Centric Financial Corporation

2009 FINANCIAL REPORT

"At many smaller banks…cash continued to flow. Consumer loans grew 3% at financial institutions that fall in the bottom 50% of the industry in assets, according to the *Journal*'s analysis of financial institution data filed with regulators. 'It's been quite an opportunity,' says Patricia Husic, chief executive of Centric Financial Corp.'s Centric Bank, in Harrisburg, Pa., which increased its consumer lending by 30%."

–*The Wall Street Journal*, "Where to Find the Money," March 13–14, 2010.

Table of Contents

Centric Financial Centers

Please visit us at our two financial centers. You can also call us toll-free during normal business hours at **1-888-274-2033**.

Lower Paxton Financial Center
4320 Linglestown Road
Harrisburg, PA 17112
(717) 657-7727
Fax (717) 657-7748

Silver Spring Financial Center
6480 Carlisle Pike
Mechanicsburg, PA 17050
(717) 591-1360
Fax (717) 591-1363

For convenient online banking, please visit us at **www.centricbank.com**. Experience 24-hour telephone banking at **1-888-274-9973**.

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- Kerry A. Pae, Secretary, President & Owner, Kerry Pae Auctioneers

Letter to Our Shareholders

The good news is that we're recovering from the economic vertigo of 2009, which presented severe challenges for financial institutions and the global economy. As a repercussion, Centric Bank experienced a consolidated net loss of $2.9 million. For reference, in 2008 the bank lost $635,000. Despite navigating through such uncharted territory, we continued to be one of a few institutions that supplied capital, credit, and confidence to the business community and served as a vital resource to keep the business pipeline moving in central Pennsylvania.

The following three primary challenges had a direct and significant impact on our financial performance for the year: 1) $930 thousand in loan charge-offs stemming directly from the legacy portfolio of the former institution; 2) $789 thousand in Other Than Temporary Impairments in mortgage-backed investment securities from the prior institution; and 3) $460 thousand in a valuation allowance established to reverse the current deferred tax asset. (The valuation allowance established for the deferred tax asset will be reversed over time once Centric Financial Corporation experiences positive earnings.)

In addition, our insurance premium for Federal Deposit Insurance Corporation expense increased in 2009 from $51,451 to $300,673, a 484% increase, or $249,222, significantly impacting our bottom line. Our relocation of our headquarters, financial center, and operations area led to an increased overhead expense of $161,524, or 69.8%. At year end, Centric prepaid our 3-year FDIC premium of $833,886. This was a significant change to how banks paid their FDIC premiums. This change was implemented in 2009 by the FDIC to replenish the Banking Insurance Fund.

Although we understand the power of numbers, these particular losses do not tell our whole story. Centric Bank celebrated significant successes in 2009:

- We ranked No.1 for the second consecutive year in central Pennsylvania for organic loan growth, leading the area at 27.68%.
- We generated in excess of $53 million in gross new loans for the year. Loan growth in our region leveled out at 8.42%, and overall throughout the state growth was limited to 7.66%. However, Centric led with a 27.81% growth rate.
- Statewide, Centric ranked No. 6 for loan growth out of 181 financial institutions.
- As our peers' delinquency ratios increased substantially, Centric's ratio decreased to 3.82%.
- Our loan composition has now been redistributed, with 84% to Centric and 16% allocated to the legacy portfolio. Our external loan review report also mirrored these positive trends and developments. Only one loan totaling $150,000 was delinquent from our new portfolio of over $145 million in gross loans originated from February 8, 2007—evidence of a new benchmark. As our competitors cease to lend, Centric Bank continues to forge ahead as the countertrend to the typical bank in service and performance.

As saving became vogue and depositors returned funds back to the FDIC-guaranteed deposits at their community bank, Centric experienced an increase of 32% in total deposits as compared to 2008; or an increase of $28 million over the prior year. Our assets at year-end were $161 million, an increase of $35,911,000 (28.71%), which again reflected the community's decision to embrace the Centric Bank vision.

While other banks merged due to losses or were placed under enforcement actions due to heightened banking regulation scrutiny, Centric Bank was released from all enforcement actions in June 2009.

The flow of capital from Centric to business builders will continue and increase. Shelves will remain stocked, employees will be paid, and jobs will be retained because of our pro-growth competitive advantage. In order to strengthen our capital position to continue making loans and expanding the deposit and loan footprint of Centric in central Pennsylvania, we participated in the U.S. Treasury's Capital Purchase Program and infused capital by $6.2 million during the year.

Looking forward, our 2010 strategic objectives include:

- Delivering a positive net income
- Originating a strong growth of quality commercial and consumer loans
- Expanding core deposits to new demographics
- Strengthening customer relationships
- Increasing our non-interest income

It's a hearty challenge, but our team of talented and dedicated employees consistently rises to the expectation and exceeds the goals of Centric Bank. None of these triumphs would have been possible without the collective support and investments from you, the shareholders.

Thank you for helping us deliver "revolutionary" banking services in the industry. At every level, *We Revolve Around You*.

Donald E. Enders, Jr.

