AMERISERV FINANCIAL INC /PA/
Form 10-Q
August 07, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

X

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange

Act of 1934

For the period ended **June 30, 2009**

Transition Report Pursuant to Section 13 or 15(d) of the Securities

ExchangeAct of 1934

For the transaction 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 (I.R.S. Employer Identification No.)

or organization)

<u>Main & Franklin Streets, P.O. Box 430, Johnstown, PA 15907-0430</u>

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **<u>(814) 533-5300</u>**

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.

X Yes

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period) that the registrant was required to submit and post such files).

Yes

No

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 **X** Accelerated filer **X** Non-accelerated filer **X** Smaller reporting company **X**

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

X Yes **X** No

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

Class

Outstanding at August 3, 2009

Common Stock, par value $0.01

21,159,533

per share

AmeriServ Financial, Inc.

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Item 1. Financial Statements

AmeriServ Financial, Inc.

CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
Cash and due from depository institutions	$ 17,627	$ 17,945
Interest bearing deposits	1,713	1,601
Short-term investments in money market funds	7,516	15,578
Total cash and cash equivalents	26,856	35,124
Investment securities:		
Available for sale	122,504	126,781
Held to maturity (market value $13,967 on June 30, 2009 and $16,323 on December 31, 2008)	13,615	15,894
Loans held for sale	6,839	1,000
Loans	733,536	706,799
Less: Unearned income	726	691
Allowance for loan losses	13,606	8,910
Net loans	719,204	697,198
Premises and equipment, net	9,034	9,521
Accrued income receivable	4,056	3,735
Goodwill	13,497	13,497
Core deposit intangibles	-	108
Bank owned life insurance	33,433	32,929
Net deferred tax asset	12,496	12,651
Regulatory stock	9,739	9,739
Other assets	7,626	8,752
TOTAL ASSETS	$ 978,899	$ 966,929

LIABILITIES

Non-interest bearing deposits	$ 115,289	$ 116,372
Interest bearing deposits	668,518	578,584
Total deposits	783,807	694,956
Short-term borrowings	43,868	119,920
Advances from Federal Home Loan Bank	13,834	13,858
Guaranteed junior subordinated deferrable interest debentures	13,085	13,085
Total borrowed funds	70,787	146,863
Other liabilities	11,425	11,858
TOTAL LIABILITIES	866,019	853,677
SHAREHOLDERS' EQUITY		
Preferred stock, no par value; $1,000 per share liquidation preference; 2,000,000 shares authorized; there were 21,000 shares issued and outstanding for the periods presented	20,502	20,447
Common stock, par value $0.01 per share; 30,000,000 shares authorized; 26,345,420 shares issued and 21,156,801 outstanding on June 30, 2009; par value $2.50 per share; 26,317,450 shares issued and 21,128,831 outstanding on December 31, 2008	263	65,794
Treasury stock at cost, 5,188,619 shares on June 30, 2009 and December 31, 2008	(68,659)	(68,659)
Capital surplus	144,879	79,353
Retained earnings	19,605	20,533
Accumulated other comprehensive loss, net	(3,710)	(4,216)
TOTAL SHAREHOLDERS' EQUITY	112,880	113,252
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 978,899	$ 966,929

See accompanying notes to unaudited consolidated financial statements.

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AmeriServ Financial, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

Unaudited

	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
INTEREST INCOME				
Interest and fees on loans	$ 10,544	$ 9,862	$ 20,893	$ 20,324
Interest bearing deposits	1	2	2	8
Short-term investments in money market funds	8	38	22	87
Federal funds sold	-	-	-	4
Investment securities:				
Available for sale	1,337	1,342	2,735	2,865
Held to maturity	165	206	338	444
Total Interest Income	12,055	11,450	23,990	23,732
INTEREST EXPENSE				
Deposits	3,404	3,861	6,659	8,360
Short-term borrowings	71	208	200	840
Advances from Federal Home Loan Bank	129	135	259	271
Guaranteed junior subordinated deferrable interest	-	-	-	-
debentures	280	280	560	560
Total Interest Expense	3,884	4,484	7,678	10,031
NET INTEREST INCOME	8,171	6,966	16,312	13,701
Provision for loan losses	3,300	1,375	5,100	1,525
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,871	5,591	11,212	12,176
NON-INTEREST INCOME				
Trust fees	1,438	1,737	2,997	3,527

