditions will be 1.) The extension of the Bush tax cuts for another 2-years and extending jobless benefits and cutting payroll taxes in 2011; 2.) The Federal Reserve s monetary policy continuing to be accommodative as short-term rates will be near 0.0%; 3.) The lower value of the dollar in the world financial markets should increase exports while the flow of goods from overseas will slow; 4.) Consumers are simultaneously saving more and paying down debt. As a result, there should be pent-up demand stemming from the severity of the recession which could result in an increase in spending; 5.) Businesses also should have pent-up demand from a need to incorporate the latest technology to be competitive and cut costs.

Negatively impacting future economic conditions will be: 1.) Anemic employment gains while the few jobs that have been created have tended to be temporary or part time. 2.) Consumers and businesses will most likely not be willing to acquire debt; 3.) The sharp rise in prices of oil and food commodities should continue to reduce peoples buying power; as will the jump in mortgage rates, which has already significantly slowed re-financing; 4.) Capital constrained banks are not as eager to lend as they should be at this stage of a recovery; 5.) Our trading partners around the world have equally poor economies and offset the positive impact of the lower value of the dollar which will constrain exports; 6.) The actions of Washington on the budget deficit could cause people to assume future tax hikes and spending cuts which could cause consumers and businesses to be less willing to spend.

The Consumer Price Index rose 0.5% in December, leaving inflation over the past 12 months at 1.5%. Core inflation, which strips out energy and food prices, should rise a bit in 2011. The core CPI increased 0.1% in December and just 0.8% over the past 12 months. That s the slowest pace since this data set began in 1958, and the chief reason the Federal Reserve remains unconcerned about the prospect of higher inflation. Confidence in the economic expansion remains fragile, but conditions should improve. It is expected that net job growth should be approximately 2.5 million in 2011, following an increase of 1.1 million in 2010. Still, the unemployment rate will remain high. Now at 9.0%, it s likely to decline a bit further over the course of 2011. GDP growth will need to continue to be 3.2% or higher into 2012 to bring the rate significantly lower.

The economy in Cambria and Somerset Counties at the end of 2010 produced seasonally adjusted unemployment rates of 9.5% and 9.3%, respectively, as compared to national and state rates of 9.4% and 8.6%. Local markets have been negatively impacted by the recessionary conditions that exist in the national economy, causing the unemployment rate to increase from last year s average of 9.3%. The increases in unemployment and the difficulties being experienced by small and medium sized businesses nationally are also being experienced locally. Johnstown, PA, where AmeriServ Financial, Inc. is headquartered, is a leader in technology and continues to have a cost of living that is lower than the national average. The local labor force fluctuated in a very narrow range comparing closely to recent year levels. As of December 31, 2010, total nonfarm jobs in the

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Johnstown MSA were 800 below the December 2009 level, with losses coming from the service-providing industry while the goods producing industries have shown little change in their job levels. In the recent past, work on defense projects has contributed to economic growth in the region. However, a change in leadership due to the passing of a long time influential Congressman created cause for concern about the continued positive impact from the defense industry, although current activity in this sector remains good.

Economic conditions are stronger in the State College market, but have also been negatively impacted by the struggling national economy. The unemployment rate for the State College MSA reached 5.5% late in 2010, which represents a 0.8% improvement since last year and remains the lowest of all regions in the Commonwealth. Seasonally adjusted total nonfarm jobs for the MSA increased by 2,100 since December 2009. The Company opened a new branch office in the State College market during 2010 as this area presents the Company with a more vibrant economic market and a much different demographic. A large percentage of the population in State College falls into the 18 to 34 year old age group, while potential customers in the Cambria/Somerset markets tend to be over 50 years of age. Overall, opportunities in the State College market are quite different and challenging, providing a promising source of business to profitably grow the Company.

The expansion of Marcellus Shale gas drilling could provide a meaningful economic opportunity for west-central Pennsylvania. The Marcellus Shale, which underlies a vast majority of the state, is the largest unconventional natural gas reserve in the world. There is enormous economic potential for Pennsylvania to take advantage of this reserve as new drilling techniques have unlocked vast resources previously impossible to reach. Technology developed recently at Penn State now allows drilling companies to reach the gas tucked inside a shale bed as much as two miles beneath the surface. The industry will create jobs in drilling and extraction, trucking and water treatment, gas line construction and maintenance, and in producing the materials for all of these needs. The projection for jobs and economic growth generated by the industry is a point of contention between industrialists and environmentalists. The environmental risks and potential regulation on drilling are key factors that could limit the potential growth and positive impact on the state.

EMPLOYEES

The Company employed 374 people as of December 31, 2010, in full- and part-time positions. Approximately 199 non-supervisory employees of the Company are represented by the United Steelworkers, AFL-CIO-CLC, Local Union 2635-06. In 2009, the Company successfully negotiated a new four year labor contract with the United Steelworkers Local that will expire on October 15, 2013. The contract calls for annual wage increases of 1.5% in the first year, 2.0% in each of the second and third years, and 3.0% in the fourth year. The Company has not experienced a work stoppage since 1979. The Company is one of 13 union-represented banks nationwide.

FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT

The Federal Deposit Insurance Corporation Improvement Act of 1991 (the FDICIA), among other things, identifies five capital categories for insured depository institutions: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. It requires U.S. federal bank regulatory agencies to implement systems for prompt corrective action for insured depository institutions that do not meet minimum capital requirements based on these categories. The FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Unless a bank is well capitalized, it is subject to restrictions on its ability to utilize brokered deposits and on other aspects of its operations. The FDICIA generally prohibits a bank from paying any dividend or making any capital distribution or paying any management fee to its holding company if the bank would thereafter be undercapitalized. An undercapitalized bank must develop a capital restoration plan, and its parent holding company must guarantee the bank s compliance with the plan up to the lesser of 5% of the bank s assets at the time it became undercapitalized and the amount needed to comply with the plan.

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As of December 31, 2010, the Company believes that its Bank subsidiary was well capitalized, based on the prompt corrective action guidelines described above. A bank s capital category is determined solely for the purpose of applying the prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank s overall financial condition or prospects for other purposes.

TEMPORARY LIQUIDITY GUARANTEE PROGRAM

On November 21, 2008, the Board of Directors of the FDIC adopted a final rule relating to the Temporary Liquidity Guarantee Program (TLGP). The TLGP was announced by the FDIC on October 14, 2008, preceded by the determination of systemic risk by the Secretary of the Department of Treasury, as an initiative to counter the system-wide crisis in the nation s financial sector. Under the TLGP the FDIC will (1) guarantee, through the earlier of maturity or June 30, 2012, certain newly issued senior unsecured debt issued by participating institutions on or after October 14, 2008, and before June 30, 2009 and (2) provide full FDIC deposit insurance coverage for non-interest bearing transaction deposit accounts, Negotiable Order of Withdraw (NOW) accounts paying less than 0.5% interest per annum and Interest on Lawyers Trust Accounts held at participating FDIC-insured institutions through December 31, 2010. Coverage under the TLGP was available for the first 30 days without charge. The fee assessment for coverage of senior unsecured debt ranges from 50 basis points to 100 basis points per annum, depending on the initial maturity of the debt. The fee assessment for deposit insurance coverage is 10 basis points per quarter on amounts in covered accounts exceeding $250,000. The Company elected to participate in the program that provided full FDIC deposit insurance coverage for all non-interest bearing accounts that became effective on December 31, 2010 and will last until December 31, 2012.

SARBANES-OXLEY ACT OF 2002

The Sarbanes-Oxley Act of 2002 contains important requirements for public companies in the area of financial disclosure and corporate governance. In accordance with Section 302(a) of the Sarbanes-Oxley Act, written certifications by the Company s Chief Executive Officer and Chief Financial Officer are required. These certifications attest, among other things, that the Company s quarterly and annual reports filed with the SEC do not contain any untrue statement of a material fact. In response to the Sarbanes-Oxley Act of 2002, the Company adopted a series of procedures to further strengthen its corporate governance practices. The Company also requires signed certifications from managers who are responsible for internal controls throughout the Company as to the integrity of the information they prepare. These procedures supplement the Company s Code of Conduct Policy and other procedures that were previously in place. In 2005, the Company implemented a program designed to comply with Section 404 of the Sarbanes-Oxley Act. This program included the identification of key processes and accounts, documentation of the design of control effectiveness over process and entity level controls, and testing of the effectiveness of key controls.

PRIVACY PROVISIONS OF GRAMM-LEACH-BLILEY ACT

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

USA PATRIOT ACT OF 2001

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

DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). This new law will significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies.

The Dodd-Frank Act requires various federal agencies to adopt a broad range of new rules and regulations, and to prepare various studies and reports for Congress. The federal agencies are given significant discretion in drafting such rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for months or years.

Certain provisions of the Dodd-Frank Act are expected to have a near term impact on the Company. For example, effective July 21, 2011, a provision of the Dodd-Frank Act eliminates the federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest bearing checking accounts. Depending on competitive responses, this significant change to existing law could have an adverse impact on the Company s interest expense.

The Dodd-Frank Act also broadens the base for Federal Deposit Insurance Corporation insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2008, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2013.

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

The Dodd-Frank Act will require publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called golden parachute payments, and allow greater access by shareholders to the company s proxy material by authorizing the SEC to promulgate rules that would allow stockholders to nominate their own candidates using a company s proxy materials. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded.

The Dodd-Frank Act creates a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit unfair, deceptive or abusive acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than

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$10 billion in assets. Banks and savings institutions with $10 billion or less in assets such as the Company will continue to be examined for compliance with the consumer laws by their primary bank regulators. The Dodd-Frank Act also weakens the federal preemption rules that have been applicable for national banks and federal savings associations, and gives state attorneys general the ability to enforce federal consumer protection laws.

It is difficult to predict at this time what specific impact the Dodd-Frank Act and the yet to be written implementing rules and regulations will have on community banks. However, it is expected that at a minimum they will increase our operating and compliance costs and could increase our interest expense.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

ITEM 2. PROPERTIES

The principal offices of the Company and the Bank occupy the five-story AmeriServ Financial building at the corner of Main and Franklin Streets in Johnstown plus twelve floors of the building adjacent thereto. The Company occupies the main office and its subsidiary entities have 14 other locations which are owned. Eight additional locations are leased with terms expiring from January 1, 2010 to August 31, 2030.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. (REMOVED AND RESERVED)

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PART II

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

COMMON STOCK

As of January 31, 2011, the Company had 4,069 shareholders of its common stock. AmeriServ Financial, Inc. s common stock is traded on the NASDAQ Global Market System under the symbol ASRV. The following table sets forth the actual high and low closing prices and the cash dividends declared per share for the periods indicated:

	PRICES		CASH DIVIDENDS
	HIGH	LOW	DECLARED
Year ended December 31, 2010:			
First Quarter	**$ 2.13**	**$ 1.42**	**$ 0.00**
Second Quarter	**2.49**	**1.60**	**0.00**
Third Quarter	**1.89**	**1.40**	**0.00**
Fourth Quarter	**1.75**	**1.51**	**0.00**
Year ended December 31, 2009			
First Quarter	$ 1.99	$ 1.43	$ 0.00
Second Quarter	1.88	1.56	0.00
Third Quarter	2.09	1.54	0.00
Fourth Quarter	1.97	1.46	0.00

Information regarding restrictions on the Company s ability to pay dividends is included in the Management s Discussion and Analysis of Financial Condition and Results of Operations Capital Resources. Information required by this section is presented in the Equity Compensation Plan Information Table section of the Proxy Statement for the Annual Meeting of Shareholders.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FIVE-YEAR CONSOLIDATED FINANCIAL DATA

	AT OR FOR THE YEAR ENDED DECEMBER 31,				
	2010	2009	2008	2007	2006
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
SUMMARY OF INCOME STATEMENT DATA:					
Total interest income	**$ 44,831**	$ 47,455	$ 47,819	$ 49,379	$ 46,565
Total interest expense	**12,489**	15,021	18,702	25,156	22,087
Net interest income	**32,342**	32,434	29,117	24,223	24,478
Provision for loan losses	**5,250**	15,150	2,925	300	(125)
Net interest income after provision for loan losses	**27,092**	17,284	26,192	23,923	24,603
Total non-interest income	**13,967**	13,928	16,424	14,707	12,841
Total non-interest expense	**39,697**	39,157	35,637	34,672	34,692
Income (loss) before income taxes	**1,362**	(7,945)	6,979	3,958	2,752
Provision (benefit) for income taxes	**80**	(3,050)	1,470	924	420
Net income (loss)	**$ 1,282**	$ (4,895)	$ 5,509	$ 3,034	$ 2,332
PER COMMON SHARE DATA:					
Basic earnings (loss) per share	**$ 0.01**	$ (0.29)	$ 0.25	$ 0.14	$ 0.11
Diluted earnings (loss) per share	**0.01**	(0.29)	0.25	0.14	0.11
Cash dividends declared	**0.00**	0.00	0.025	0.00	0.00
Book value at period end	**4.07**	4.09	4.39	4.07	3.82
BALANCE SHEET AND OTHER DATA:					
Total assets	**$ 948,974**	$ 970,026	$ 966,929	$ 904,878	$ 895,992
Loans and loans held for sale, net of unearned income	**678,181**	722,904	707,108	636,155	589,435
Allowance for loan losses	**19,765**	19,685	8,910	7,252	8,092
Investment securities available for sale	**164,811**	131,272	126,781	140,582	172,223
Investment securities held to maturity	**7,824**	11,611	15,894	18,533	20,657
Deposits	**801,216**	786,011	694,956	710,439	741,755
Total borrowings	**27,385**	64,664	146,863	95,200	63,122
Stockholders equity	**107,058**	107,254	113,252	90,294	84,684
Full-time equivalent employees	**348**	345	353	351	369
SELECTED FINANCIAL RATIOS:					
Return on average total equity	**1.19%**	(4.33)%	5.93%	3.51%	2.74%
Return on average assets	**0.13**	(0.51)	0.62	0.34	0.27
Loans and loans held for sale, net of unearned income, as a percent of deposits, at period end	**84.64**	91.97	101.75	89.54	79.46
Ratio of average total equity to average assets	**11.25**	11.72	10.40	9.79	9.73
Common stock cash dividends as a percent of net income available to common shareholders			9.92		
Interest rate spread	**3.51**	3.37	3.21	2.54	2.67
Net interest margin	**3.79**	3.72	3.64	3.06	3.12
Allowance for loan losses as a percentage of loans and loans held for sale, net of unearned income, at period end	**2.91**	2.72	1.26	1.14	1.37
Non-performing assets as a percentage of loans, loans held for sale and other real estate owned, at period end	**2.12**	2.53	0.65	0.83	0.39
Net charge-offs as a percentage of average loans and loans held for sale	**0.74**	0.60	0.20	0.19	0.16
Ratio of earnings to fixed charges and preferred dividends:(1)					

Excluding interest on deposits	**1.49X**	(1.12)X	3.17X	2.60X	1.93X
Including interest on deposits	**1.10**	0.53	1.37	1.16	1.12
Cumulative one year interest rate sensitivity gap ratio, at period end	**1.13**	1.08	1.10	0.90	0.85

(1) The ratio of earnings to fixed charges and preferred dividends is computed by dividing the sum of income before taxes, fixed charges, and preferred dividends by the sum of fixed charges and preferred dividends. Fixed charges represent interest expense and are shown as both excluding and including interest on deposits.

