

Dear Shareholder:

It is common knowledge that in the Northeastern region that the cold winters hamper economic activity. Then a good bit of the spring is devoted to repairing and replacing. However, as the thermometer recovers, so does the economy. The third quarter here at AmeriServ demonstrated the impact of enterprises and consumers becoming actively engaged in their businesses. On October 17, 2017, AmeriServ announced Net Income of \$1,551,000 or \$.08 per share. Those results are 12% higher than the second quarter of 2017 and 46% higher than the third quarter of 2016. We are certain that you know that numbers like these do not just happen because it is summer. This kind of progress is the result of careful planning and execution by AmeriServ's knowledgeable bankers. Let us explain.

The loan portfolio attained the second highest quarterly average level since the third quarter of 2016. Deposits on average in the third quarter of 2017 were at an all-time record and at \$981 million are almost within reach of one billion for the first time ever. However, these are static numbers measured at a point in time but revenues were not static. Revenues measure the payments by third party customers for products and services. In the third quarter of 2017, AmeriServ recorded a 4% increase in total revenues when compared with the third quarter of 2016. At the very same time through the first nine months of 2017, AmeriServ expenses have declined by almost \$600,000. This combination of increasing revenues and declining expenses enabled AmeriServ to report its best quarter since the third quarter of 2015.

You are probably aware of the desire of the Federal Reserve to increase interest rates from the virtually zero level of the last eight years. While it has been an on again, off again proposition at the Fed, national interest rates have been on the increase since a year ago. Management took advantage of these higher rates to begin to reformat the securities portfolio. This process has produced a 31% increase in the securities portfolio revenue over the third quarter of 2016, while controlling the level of risk in the portfolio.

Banking is not a static industry, for it is a reflection of the dynamics at work in the national economy, the regional economy and the local economy. Each of these economies is a reflection of the millions of individual decisions by Americans pursuing their own separate initiatives. It then becomes the responsibility of this Board and this Management team to plot a course which accommodates these complexities. There is no formula which has ever been fool proof. There is no "guru" who never misreads the "tea leaves." Rather it is the daily balancing of risk against reward that decides the winners and losers. This is our task.

Given these larger forces at work, AmeriServ is and should conduct itself as a financial franchise in transition. It has grown from a weak source of loans in its markets to an active lender. AmeriServ has now completed over four consecutive years when it has loaned over 90% of its deposits to smaller and mid-sized local and regional business and consumers. This is a full 10% more than similar sized community banks in the United States. We believe lending to small businesses is our role in keeping the economy recovering from its series of negative events. Also during those same four years of active lending, AmeriServ's loan losses have been less than a third of the losses of similar sized community banks in the United States.

Concurrently, AmeriServ's stand-alone Trust and Wealth Management Company has been transitioning. It now has almost \$2 billion of assets under management and administration. More than half of that \$2 billion is investments in retirement savings programs. AmeriServ provides investment guidance, safekeeping and administrative support so that our friends and neighbors can devote their energies to their professions and careers. It is a very positive program and one which we are proud to watch grow.

We hope you have a better understanding of the magnitude of changes at AmeriServ in these times. During the first nine months of 2017, the AmeriServ Board of Directors conducted a complete review of its structure and activities. The Board confirmed its committee-oriented management structure.

-continued-

It defined its role as one of oversight, not of management, and then adopted a definition of oversight for the full Board to follow:

“The definition of oversight encompasses continually striving to strike the optimal balance on a spectrum between operations and safeguarding and optimizing franchise value on behalf of stakeholders.”

It is clear that the role of the Board is to represent not themselves but every AmeriServ shareholder. The full Board discussed this report of the Corporate Governance Committee and adopted it unanimously on July 15, 2017. This vote has set in motion a transition within the Board to be certain that the interest of the shareholders should be pre-eminent throughout the Company.

The economy has been continuing its slow recovery so this has been a good time to analyze the course and to structure the Company to be both relevant and rewarding in the days ahead. A new strategic plan, a reconstituted Board of Directors, and a rededication to continue the improvements in profitability have resulted. The positive impact has been demonstrated by the third quarter results. The eight cents level of earnings per share during the quarter provides a solid base for the hope of continued growth in earnings.

It is a great privilege for us to report to you quarterly this transition as it continues apace at AmeriServ. Should you have thoughts or concerns, please do not be reluctant to share them with us. We will discuss them and get back to you.



Craig G. Ford
Chairman



Jeffrey A. Stopko
President & CEO