Net realized gains (losses) on investment securities	63	(137)	164	(137)
Net gains on loans held for sale	163	121	281	210
Service charges on deposit accounts	710	807	1,383	1,541
Investment advisory fees	152	218	289	444
Bank owned life insurance	254	1,923	504	2,172
Other income	711	674	1,434	1,424
Total Non-Interest Income	3,491	5,343	7,052	9,181
NON-INTEREST EXPENSE				
Salaries and employee benefits	4,983	4,812	10,075	9,642
Net occupancy expense	641	653	1,363	1,314
Equipment expense	442	414	857	845
Professional fees	873	910	1,793	1,679
Supplies, postage and freight	268	317	562	647
Miscellaneous taxes and insurance	329	344	673	697
FDIC deposit insurance expense	691	20	723	42
FHLB prepayment penalty	-	91	-	91
Amortization of core deposit intangibles	-	216	108	432
Other expense	1,409	1,248	2,644	2,415
Total Non-Interest Expense	9,636	9,025	18,798	17,804
PRETAX INCOME (LOSS)	(1,274)	1,909	(534)	3,553
Income tax expense (benefit)	(335)	393	(128)	808
NET INCOME (LOSS)	(939)	1,516	(406)	2,745
Preferred stock dividends	263	-	522	-
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ (1,202)	$ 1,516	$ (928)	$ 2,745
PER COMMON SHARE DATA:				
Basic:				
Net income (loss)	$ (0.06)	$ 0.07	$ (0.04)	$ 0.13
Average number of shares outstanding	21,151	21,847	21,144	21,954
Diluted:				
Net income (loss)	$ (0.06)	$ 0.07	$ (0.04)	$ 0.13
Average number of shares outstanding	21,152	21,848	21,144	21,955
Cash dividends declared	$ 0.00	$ 0.00	$ 0.00	$ 0.00

See accompanying notes to unaudited consolidated financial statements.

AmeriServ Financial, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Unaudited

	Six months ended June 30, 2009	Six months ended June 30, 2008
OPERATING ACTIVITIES		
Net income (loss)	$ (406)	$ 2,745
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Provision for loan loss	5,100	1,525
Depreciation expense	813	740
Amortization expense of core deposit intangibles	108	432
Net amortization of investment securities	61	125
Net realized (gains) loss on investment securities available for sale	(164)	137
Net realized gains on loans held for sale	(281)	(210)
Amortization of deferred loan fees	(257)	(216)
Origination of mortgage loans held for sale	(41,740)	(21,960)
Sales of mortgage loans held for sale	36,182	19,477
Decrease (increase) in accrued income receivable	(321)	235
Decrease in accrued expense payable	(530)	(438)
Earnings on bank owned life insurance	(504)	(515)
Net increase in other assets	(869)	(1,687)
Net increase in other liabilities	509	771
Net cash (used in) provided by operating activities	(2,299)	1,161
INVESTING ACTIVITIES		
Purchases of investment securities - available for sale	(17,241)	(47,362)
Purchases of investment securities - held to maturity	-	(4,464)
Purchases of regulatory stock	-	(3,000)
Proceeds from redemption of regulatory stock	-	4,694
Proceeds from sales of investment securities available for sale	4,746	17,377
Proceeds from maturities of investment securities available for sale	17,580	42,310
Proceeds from maturities of investment securities held to maturity	2,251	5,057
Long-term loans originated	(75,628)	(55,248)
Principal collected on long-term loans	65,436	69,956
Loans purchased or participated	(20,500)	(2,500)
Loans sold or participated	3,950	2,500

Net decrease (increase) in other short-term loans	174	(46)
Purchases of premises and equipment	(326)	(1,635)
Proceeds from insurance policies	-	2,635
Net cash (used in) provided by investing activities	(19,558)	30,274
FINANCING ACTIVITIES		
Net increase in deposit accounts	90,549	13,395
Net decrease in other short-term borrowings	(76,052)	(37,878)
Principal borrowings on advances from Federal Home Loan Bank	-	3,000
Principal repayments on advances from Federal Home Loan Bank	(24)	(7,023)
Purchase of treasury stock	-	(1,101)
Guaranteed junior subordinated deferrable interest debenture dividends paid	(508)	(508)
Preferred stock dividends	(426)	-
Proceeds from stock purchase plan	50	50
Net cash provided by (used in) financing activities	13,589	(30,065)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,268)	1,370
CASH AND CASH EQUIVALENTS AT JANUARY 1	35,124	24,912
CASH AND CASH EQUIVALENTS AT JUNE 30	$ 26,856	$26,282

See accompanying notes to unaudited consolidated financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of AmeriServ Financial, Inc. (the Company) and its wholly-owned subsidiaries, AmeriServ Financial Bank (Bank), AmeriServ Trust and Financial Services Company (Trust Company), and AmeriServ Life Insurance Company (AmeriServ Life). The Bank is a state-chartered full service bank with 18 locations in Pennsylvania. The Trust Company offers a complete range of trust and financial services and administers assets valued at $1.4 billion that are not recognized on the Company s balance sheet at June 30, 2009. AmeriServ Life is a captive insurance company that engages in underwriting as a reinsurer of credit life and disability insurance.

In addition, the Parent Company is an administrative group that provides support in such areas as audit, finance, investments, loan review, general services, and marketing. Significant intercompany accounts and transactions have been eliminated in preparing the consolidated financial statements.

2.