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

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

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2010, 2009, AND 2008

2010 SUMMARY OVERVIEW:

On January 25, 2011, AmeriServ Financial, Inc. (ASRV) released its financial results for the fourth quarter of 2010 and for the full year of 2010. Net income for the fourth quarter was reported at $1,114,000 or $0.04 per share. This represents the fifth consecutive quarter of improved financial performance for ASRV and is an 83% increase over the third quarter of 2010 and a $2,793,000 increase in absolute dollars over the fourth quarter of 2009. These fourth quarter improved results enabled AmeriServ to record net income for the full year of 2010 of $1,282,000 or $0.01 per share. This performance produced a net income improvement of $6,177,000 over 2009, as each of the last three quarters of 2010 surpassed the same quarters of 2009 by a wide margin.

This improvement cannot be attributed to a strong recovery of the national or regional economy as regional loan demand remains weak and regional unemployment remained well above 9% during the entire year. Rather, we believe that the improvement at ASRV is the result of Board and management actions recognizing that in a troubled economy it is important to introduce special monitoring activities to protect the franchise. The Asset Quality Task Force continues to meet weekly so as to recognize any weakness in specific loans. This vigilance provides an opportunity to both assist the borrower where possible and also to take the necessary steps to keep ASRV strong. The Asset Liability Management Committee also convenes regularly to measure the strength of capital and the necessary depth of liquidity. But perhaps most important of all is that those ASRV community bankers, who meet with customers regularly, continue to provide competitive banking products as well as helpful counsel. We understand that it is our responsibility to always provide our customers with a strong company, but side-by-side with friendly personal service. This has been the formula that has produced our improved performance in 2010.

A few years ago we promised that ASRV was going to return to its old fashioned community banking roots. That promise lies behind many of our activities in 2010. Specifically,

During 2010 ASRV provided $96 million for residential mortgages to our neighbors in this region. It was a record year for the ASRV mortgage bankers, and we and the local families they have helped salute their efforts.

During 2010 ASRV opened a new branch bank on busy North Atherton Street in State College, Pennsylvania. This full service bank is already welcoming many new customers who have been attracted to a well located bank eager to serve them.

During 2010 our Commercial Banking Division was completely reorganized so as to provide the small and medium sized businesses in our region with quick access to responsive and professional relationship managers. We want every business in our market to know that we want their business and that our professionals will go the extra mile to get it, and keep it.

While working to push this positive agenda ahead, ASRV has also been rebuilding internally. During 2010 ASRV conducted nationwide executive searches to find new leadership for AmeriServ s Trust Company and the Commercial Banking Division of AmeriServ Financial Bank. We were pleased with the quality of the new executives we hired. Each of these executives has a strong record of achievement in previous assignments and is already focusing on a productive and profitable future for both of these key activities.

It is especially important that we call to your attention our continuing plan to provide resources to AmeriServ s Trust Company in support of its new strategic direction. The size and scope of this wholly owned subsidiary provides the corporation with more customer service wealth management opportunities than many of our peers enjoy.

We do want you to know that we are quite aware of the economic challenges faced by our region and by America itself. It is this realistic view of conditions that has caused us to emphasize the need to make ASRV strong and safe. The capital levels at ASRV have been, and continue to be, well above any requirement of the Pennsylvania Department of Banking or the Federal Reserve Bank of Philadelphia. Additionally, ASRV has been careful to build and maintain a high level of liquidity during these volatile times when even the safety of the debt instruments of sovereign nations has been called into question. We have also consistently maintained a strong loan loss reserve to provide a buffer against the recession driven problems which have beset many struggling individuals and commercial enterprises. As of December 31, 2010, our allowance for loan losses was 138% of our total of non-performing assets irrespective of any collateral pledged to secure such loans.

It is when we consider the nature of the challenges of the economy that we are determined to not relax our vigilance. We believe that the steady improvement in our financial performance over the last year is proof positive that vigilance is important but must also be supported by strong capital and strong liquidity. We are also taking the time to position AmeriServ to have the talent and the energy to be a force in this region as the economy improves. Our motto has become strength for today with a deep reservoir of energy for tomorrow as we work to assist the communities we serve.

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

	YEAR ENDED DECEMBER 31,		
	2010	**2009**	**2008**
	(IN THOUSANDS, EXCEPT PER SHARE DATA AND RATIOS)		
Net income (loss)	**$ 1,282**	$ (4,895)	$ 5,509
Diluted earnings (loss) per share	**0.01**	(0.29)	0.25
Return on average assets	**0.13%**	(0.51)%	0.62%
Return on average equity	**1.19**	(4.33)	5.93

The Company reported net income of $1.3 million or $0.01 per diluted common share for 2010. This represents an increase of $6.2 million from the 2009 net loss of $4.9 million or $0.29 per diluted common share. Improvements in asset quality were a key factor causing our increased earnings in 2010. Proactive monitoring of our loan portfolio and problem credits allowed us to carefully adjust downward the provision for loan losses in each quarter of 2010 while still maintaining good loan loss reserve coverage ratios. Also, there was little change in total revenue in 2010 as both net interest income and non-interest income were comparable with the prior year. Non-interest expenses increased moderately in 2010 as they grew by 1.4%. Diluted earnings per share were again impacted by the preferred dividend requirement on the TARP-CPP preferred stock and accretion of discount on preferred stock, which amounted to $1.3 million and reduced the amount of net income available to common shareholders.

The Company reported a net loss of $4.9 million or $0.29 loss per diluted common share for 2009. This represented a decrease of $10.4 million from the 2008 net income of $5.5 million or $0.25 per diluted common share. An increased provision for loan losses, reduced non-interest income, and higher non-interest expenses were the main factors causing the decrease in net income in 2009. These negative items more than offset good

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growth in net interest income that resulted from solid loan and deposit growth within our retail Bank in 2009 and effective balance sheet management in a declining interest rate environment.

