

Dear Fellow Shareholder:

On January 21, 2020, AmeriServ issued a press release detailing our financial results for the fourth quarter and the full year of 2019. Results included net income of \$669,000 or \$0.04 per share as compared with the fourth quarter of 2018, when net income was \$1,928,000 or \$0.11 per share. The full year of 2019 resulted in net income of \$6,028,000 or \$0.35 per share, as compared with net income of \$7,768,000 or \$0.43 per share for 2018. This decline is explained by two specific events during the fourth quarter of 2019.

First, financial institutions such as AmeriServ are required to invest in positive economic progress within the markets where the institution conducts business. This Community Reinvestment Act was passed into law by Congress in the latter half of the last century. Fortunately, there are occasions when such programs result in economic growth in areas where growth is needed. However, there are also occasions when the programs fail. AmeriServ previously provided \$500,000 for such a program, but in late 2019 AmeriServ was notified by a specific Federal agency that this program had failed, and that AmeriServ's investment had been consumed. Consequently, the \$500,000 was charged off completely in the fourth quarter of 2019 and there will be no further developments or losses. This is not an indication that CRA investments are specifically prone to failure, for we have others that are performing as expected.

Secondly, shortly after Christmas in 2019, we were informed of the unexpected death of one of our large commercial borrowers. The \$6.5 million loan had been on the books since the spring of 2018 and was performing as agreed. This borrower was an individual with widespread interests and substantial wealth. AmeriServ's legal counsel has already begun to work with the attorneys for the estate. In such situations, while AmeriServ regrets the passing of this individual, necessary actions are being taken to protect the interests of AmeriServ. As a result, an additional reserve of \$675,000 was allocated against this loan while the legal discussions take place. Since the date of the borrower's passing was December 26, 2019, it was necessary for this reserve to be established in the fourth quarter of 2019.

On a brighter note, the quarter and the year contained several positive results:

- 1) In spite of the disarray in the national economy from time to time, 2019 was a very strong year for loan closings. Both November and December were quite active, and this trend may continue in 2020.
- 2) The 2019 deposit performance has been strong. Consumer and commercial customers were very active which resulted in solid growth that permitted AmeriServ to report the highest average level of deposits in the history of the company.
- 3) You may recall that in 2018 we were pleased to inform you that fees in our Wealth Management activities had set a record. We are excited to report that in 2019 Wealth Management reported an even higher total of fees. This is a new record for the second consecutive year. Additionally, our sizable wealth management company is well positioned for further revenue growth in 2020 with the equity markets reaching record highs to close out 2019.
- 4) We especially want to mention that during 2019 the tangible book value of AmeriServ shares passed \$5.00. This was an increase of \$0.20 per share over December 2018 and reflects the benefits of active capital management.

This progress indicates that our business model is healthy. AmeriServ continues to lend 90% of our deposits to small and medium size businesses and consumers in our region. We want this economic expansion to continue. Our energies are focused on helping to keep our region economically strong.

It is our intention to keep these letters to you transparent. The goal of this Board and management is to provide you with an investment that produces a solid shareholder return. This means that in 2019, as a result of the increased cash dividend you received, and the repurchase of 602,349 shares of AmeriServ common stock, we were able to return approximately 70% of our 2019 earnings to our shareholders while still maintaining a strong balance sheet which is conservatively constructed and maintained.

The fourth quarter and full year of 2019 demonstrates that life is filled with challenges and opportunities. It is our job to manage both.

We appreciate your thoughts and ideas. Please send them along and we will respond accordingly.



Allan R. Dennison
Chairman



Jeffrey A. Stopko
President & CEO