Basis of Preparation

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

On April 28, 2009, the shareholders of the Company voted in favor of amending the Articles of Incorporation to reduce the par value of the common stock from $2.50 to $0.01 per share. As a result of the decrease in par value, the balance attributable to the common stock on the balance sheet was reduced with a corresponding increase to capital surplus, resulting in no change in the aggregate amount of shareholders equity.

For further information, refer to the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

3.

Accounting Policies

In April 2008, the FASB issued FASB Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing assumptions about renewal or extension used in estimating the useful life of a recognized intangible asset under FAS No. 142*, Goodwill and Other Intangible Assets*. This standard is intended to improve the consistency between the useful life of a recognized intangible asset under FAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under FAS No. 141R and other GAAP. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The measurement provisions of this standard will apply only to intangible assets of the Company acquired after the effective date. The adoption of this standard did not have a material effect on the Company s results of operations or financial position.

In December 2008, the FASB issued FASB Staff Position (FSP) No. FAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets*. This FSP amends FASB Statement No. 132 (revised 2003), *Employers Disclosures about Pensions and Other Postretirement Benefits,* to improve an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. The disclosures about plan assets required by the FSP are to be provided for fiscal years ending after December 15, 2009. The adoption of this FSP is not expected to have a material effect on the Company s results of operations or financial position.

In April 2009, the FASB issued FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP relates to determining fair values when there is no active market or where the price inputs being used represent distressed sales. It reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. FSP No. FAS 157-4 is effective for interim and annual periods ending after June 15, 2009, but entities may early adopt this FSP for the interim and annual periods ending after March 15, 2009. The adoption of this FSP did not have a material effect on the Company s results of operations or financial position.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, which relates to fair value disclosures for any financial instruments that are not currently reflected on the balance sheet of companies at fair value. Prior to issuing this FSP, fair values for these assets and liabilities were only disclosed once a year. The FSP now requires these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. FSP No. FAS 107-1 and APB 28-1 is effective for interim and annual periods ending after June 15, 2009, but entities may early adopt this FSP for the interim and annual periods ending after March 15, 2009. The adoption of this FSP did not have a material effect on the Company s results of operations or financial position as reflected in Note 8.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, which provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities. FSP No. FAS 115-2 and FAS 124-2 are effective for interim and annual periods ending after June 15, 2009, but entities may early adopt this FSP for the interim and annual periods ending after March 15, 2009. The adoption of this FSP did not have a material effect on the Company s results of operations or financial position.

In June 2009, the FASB issued FAS No. 167, *Amendments to FASB Interpretation No. 46(R)*. FAS 167, which amends FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, (FIN 46(R)), prescribes a qualitative model for identifying whether a company has a controlling financial interest in a variable interest entity (VIE) and eliminates the quantitative model prescribed by FIN 46(R). The new model identifies two primary characteristics of a controlling financial interest: (1) provides a company with the power to direct significant activities of the VIE, and (2) obligates a company to absorb losses of and/or provides rights to receive benefits from the VIE. FAS No. 167 requires a company to reassess on an ongoing basis whether it holds a controlling financial interest in a VIE. A company that holds a controlling financial interest is deemed to be the primary beneficiary of the VIE and is required to consolidate the VIE. This statement is effective for fiscal years beginning after November 15, 2009. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

In June 2009, the FASB issued FAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. FAS No. 168 establishes the *FASB Accounting Standards Codification* (Codification), which was officially launched on July 1, 2009, and became the primary source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under the authority of Federal securities laws are also sources of authoritative GAAP for SEC registrants. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the Codification. FAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. As such, the Company plans to adopt FAS No.168 in connection with its third quarter 2009 reporting. As the Codification is neither expected nor intended to change GAAP, the adoption of FAS No.168 will not have a material impact on its results of operations or financial position.

4.

Earnings Per Common Share

Basic earnings per share include only the weighted average common shares outstanding. Diluted earnings per share include the weighted average common shares outstanding and any potentially dilutive common stock equivalent shares in the calculation. Treasury shares are treated as retired for earnings per share purposes. Options and warrants to purchase 1,544,509 common shares, at exercise prices ranging from $2.31 to $6.10, and 220,909 common shares, at exercise prices ranging from $3.01 to $6.10, were outstanding as of June 30, 2009 and 2008, respectively, but were not included in the computation of diluted earnings per common share because to do so would be antidilutive. Dividends on preferred shares are deducted from net income in the calculation of earnings per common share.

	Three months ended	Six months ended

	June 30,		June 30,	
	2009	2008	2009	2008
	(In thousands, except per share data)			
Numerator:				
Net income (loss)	$ (939)	$ 1,516	$ (406)	$ 2,745
Preferred stock dividends	263	-	522	-
Net Income (loss) available to common shareholders	$ (1,202)	$ 1,516	$ (928)	$ 2,745
Denominator:				
Weighted average common shares outstanding (basic)	21,151	21,847	21,144	21,954
Effect of stock options/warrants	1	1	-	1
Weighted average common shares outstanding (diluted)	21,152	21,848	21,144	21,955
Earnings (loss) per common share:				
Basic	$(0.06)	$0.07	$(0.04)	$0.13
Diluted	(0.06)	0.07	(0.04)	0.13

5.