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

	YEAR ENDED DECEMBER 31,		
	2010	**2009**	**2008**
	(IN THOUSANDS, EXCEPT RATIOS)		
Interest income	**$ 44,831**	$ 47,455	$ 47,819
Interest expense	**12,489**	15,021	18,702
Net interest income	**32,342**	32,434	29,117
Net interest margin	**3.79%**	3.72%	3.64%

2010 NET INTEREST PERFORMANCE OVERVIEW The Company s net interest income declined modestly in 2010 by only $92,000 or 0.28% when compared to 2009. Careful management of funding costs during a period when interest revenues declined and the balance sheet contracted allowed the Company to increase its net interest margin by seven basis points to average 3.79% for the full year of 2010. This solid net interest margin performance is reflective of the Company s strong liquidity position and its ability to reduce its funding costs during a period of deposit growth. Specifically, total deposits averaged $803 million for the full year of 2010, an increase of $41 million or 5.3% over 2009. Growth in non-interest bearing demand deposits was even greater at 7.4%. The Company believes that uncertainties in the economy have contributed to growth in money market accounts, certificates of deposit and demand deposits as consumers and businesses have looked for safety in well capitalized community banks like AmeriServ Financial. Overall, total loans and loans held for sale have declined by $45 million or 6.2% since December 31, 2009 as the Company has successfully focused on reducing its commercial real estate exposure and non-performing assets during this period of economic weakness. We expect the declining commercial real estate trend to continue during the first half of 2011. Additionally, our pipelines for new commercial and industrial lending opportunities continue to be thin. Consequently, we expect to book fewer new commercial loans, which will cause the loan portfolio to shrink further through normal amortization and some anticipated early loan pay-offs. This will put pressure on our net interest income and margin.

COMPONENT CHANGES IN NET INTEREST INCOME: 2010 VERSUS 2009 Regarding the separate components of net interest income, the Company s total interest income in 2010 decreased by $2.6 million when compared to 2009. This decrease was due to an 18 basis point decline in the earning asset yield to 5.26%, and a $9.9 million decrease in average earning assets due to the previously mentioned decline in loans. Investment securities have grown over this period, but not enough to absorb the overall decline in total loans. Within the earning asset base, the yield on the total loan portfolio decreased by 14 basis points to 5.58% while the yield on total investment securities dropped by 54 basis points to 3.54%. Both of these yield declines reflect the impact of the lower interest rate environment that has now been in place for over 2 years. New investment securities and loans that are being booked typically have yields that are below the rate on the maturing instruments that they are replacing. Also the asset mix shift with fewer dollars invested in loans and more dollars invested in lower yielding short duration investment securities also negatively impacts the earning asset yield. Overall, the decline in loans combined with deposit growth caused the Company s loan to deposit ratio to average 87.3% in 2010 compared to 95.1% in 2009.

The Company s total interest expense for 2010 decreased by $2.5 million, or 16.9%, when compared to 2009. This decrease in interest expense was due to a lower cost of funds as the cost of interest bearing liabilities declined by 32 basis points to 1.75%. Management s decision to reduce interest rates paid on all deposit categories has not had any negative impact on deposit growth as consumers have sought the safety provided by well-capitalized community banks like AmeriServ Financial. This decrease in funding costs was aided by a drop in interest expense associated with an $11.1 million decrease in the volume of interest bearing liabilities. Specifically, the average balance of all FHLB borrowings declined by $43.1 million, but was partially offset by a $32 million increase in interest bearing deposits. Additionally, the Company s funding mix also benefited from an $8.5 million increase in non-interest bearing demand deposits. Overall, in 2010 the Company had the discipline to further reduce its reliance on borrowings as a funding source as wholesale borrowings averaged only 2.3% of total assets. The Company also does not use brokered certificates of deposit as a funding source.

2009 NET INTEREST PERFORMANCE OVERVIEW The Company s net interest income in 2009 increased by $3.3 million, or 11.4%, from 2008 and the net interest margin rose by 8 basis points to 3.72% over the same comparative period. The increased net interest income and margin resulted from a combination of good balance sheet growth and the pricing benefits achieved from a steeper yield curve in 2009. Specifically, total loans averaged $725 million in 2009, an increase of $83 million or 13.0% over 2008. This growth caused overall loan interest revenue to increase in 2009 despite the lower interest rate environment. The Company s strong liquidity position had been supported by total deposits that averaged $763 million in 2009, an increase of $68 million or 9.8% over 2008. The Company believed that uncertainties in the financial markets and the economy has contributed to growth in money market accounts, certificates of deposit, and demand deposits as consumers looked for safety in well capitalized community banks like AmeriServ Financial Bank. Additionally, the Company benefited from a favorable $3.7 million decline in interest expense caused by the more rapid downward repricing of both deposits and Federal Home Loan Bank borrowings due to the market decline in short-term interest rates.