Comprehensive Income (Loss)

For the Company, comprehensive income includes net income and unrealized holding gains and losses from available for sale investment securities and the pension obligation change for the defined benefit plan. The changes in other comprehensive income are reported net of income taxes, as follows (in thousands):

	Three months ended June 30, 2009	2008	Six months ended June 30, 2009	2008
Net income (loss)	$ (939)	$ 1,516	$ (406)	$ 2,745
Other comprehensive income (loss), before tax:				
Pension obligation change for defined benefit plan	118	82	236	165
Income tax effect	(40)	(28)	(80)	(57)
Reclassification adjustment for (gains) losses on available for sale securities included in net income (loss)	(63)	137	(164)	137
Income tax effect	21	(47)	56	(47)
Unrealized holding (gains) losses on available for sale securities arising during period	(347)	(1,508)	694	93
Income tax effect	118	513	(236)	(31)
Other comprehensive income (loss)	(193)	(851)	506	260
Comprehensive income (loss)	$ (1,132)	$ 665	$ 100	$ 3,005

6.

Consolidated Statement of Cash Flows

On a consolidated basis, cash and cash equivalents include cash and due from depository institutions, interest-bearing deposits, federal funds sold and short-term investments in money market funds. The Company made $111,000 in income tax payments in the first six months of 2009 as compared to $184,000 for the first six months of 2008. The Company made total interest payments of $8,208,000 in the first six months of 2009 compared to $10,469,000 in the same 2008 period.

7.

Investment Securities

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

Investment securities available for sale (AFS):

June 30, 2009	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Agency	$ 10,802	$ 75	$ -	$ 10,877
U.S. Agency mortgage- backed securities	109,011	2,672	(69)	111,614
Other securities	25	-	(12)	13
Total	$119,838	$ 2,747	$ (81)	$ 122,504

Investment securities held to maturity (HTM):

June 30, 2009	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 3,046	$ 67	$ -	$ 3,113
U.S. Agency mortgage- backed securities	8,569	294	-	8,863
Other securities	2,000	-	(9)	1,991
Total	$ 13,615	$ 361	$ (9)	$ 13,967

Investment securities available for sale (AFS):

December 31, 2008	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Agency	$ 10,387	$ 188	$ -	$ 10,575
U.S. Agency mortgage-backed securities	114,380	2,057	(248)	116,189
Other securities	24	-	(7)	17
Total	$124,791	$ 2,245	$ (255)	$126,781

Investment securities held to maturity (HTM):

December 31, 2008	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 3,082	$ 118	$ -	$ 3,200
U.S. Agency mortgage-backed securities	9,562	321	-	9,883
Other securities	3,250	-	(10)	3,240
Total	$ 15,894	$ 439	$ (10)	$ 16,323

Maintaining investment quality is a primary objective of the Company's investment policy which, subject to certain limited exceptions, prohibits the purchase of any investment security below a Moody's Investor's Service or Standard & Poor's rating of "A." At June 30, 2009 and December 31, 2008, 98.5% and 97.7% of the portfolio was rated "AAA", respectively. Less than 1% of the portfolio was rated below A or unrated at June 30, 2009 and December 31, 2008. At June 30, 2009, the Company s consolidated investment securities portfolio had a modified duration of approximately 2.4 years. The gross gains on investment security sales in the first six months of 2009 were $164,000. The Company has no exposure to sub-prime mortgage loans in either the loan or investment portfolios.

The following tables present information concerning investments with unrealized losses as of June 30, 2009 and December 31, 2008 (in thousands):

Investment securities available for sale:

June 30, 2009	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Agency mortgage-backed securities	$ 6,910	$ (59)	$ 4,449	$ (10)	$ 11,359	$ (69)
Other securities	-	-	13	(12)	13	(12)
Total	$ 6,910	$ (59)	$ 4,462	$ (22)	$ 11,372	$ (81)

Investment securities held to maturity:

June 30, 2009	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Other securities	$ -	$ -	$ 1,991	$ (9)	$ 1,991	$ (9)
Total	$ -	$ -	$ 1,991	$ (9)	$ 1,991	$ (9)

Investment securities available for sale:

December 31, 2008	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Agency mortgage-backed securities	$ 31,063	$ (226)	$ 3,375	$ (22)	$ 34,438	$ (248)
Other securities	-	-	17	(7)	17	(7)
Total	$ 31,063	$ (226)	$ 3,392	$ (29)	$ 34,455	$ (255)

Investment securities held to maturity:

December 31, 2008	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Other securities	$ -	$ -	$ 3,240	$ (10)	$ 3,240	$ (10)
Total	$ -	$ -	$ 3,240	$ (10)	$ 3,240	$ (10)

The unrealized losses are primarily a result of increases in market yields from the time of purchase. In general, as market yields rise, the value of securities will decrease; as market yields fall, the fair value of securities will increase. There are nine positions that are considered temporarily impaired at June 30, 2009. Management generally views changes in fair value caused by changes in interest rates as temporary; therefore, these securities have not been classified as other-than-temporarily impaired. Management has also concluded that based on current information they expect to continue to receive scheduled interest payments as well as the entire principal balance. Furthermore, management does not intend to sell these securities and does not believe it will be required to sell these securities before they recover in value.

8.

Disclosures About Fair Value Measurements

Effective January 1, 2008, the Company adopted the provisions of FAS No. 157, *Fair Value Measurements*, for financial assets and financial liabilities. FAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. The FASB issued Staff Position No. 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*, which removed leasing transactions accounted for under FAS No. 13 and related guidance from the scope of FAS No. 157. The FASB also issued Staff Position No.157-2, *Partial Deferral of the Effective Date of Statement 157*, which deferred the effective date of FAS No. 157 for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008.

FAS No. 157 establishes a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by FAS No. 157 hierarchy are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.

Level III: Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management s best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quoted market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond s terms and conditions, among other things. This applies to all available for sale securities except U.S. Treasury and equity securities which are considered to be Level 1.

Residential real estate loans held for sale are carried at fair value on a recurring basis. Residential real estate loans are valued based on quoted market prices from purchase commitments from market participants and are classified as Level 1.

The fair value of the swap asset is based on an external derivative valuation model using data inputs as of the valuation date and classified Level 2.

The following tables present the assets reported on the balance sheet at their fair value as of June 30, 2009 and December 31, 2008, by level within the fair value hierarchy. As required by FAS No. 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

<u>Assets Measured on a Recurring Basis</u>

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

		Fair Value Measurements at June 30, 2009 Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available for sale securities	$122,504	$ 13	$ 122,491	$ -
Loans held for sale	6,839	6,839	-	-
Fair value of swap asset	69	-	69	-

		Fair Value Measurements at December 31, 2008 Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available for sale securities	$126,781	$ 17	$ 126,764	$ -
Loans held for sale	1,000	1,000	-	-
Fair value of swap asset	336	-	336	-

Loans considered impaired under FAS 114, *Accounting by Creditors for Impairment of a Loan,* as amended by FAS 118, *Accounting by Creditors for Impairment of a Loan Income Recognition and Disclosure,* are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are reported at fair value of the underlying collateral if the repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 input based on the discounting of the collateral. At June 30, 2009, impaired loans with a carrying value of $10.2 million were reduced by specific valuation allowance totaling $3.9 million resulting in a net fair value of $6.3 million, based on Level 3 inputs.

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

Assets Measured on a Non-recurring Basis

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

		Fair Value Measurements at June 30, 2009 Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired loans	$ 6,301	$ -	$ -	$ 6,301
Other real estate owned	1,067	-	1,067	-

		Fair Value Measurements at December 31, 2008 Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired loans	$ 857	$ -	$ 857	$ -
Other real estate owned	1,195	-	1,195	-

DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

For the Company, as for most financial institutions, approximately 90% of its assets and liabilities are considered financial instruments. Many of the Company s financial instruments, however, lack an available trading market characterized by a willing buyer and willing seller engaging in an exchange transaction. Therefore, significant estimates and present value calculations were used by the Company for the purpose of this disclosure.

Estimated fair values have been determined by the Company using independent third party valuations that uses best available data (Level 2) and an estimation methodology (level 3) the Company believes is suitable for each category of financial instruments. Management believes that cash, cash equivalents, and loans and deposits with floating interest rates have estimated fair values which approximate the recorded book balances. The estimation methodologies used, the estimated fair values based off of FAS 157 measurements, and recorded book balances at June 30, 2009 and December 31, 2008, were as follows:

	June 30, 2009		December 31, 2008	
	ESTIMATED FAIR VALUE	RECORDED BOOK BALANCE	ESTIMATED FAIR VALUE	RECORDED BOOK BALANCE
	(IN THOUSANDS)			
FINANCIAL ASSETS:				
Investment securities	$ 136,471	$ 136,119	$ 143,104	$ 142,675
Regulatory stock	9,739	9,739	9,739	9,739
Net loans (including loans held for sale), net of allowance for loan loss	724,084	726,043	701,066	698,198
Accrued income receivable	4,056	4,056	3,735	3,735
Bank owned life insurance	33,433	33,433	32,929	32,929
Fair value swap asset	69	69	336	336
FINANCIAL LIABILITIES:				
Deposits with no stated maturities	$ 432,045	$ 432,045	$ 377,646	$ 377,646
Deposits with stated maturities	354,235	351,762	320,201	317,310
Short-term borrowings	43,868	43,868	119,920	119,920
All other borrowings	29,884	26,919	31,472	26,943
Accrued interest payable	3,532	3,532	4,062	4,062
Fair value swap liability	69	69	336	336

The fair value of investment securities is equal to the available quoted market price.