COMPONENT CHANGES IN NET INTEREST INCOME: 2009 VERSUS 2008 Regarding the separate components of net interest income, the Company s total interest income in 2009 decreased by $364,000 when compared to 2008. This decrease was due to a 52 basis point decline in the earning asset yield to 5.44%, that was partially mitigated by a $79 million increase in average earning assets due to the previously mentioned strong loan growth. Within the earning asset base, the yield on the total loan portfolio decreased by 65 basis points to 5.72% and reflected the lower interest rate environment in 2009 as the Federal Reserve had reduced the federal funds rate by approximately 200 basis points in response to the financial market crisis that hit in the third quarter 2008. The total investment securities yield decreased by 5 basis points to 4.08% while the yield on short-term money market funds dropped by 161 basis points to 0.35%. Both of these yield drops reflected the lower interest rate environment in 2009.

The $79 million, or 9.9%, increase in the volume of average earning assets was due to an $83 million, or 13.0%, increase in average loans, partially offset by a $7 million, or 4.9%, decrease in average investment securities. This loan growth was driven by increased commercial real estate loans as a result of successful new business development efforts, particularly in the suburban Pittsburgh market. The Company found increased commercial lending opportunities in the Pittsburgh market in the second half of 2008 and first half of 2009 due to the retrenchment of several larger competitors as a result of the turmoil in the financial markets. This loan growth caused the Company s loan to deposit ratio to average 95.1% in 2009 compared to 92.4% in 2008. The decline in investment securities was caused by the call of certain agency securities and ongoing cash flow from mortgage-backed securities. The Company had elected to utilize this cash from lower yielding investment securities to fund higher yielding loans in an effort to improve the Company s earning asset yield and net interest margin. The Company did not expect the investment securities portfolio to shrink any further in order to maintain sufficient security balances for pledging purposes.

The Company s total interest expense for 2009 decreased by $3.7 million, or 19.7%, when compared to 2008. This decrease in interest expense was due to a lower cost of funds as the cost of both deposits and borrowings repriced downward with the reductions in short-term interest rates. Specifically, the cost of interest bearing deposits declined by 67 basis points to 2.02%, while the cost of all FHLB borrowings dropped by 106 basis points to 1.22%. This decrease in funding costs more than offset the additional interest expense associated with a $46 million increase in the volume of interest bearing liabilities due to the previously mentioned deposit growth. Additionally, the Company s funding mix benefited from a $3.9 million increase in non-interest bearing demand deposits. Overall, in 2009 the Company had the discipline to further reduce its reliance on borrowings as a funding source as wholesale borrowings averaged only 6.7% of total assets. The Company did not use brokered certificates of deposit as a funding source.

The table that follows provides an analysis of net interest income on a tax-equivalent basis setting forth (i) average assets, liabilities, and stockholders equity, (ii) interest income earned on interest earning assets and interest expense paid on interest bearing liabilities, (iii) average yields earned on interest earning assets and average rates paid on interest bearing liabilities, (iv) interest rate spread (the difference between the average yield earned on interest earning assets and the average rate paid on interest bearing liabilities), and (v) net interest margin (net interest income as a percentage of average total interest earning assets). For purposes of these tables loan balances include non-accrual loans, and interest income recorded on non-accrual loans on a cash basis, which is deemed to be immaterial, is included in interest income. Regulatory stock is included within available for sale investment securities for this analysis. Additionally, a tax rate of approximately 34% is used to compute tax-equivalent yields.

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	YEAR ENDED DECEMBER 31,								
	2010			2009			2008		
	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE
	(IN THOUSANDS, EXCEPT PERCENTAGES)								
Interest earning assets:									
Loans, net of unearned income	**$ 701,502**	**$ 39,129**	**5.58%**	$ 725,241	$ 41,488	5.72%	$ 641,766	$ 41,100	6.37%
Deposits with banks	**1,795**	**1**	**0.06**	1,782	4	0.23	583	13	2.23
Federal funds sold	**4,375**	**16**	**0.37**	490	1	0.11	114	4	3.54
Short-term investment in money market funds	**3,834**	**4**	**0.10**	9,022	30	0.35	7,136	140	1.96
Investment securities:									
Available for sale	**151,691**	**5,281**	**3.48**	131,804	5,340	4.05	136,344	5,770	4.03
Held to maturity	**9,574**	**433**	**4.52**	14,346	630	4.36	17,292	875	5.06
Total investment securities	**161,265**	**5,714**	**3.54**	146,150	5,970	4.08	153,636	6,645	4.13
TOTAL INTEREST EARNING ASSETS/ INTEREST INCOME	**872,771**	**44,864**	**5.26**	882,685	47,493	5.44	803,235	47,902	5.96
Non-interest earning assets:									
Cash and due from banks	**15,297**			14,498			16,786		
Premises and equipment	**10,212**			9,213			9,333		
Other assets	**80,206**			72,574			72,249		
Allowance for loan losses	**(21,218)**			(13,382)			(7,837)		
TOTAL ASSETS	**$ 957,268**			$ 965,588			$ 893,766		
Interest bearing liabilities:									
Interest bearing deposits:									
Interest bearing demand	**$ 58,118**	**$ 176**	**0.30%**	$ 62,494	$ 256	0.41%	$ 64,683	$ 654	1.01%
Savings	**77,381**	**397**	**0.51**	72,350	530	0.73	70,255	535	0.76
Money market	**186,560**	**1,622**	**0.87**	169,823	2,437	1.44	107,843	2,417	2.24
Other time	**358,472**	**8,750**	**2.44**	343,841	9,886	2.88	341,185	12,074	3.54
Total interest bearing deposits	**680,531**	**10,945**	**1.61**	648,508	13,109	2.02	583,966	15,680	2.69
Federal funds purchased and other short-term borrowings	**3,119**	**22**	**0.71**	21,028	140	0.67	71,636	1,403	1.96
Advances from Federal Home Loan Bank	**18,694**	**402**	**2.15**	43,934	652	1.48	11,725	499	4.26
Guaranteed junior subordinated deferrable interest debentures	**13,085**	**1,120**	**8.57**	13,085	1,120	8.57	13,085	1,120	8.57
TOTAL INTEREST BEARING LIABILITIES/INTEREST EXPENSE	**715,429**	**12,489**	**1.75**	726,555	15,021	2.07	680,412	18,702	2.75
Non-interest bearing liabilities:									
Demand deposits	**122,963**			114,473			110,601		
Other liabilities	**11,188**			11,428			9,816		
Stockholders equity	**107,688**			113,132			92,937		
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	**$ 957,268**			$ 965,588			$ 893,766		