The fair value of regulatory stock is equal to the current carrying value.

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

The fair value of accrued income receivable is equal to the current carrying value.

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

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

The fair value of short-term borrowings is equal to the current carrying value.

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

The fair value of accrued interest payable is equal to the current carrying value.

The fair values of the fair value swaps used for interest rate risk management represents the amount the Company would have expected to receive or pay to terminate such agreements.

Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values. The Company s remaining assets and liabilities which are not considered financial instruments have not been valued differently than has been customary under historical cost accounting.

9.

Loans

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

	June 30, 2009	December 31, 2008
Commercial	$ 118,378	$ 110,197
Commercial loans secured by real estate	381,986	353,870
Real estate mortgage	208,154	218,928
Consumer	25,018	23,804
Total loans	733,536	706,799
Less: Unearned income	726	691
Loans, net of unearned income	$ 732,810	$ 706,108

Real estate-construction loans comprised 6.8%, and 6.2% of total loans, net of unearned income, at June 30, 2009 and December 31, 2008, respectively. The Company has no exposure to sub prime mortgage loans in either the loan or investment portfolios.

10.

Allowance for Loan Losses

An analysis of the changes in the allowance for loan losses follows (in thousands, except ratios):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Balance at beginning of period	$ 10,661	$ 7,309	$ 8,910	$ 7,252
Charge-offs:				
Commercial	(638)	(100)	(641)	(106)
Commercial loans secured by real estate	(200)	(791)	(237)	(791)
Real estate-mortgage	(41)	(83)	(67)	(121)
Consumer	(69)	(95)	(120)	(182)
Total charge-offs	(948)	(1,069)	(1,065)	(1,200)
Recoveries:				

Commercial	567	289	569	294
Commercial loans secured by real estate	-	23	5	29
Real estate-mortgage	4	20	22	21
Consumer	22	16	65	42
Total recoveries	593	348	661	386
Net charge-offs	(355)	(721)	(404)	(814)
Provision for loan losses	3,300	1,375	5,100	1,525
Balance at end of period	$ 13,606	$ 7,963	$ 13,606	$ 7,963
As a percent of average loans and loans held				
for sale, net of unearned income:				
Annualized net charge-offs	0.19%	0.46%	0.11%	0.26%
Annualized provision for loan losses	1.81	0.89	1.42	0.49
Allowance as a percent of loans and loans				
held for sale, net of unearned income				
at period end	1.84	1.28	1.84	1.28

11.

Non-performing Assets

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

	June 30, 2009	December 31, 2008
Non-accrual loans		
Commercial	$ 7,317	$ 1,128
Commercial loans secured by real estate	2,886	484
Real estate-mortgage	1,009	1,313
Consumer	620	452
Total	11,832	3,377

90 days past due		
Commercial	1,771	-
Total	1,771	-
Other real estate owned		
Commercial loans secured by real estate	700	701
Real estate-mortgage	367	494
Total	1,067	1,195
Total non-performing assets	$14,670	$ 4,572
Total non-performing assets as a percent of loans and loans held for sale, net of unearned income, and other real estate owned	1.98%	0.65%

The following table sets forth, for the periods indicated, (i) 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, (ii) the amount of interest income actually recorded on such loans, and (iii) the net (increase) reduction in interest income attributable to such loans (in thousands).

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Interest income due in accordance with original terms	$ 61	$ 44	$ 110	$ 97
Interest income recorded	-	-	-	-
Net reduction in interest income	$ 61	$ 44	$ 110	$ 97

12.

Federal Home Loan Bank Borrowings

Total Federal Home Loan Bank (FHLB) borrowings and advances consist of the following at June 30, 2009, (in thousands, except percentages):

Weighted

Type	Maturing	Amount	Average Rate
Open Repo Plus	Overnight	$ 18,868	0.67%
Advances	2009	28,004	0.87
	2010	10,000	3.36
	2011 and after	830	6.44
		38,834	1.63
Total FHLB borrowings		$ 57,702	1.31%

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

13.

Preferred Stock

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (initially introduced as the Troubled Asset Relief Program or TARP) was enacted. On October 14, 2008, the U.S. Treasury announced its intention to inject capital into financial institutions under the TARP Capital Purchase Program (the CPP). The CPP is a voluntary program designed to provide capital to healthy, well managed financial institutions in order to increase the availability of credit to businesses and individuals and help stabilize the U.S. financial system.