Interest rate spread		**3.51**		3.37		3.21
Net interest income/net interest margin	**32,375**	**3.79%**	32,472	3.72%	29,200	3.64%
Tax-equivalent adjustment	**(33)**		(38)		(83)	
Net interest income	**$ 32,342**		$ 32,434		$ 29,117	

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

	2010 vs. 2009 INCREASE (DECREASE) DUE TO CHANGE IN:			2009 vs. 2008 INCREASE (DECREASE) DUE TO CHANGE IN:		
	AVERAGE VOLUME	RATE	TOTAL	AVERAGE VOLUME	RATE	TOTAL
			(IN THOUSANDS)			
INTEREST EARNED ON:						
Loans, net of unearned income	**$ (1,350)**	**$ (1,009)**	**$ (2,359)**	$ 1,146	$ (758)	$ 388
Deposits with banks		**(3)**	**(3)**	15	(24)	(9)
Federal funds sold	**3**		**3**	9	(12)	(3)
Short-term investments in money market funds	**(16)**	**2**	**(14)**	(78)	(32)	(110)
Investment securities:						
Available for sale	**805**	**(864)**	**(59)**	(156)	(274)	(430)
Held to maturity	**(216)**	**19**	**(197)**	(265)	20	(245)
Total investment securities	**589**	**(845)**	**(256)**	(421)	(254)	(675)
Total interest income	**(774)**	**(1,855)**	**(2,629)**	671	(1,080)	(409)
INTEREST PAID ON:						
Interest bearing demand deposits	**(17)**	**(63)**	**(80)**	(410)	12	(398)
Savings deposits	**40**	**(173)**	**(133)**	(5)		(5)
Money market	**270**	**(1,085)**	**(815)**	526	(506)	20
Other time deposits	**439**	**(1,575)**	**(1,136)**	(2,158)	(30)	(2,188)
Federal funds purchased and other short-term borrowings	**(127)**	**9**	**(118)**	(1,916)	653	(1,263)
Advances from Federal Home Loan Bank	**(1,248)**	**998**	**(250)**	1,046	(893)	153
Total interest expense	**(643)**	**(1,889)**	**(2,532)**	(2,917)	(764)	(3,681)
Change in net interest income	**$ (131)**	**$ 34**	**$ (97)**	$ 3,588	$ (316)	$ 3,272

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

	AT DECEMBER 31, (IN THOUSANDS, EXCEPT PERCENTAGES)		
	2010	**2009**	**2008**
Total loan past due 30 to 89 days	**$ 2,791**	$ 11,408	$ 4,396
Total non-accrual loans	**12,289**	17,116	3,377
Total non-performing assets including TDR(1)	**14,364**	18,337	4,572
Loan delinquency as a percentage of total loans and loans held for sale, net of unearned income	**0.41%**	1.58%	0.62%
Non-accrual loans as a percentage of total loans and loans held for sale, net of unearned income	**1.81**	2.37	0.48
Non-performing assets as a percentage of total loans and loans held for sale, net of unearned income, and other real estate owned	**2.12**	2.53	0.65
Non-performing assets as a percentage of total assets	**1.51**	1.89	0.47
Total classified loans (loans rated substandard or doubtful)	**$ 39,627**	$ 48,587	$ 13,235

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

As a result of successful ongoing problem credit resolution efforts, the Company realized asset quality improvements in 2010. These improvements are evidenced by reduced delinquency and lower levels of non-performing assets and classified loans. Specifically, there was an $11 million decrease in non-performing assets during the fourth quarter of 2010. Only $1 million of this decline in non-performing assets related to actual loan losses realized through net charge-offs. The largest item responsible for the lower level of non-performing assets in 2010 was the removal of a $9 million commercial loan relationship to a borrower in the restaurant industry from non-accrual status due to continued operating performance improvement. Classified loans also favorably dropped by $9.5 million in 2010 but still remain high by historical standards. This is due to the downgrade of the rating classification of numerous commercial loans that are experiencing operating weakness in the recessionary economy but are still performing. While we are pleased that total loan delinquency dropped back below 1.0% in 2010, we continue to closely monitor the portfolio given the recessionary economy and the number of relatively large-sized commercial and commercial real estate loans within the portfolio. As of December 31, 2010, the 25 largest credits represented 33.2% of total loans outstanding.

ALLOWANCE AND PROVISION FOR LOAN LOSSES As described in more detail in the Critical Accounting Policies and Estimates section of this MD&A, the Company uses a comprehensive methodology and procedural discipline to maintain an allowance for loan losses 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

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qualitative factors, which include delinquency and non-performing 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 that accommodate each of the listed risk factors. The following table sets forth changes in the allowance for loan losses and certain ratios for the periods ended.

	YEAR ENDED DECEMBER 31,				
	2010	**2009**	**2008**	**2007**	**2006**
	(IN THOUSANDS, EXCEPT RATIOS AND PERCENTAGES)				
Balance at beginning of year	**$ 19,685**	$ 8,910	$ 7,252	$ 8,092	$ 9,143
Charge-offs:					
Commercial	**(835)**	(3,810)	(405)	(934)	(769)
Commercial loans secured by real estate	**(4,221)**	(840)	(811)	(12)	(2)
Real estate-mortgage	**(293)**	(128)	(132)	(79)	(76)
Consumer	**(282)**	(352)	(365)	(307)	(397)
Total charge-offs	**(5,631)**	(5,130)	(1,713)	(1,332)	(1,244)
Recoveries:					
Commercial	**226**	601	299	40	115
Commercial loans secured by real estate	**48**	14	39	38	41
Real estate-mortgage	**42**	27	26	12	19
Consumer	**145**	113	82	102	143
Total recoveries	**461**	755	446	192	318
Net charge-offs	**(5,170)**	(4,375)	(1,267)	(1,140)	(926)
Provision for loan losses	**5,250**	15,150	2,925	300	(125)
Balance at end of year	**$ 19,765**	$ 19,685	$ 8,910	$ 7,252	$ 8,092
Loans and loans held for sale, net of unearned income:					
Average for the year	**$ 701,502**	$ 725,241	$ 644,896	$ 610,685	$ 567,435
At December 31	**678,181**	722,904	707,108	636,155	589,435
As a percent of average loans and loans held for sale:					
Net charge-offs	**0.74%**	0.60%	0.20%	0.19%	0.16%
Provision for loan losses	**0.75**	2.09	0.45	0.05	(0.02)
Allowance as a percent of each of the following:					
Total loans and loans held for sale, net of unearned income	**2.91**	2.72	1.26	1.14	1.37
Total delinquent loans (past due 30 to 89 days)	**708.17**	172.55	202.68	203.77	270.54
Total non-accrual loans	**160.83**	115.01	263.84	138.45	353.98
Total non-performing assets	**137.60**	107.35	194.88	137.35	225.15
Allowance as a multiple of net charge-offs	**3.82x**	4.50x	7.03x	6.36x	8.74x

For the year-ended December 31, 2010, the Company recorded a $5.3 million provision for loan losses compared to a $15.2 million provision for the 2009 year, or a decrease of $9.9 million. Proactive monitoring of our asset quality has allowed us to carefully adjust downward the provision for loan losses in each quarter of 2010 while still maintaining solid loan loss reserve coverage ratios. We actively identify and seek prompt

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resolution to problem credits in order to limit actual losses. Actual credit losses realized through charge-offs in 2010 approximated the provision levels, but are higher than 2009. For 2010, net charge-offs amounted to $5.2 million or 0.74% of total loans compared to net charge-offs of $4.4 million or 0.60% of total loans for 2009. The higher charge-offs in 2010 largely relate to two non-performing commercial real-estate loans, one of which was completely resolved in the first quarter ($1.2 million charge-off) and the second of which relates to a student housing project ($2.4 million charge-off) which the Company fully resolved through a note sale during the fourth quarter of 2010. In summary, the allowance for loan losses provided 145% coverage of non-performing loans and was 2.91% of total loans at December 31, 2010, compared to 115% of non-performing loans and 2.72% of total loans at December 31, 2009.

The Company appropriately strengthened its allowance for loan losses in 2009 in response to deterioration in asset quality. This deterioration in asset quality in 2009 was evidenced by higher levels of non-performing loans and classified loans than in 2008 and reflected the results of a comprehensive review of loans in the commercial loan and commercial real estate portfolio in the second half of 2009. Overall, the Company recorded a $15.2 million provision for loan losses in 2009, compared to a $2.9 million provision for 2008, or an increase of $12.2 million. Actual credit losses realized through charge-off, however, were well below the provision level, but higher than in 2008. For 2009, net charge-offs amounted to $4.4 million or 0.60% of total loans, compared to net charge-offs of $1.3 million or 0.20% of total loans for 2008. Of the 2009 net charge-offs, $3.3 million was realized in the fourth quarter and reflected the resolution of one of the Company s larger non-performing loans.

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

	AT DECEMBER 31,									
	2010		2009		2008		2007		2006	
	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO LOANS	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO LOANS	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO LOANS	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO LOANS	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO LOANS
	(IN THOUSANDS, EXCEPT PERCENTAGES)									
Commercial	**$ 3,851**	**11.5%**	$ 4,756	13.3%	$ 2,841	15.6%	$ 2,074	18.7%	$ 2,361	15.6%
Commercial loans secured by real estate	**12,717**	**54.6**	12,692	54.9	4,467	50.0	3,632	44.8	3,546	45.8
Real estate-mortgage	**1,117**	**31.1**	1,015	29.2	1,004	31.1	979	33.9	1,206	35.6
Consumer	**206**	**2.8**	204	2.6	246	3.3	172	2.6	218	3.0
Allocation to general risk	**1,874**		1,018		352		395		761	
Total	**$ 19,765**	**100.0%**								