On December 19, 2008, the Company sold to the U.S. Treasury for an aggregate purchase price of $21 million in cash 21,000 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series D. In conjunction with the purchase of these senior preferred shares, the U.S. Treasury also received warrants to purchase up to 1,312,500 shares of the Company s common stock. The warrants have a term of 10 years and are exercisable at any time, in whole or in part, at an exercise price of $2.40 per share. The $21 million in proceeds was allocated to the Series D Preferred Stock and the warrants based on their relative fair values at issuance (approximately $20.4 million was allocated to the Series D Preferred Stock and approximately $600,000 to the warrants). The difference between the initial value allocated to the Series D Preferred Stock of approximately $20.4 million and the liquidation value of $21 million will be charged to surplus over the first three years of the contract. Cumulative dividends on Series D Preferred Stock are payable quarterly at 5% through December 19, 2013 and at a rate of 9% thereafter. As a result of the decision by the Company to accept a preferred stock investment under the U.S. Treasury s CPP for a period of three years the Company is no longer permitted to repurchase stock or declare and pay dividends on common stock without the consent of the U.S. Treasury.

14.

Regulatory Capital

The Company is subject to various capital requirements administered by the federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. As of June 30, 2009, the Federal Reserve categorized the Company as Well Capitalized under the regulatory framework for prompt corrective action. The Company believes that no conditions or events have occurred that would change this conclusion. To be categorized as well capitalized, the Company must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. Additionally, while not a regulatory capital ratio, the Company s tangible common equity ratio was 8.17% at June 30, 2009.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
June 30, 2009	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(In thousands, except ratios)					
Total Capital (to Risk Weighted Assets)						
Consolidated	$120,814	15.56%	$ 62,106	8.00%	$ 77,632	10.00%
Bank	94,476	12.37	61,116	8.00	76,395	10.00
Tier 1 Capital (to Risk Weighted Assets)						
Consolidated	111,056	14.31	31,053	4.00	46,579	6.00
Bank	84,870	11.11	30,558	4.00	45,837	6.00
Tier 1 Capital (to Average Assets)						

Consolidated	111,056	11.61	38,251	4.00	47,814	5.00
Bank	84,870	9.15	37,106	4.00	46,382	5.00

15.

Segment Results

The financial performance of the Company is also monitored by an internal funds transfer pricing profitability measurement system which produces line of business results and key performance measures. The Company's major business units include retail banking, commercial lending, trust, and investment/parent. The reported results reflect the underlying economics of the business segments. Expenses for centrally provided services are allocated based upon the cost and estimated usage of those services. The businesses are match-funded and interest rate risk is centrally managed and accounted for within the investment/parent business segment. The key performance measure the Company focuses on for each business segment is net income contribution.

Retail banking includes the deposit-gathering branch franchise, lending to both individuals and small businesses, and financial services. Lending activities include residential mortgage loans, direct consumer loans, and small business commercial loans. Financial services include the sale of mutual funds, annuities, and insurance products. Commercial lending to businesses includes commercial loans, and commercial real-estate loans. The trust segment has two primary business divisions, traditional trust and union collective investment funds. Traditional trust 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 union collective investment funds, namely the ERECT and BUILD Funds are designed to invest union pension dollars in construction projects that utilize union labor. The financial results of West Chester Capital Advisors, a registered investment advisory firm, are also included in the Trust segment. The investment/parent includes the net results of investment securities and borrowing activities, general corporate expenses not allocated to the business segments, interest expense on the guaranteed junior subordinated deferrable interest debentures, and centralized interest rate risk management. Inter-segment revenues were not material.

The contribution of the major business segments to the consolidated results of operations for the three and six months ended June 30, 2009 and 2008 were as follows (in thousands):

	Three months ended June 30, 2009		Six months ended June 30, 2009		June 30, 2009
	Total revenue	Net income (loss)	Total revenue	Net income (loss)	Total assets
Retail banking	$ 6,316	$ 96	$ 12,329	$ 473	$ 329,005
Commercial lending	3,063	(1,319)	6,060	(1,620)	510,270
Trust	1,607	104	3,319	248	3,505

Investment/Parent	676	180	1,656	493	136,119
Total	$ 11,662	$ (939)	$ 23,364	$ (406)	$ 978,899

	Three months ended June 30, 2008		Six months ended June 30, 2008		June 30, 2008
	Total revenue	Net income (loss)	Total revenue	Net income (loss)	Total assets
Retail banking	$ 7,320	$ 1,346	$ 13,128	$ 1,726	$ 332,466
Commercial lending	2,800	188	5,418	918	392,781
Trust	1,972	352	4,013	815	3,164
Investment/Parent	217	(370)	323	(714)	148,819
Total	$ 12,309	$ 1,516	$ 22,882	$ 2,745	$ 877,230

16.

Commitments and Contingent Liabilities

The Company s exposure to credit loss in the event of nonperformance by the other party to these commitments to extend credit and standby letters of credit is represented by their contractual amounts. The Bank uses the same credit and collateral policies in making commitments and conditional obligations as for all other lending. The Company had various outstanding commitments to extend credit approximating $124.5 million and standby letters of credit of $12.7 million as of June 30, 2009.

Additionally, the Company is also subject to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of the Company, neither the resolution of these claims nor the funding of these credit commitments will have a material adverse effect on the Company s consolidated financial position, results of operation or cash flows.

17.

Pension Benefits

The Company has a noncontributory defined benefit pension plan covering all employees who work at least 1,000 hours per year. The benefits of the plan are based upon the employee s years of service and average annual earnings for the highest five consecutive calendar years during the final ten year period of employment. Plan assets are primarily debt securities (including U.S. Treasury and Agency securities, corporate notes and bonds), listed common stocks (including shares of AmeriServ Financial, Inc. common stock which is limited to 10% of the plan s assets), mutual funds, and short-term cash equivalent instruments.

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Components of net periodic benefit cost				
Service cost	$ 232	$ 241	$ 464	$ 482
Interest cost	234	233	468	465
Expected return on plan assets	(308)	(309)	(616)	(619)
Amortization of prior year service cost	3	1	6	2
Amortization of transition asset	(4)	(4)	(8)	(8)
Recognized net actuarial loss	119	85	238	171
Net periodic pension cost	$ 276	$ 247	$ 552	$ 493

18.

Subsequent Events

On June 30, 2009, the Company adopted *Statement of Financial Accounting Standards No. 165, Subsequent Events (SFAS 165).* The Statement establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, the Statement defines: (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (3) the disclosure that an entity should make about events or transactions that occurred after the balance sheet date. Management has reviewed events occurring through August 7, 2009, the date the financial statements were issued and no subsequent events occurred requiring accrual or disclosure.

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

2009 SECOND QUARTER SUMMARY OVERVIEW .. One of the most important axioms that undergirds AmeriServ s reinvention is a resolve to always be coldly realistic about the affairs of this Company. It is no secret that the U.S. economy is experiencing serious difficulties. In such times it is even more important to view every metric carefully. We learned some time ago that it is the length of a recession, more than the depth of a recession, which is most troubling to a community bank. Most community bank borrowers are relatively small and medium sized businesses with limited resources. They rely almost exclusively on their bank for credit. However, as a recession lengthens, these companies experience intense stress that may overcome their limited resources. With the recession continuing, the stress is mounting and its impact is clearly visible in the second quarter 2009 AmeriServ financial results.

AmeriServ Financial reported a net loss of $939,000 or $0.06 per share for the second quarter, and a cumulative net loss of $406,000 or $0.04 per share for the first half of 2009. This loss was brought about by the weakening of some specific borrowing relationships. In one case, AmeriServ has already begun to take possession of the borrower s assets and is instituting the necessary actions to liquidate those remaining assets. In two other cases, AmeriServ continues to work with the principals to plot the best course of action. The source of these troubled loan difficulties is the recession. True to our resolve, AmeriServ has taken action to increase the allowance for loan losses, while taking immediate action with the borrowers. The increase in the allowance brought about the net loss for the quarter. The allowance for loan losses was increased by $2,945,000 over March 31, 2009, and is sufficient to provide 100% coverage of all non- performing loans.

Just as in the difficult days of 2003 and 2004 AmeriServ will always take the necessary and swift action to address troubled assets. Such a dramatic increase in the allowance for loan loss does not mean major future losses are inevitable. Thus far in 2009 we are encouraged to note that in spite of the sharp increase in non-performing loans, the level of actual net charge-offs in 2009 is still below peer averages at $404,000 or 0.11% of total loans. But we know that troubled loans do not correct themselves, and therefore, we are hard at work on every one.

We should also note that, on a day-to-day basis, AmeriServ continues to generate positive momentum within its retail banking operation. In the second quarter

Loans outstanding increased by more than $12 million.

Deposits surged to a new high, increasing by more than $36 million.

Non-interest income remained stable in spite of a decline in Trust Company fees due to the lower levels of the equity and real estate markets.

Borrowings from the Federal Home Loan Bank declined by $33 million.

Mortgage originations during the first half of 2009 increased by 65% ($18 million) over the same period in 2008, emphasizing this important community bank product.

Capital ratios continued to be strong with the asset leverage ratio at 11.61% and tangible common equity at 8.17%. Both ratios are well above industry averages.

While expenses increased by $474,000 from the first quarter, this increase was almost entirely the result of a Federal Deposit Insurance Corporation special assessment levied on every bank to strengthen the nation s deposit insurance fund.

AmeriServ remains a participant in the U.S. Treasury Capital Purchase Program. We have endeavored, through our continuing loan growth, to observe and perform in the spirit of the nation s recovery program. There is no way to project when this difficult and lengthy recession will end. That is why it is so important to monitor every loan and, when necessary, to take the kind of preventative action that characterizes the second quarter for AmeriServ. The Board and the management team pledge a continuing high level of vigilance. It is our goal that this vigilance, the conservative balance sheet of AmeriServ and our policy of speedy corrective actions will help protect this franchise from the serious difficulties in the banking industry. We further believe that adhering to this vigilance will position AmeriServ to prosper when these difficult days give way to a true economic recovery.

THREE MONTHS ENDED JUNE 30, 2009 VS. THREE MONTHS ENDED JUNE 30, 2008

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

Three months ended