DONALD E. ENDERS, JR.
Chairman of the Board

Patricia A. Husic

PATRICIA A. HUSIC
President & CEO

Independent Auditor's Report

TO THE BOARD OF DIRECTORS
CENTRIC FINANCIAL CORPORATION
HARRISBURG, PENNSYLVANIA

We have audited the accompanying consolidated balance sheet of Centric Financial Corporation as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Centric Financial Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

S. R. Snodgrass, A.C.

S. R. Snodgrass, A. C.
Wexford, Pennsylvania
April 13, 2010

CONSOLIDATED BALANCE SHEET
FOR THE YEARS ENDED DECEMBER 31

(amounts in thousands, except share data)

ASSETS

	2009	2008
Cash and due from banks	$ 1,359	$ 1,946
Interest-bearing deposits in other banks	4,448	40
Federal funds sold	3,526	9,918
Cash and Cash Equivalents	9,333	11,904
Certificates of deposit	10,474	–
Securities available for sale	20,802	16,180
Securities held to maturity, fair value $1,261 and $2,667	1,261	3,006
Loans, net of allowance for loan losses of $1,355 and $1,139	112,391	88,099
Accrued interest receivable	426	354
Premises and equipment, net	3,046	3,230
Regulatory stock	497	751
Goodwill	493	493
Core deposit intangibles	57	73
Prepaid federal deposit insurance	834	–
Other assets	1,206	999
Total Assets	$160,820	$125,089

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities		
Deposits:		
Non-interest-bearing	$ 10,425	$ 9,131
Interest-bearing	127,828	95,647
Total Deposits	138,253	104,778
Other borrowings	8,998	8,998
Accrued interest payable	183	340
Other liabilities	295	730
Total Liabilities	147,729	114,846
Stockholders' Equity		
Preferred stock $1.00 par value; authorized 1,000,000 shares; issued and outstanding 6,238 shares	6	–
Common stock, $1.00 par value; authorized 12,000,000 shares; issued and outstanding 1,985,853 and 623,168 shares in 2009 and 2008, respectively	1,986	623
Paid-in capital	15,842	10,447
Accumulated deficit	(4,383)	(830)
Accumulated other comprehensive income (loss)	(360)	3
Total Stockholders' Equity	13,091	10,243
Total Liabilities and Stockholders' Equity	$160,820	$125,089

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31

(amounts in thousands, except share data)

	2009	2008
INTEREST AND DIVIDEND INCOME		
Loans, including fees	$5,843	$4,829
Securities	819	770
Federal funds sold	22	109
Deposits in other banks	113	37
Regulatory stocks	4	35
Total interest income	6,801	5,780
INTEREST EXPENSE		
Deposits	2,949	2,226
Borrowings	364	281
Total interest expense	3,313	2,507
Net interest income	3,488	3,273
Provision for loan losses	1,296	633
Net interest income after provision for loan losses	2,192	2,640
NONINTEREST INCOME		
Service charges on deposit accounts	120	164
Other loan fees/servicing income	132	130
Net gain on sale of investments	63	–
Other-than-temporary impairment	(1,257)	–
Other-than-temporary impairment non-credit unrealized losses in other comprehensive income (before tax)	469	–
Net impairment loss recognized in earnings	(788)	–
Other income	85	33
Total noninterest income	(388)	327
NONINTEREST EXPENSE		
Salaries and employee benefits	1,813	1,780
Occupancy and equipment	698	574
Legal and professional fees	262	301
Data processing	370	319
Advertising and marketing	161	176
Pennsylvania bank shares tax	94	82
Directors expense	87	30
Federal deposit insurance	351	114
Other	549	525
Total noninterest expense	4,385	3,901
Loss before income taxes	(2,581)	(934)
Income taxes	(394)	299
Net loss	(2,975)	(635)
Preferred stock dividends	(11)	–
Net loss available to common shareholders	$(2,986)	$(635)
Loss per share – basic	$(1.51)	$(0.32)
Loss per share - diluted	$(1.51)	$(0.32)
Average shares outstanding	1,969,211	1,962,979

See notes to consolidated financial statements.

Centric Financial Corporation

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31

(amounts in thousands, except share data)

(Dollars in Thousands)

	Preferred Shares	Common Shares	Preferred Stock	Common Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2007	–	623,168	$–	$ 623	$10,416	$ (195)	$ 29	$10,873
Stock option expense					31			31
Comprehensive loss:								
Net loss						(635)		(635)
Unrealized losses on securities, net of taxes of $13							(26)	(26)
Total comprehensive loss								(661)
Balance, December 31, 2008	–	623,186	–	623	10,447	(830)	3	10,243
Issuance of preferred stock	6,238		6		6,043			6,049
Accretion of discount on preferred stock					1	(1)		–
Preferred dividend payable						(11)		(11)
Common stock dividend, 5%		31,411		31	535	(566)		–
Common stock split, 3-for-1		1,323,902		1,324	(1,324)			–
Vesting of restricted stock		1,729		2	28			30
Stock options expense					24			24
Stock options and warrants exercised		5,643		6	88			94
Comprehensive loss:								
Net loss						(2,975)		(2,975)
Unrealized loss on securities for which an other-than-temporary loss has been recorded in earnings, net of tax benefit of $159							(310)	(310)
Net unrealized loss on securities net of reclassification adjustment net of tax benefit of $27							(53)	(53)
								(3,338)
Balance, December 31, 2009	6,238	1,985,853	$6	$1,986	$15,842	$(4,383)	$(360)	$13,091

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

(amounts in thousands, except share data)

CASH FLOWS FROM OPERATING ACTIVITIES	**2009**	2008
Net loss	$ (2,975)	$ (635)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Provision for loan losses	1,296	633
Depreciation and amortization	389	210
Deferred income tax benefit	399	(299)
Net accretion of investment securities' discounts	21	1
Net amortization of market value adjustments	(66)	(29)
Stock-based compensation	24	31
Increase in accrued interest receivable	(72)	(75)
Increase (decrease) in accrued interest payable	(157)	136
Gain on sale of investment securities	(63)	–
Impairment losses realized in earnings	788	–
Increase in prepaid federal depository insurance	(834)	–
Other, net	(599)	24
Net cash provided by (used for) operating activities	(1,849)	33
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(10,724)	–
Redemptions of certificate of deposit	250	–
Investment securities available for sale:		
Proceeds from maturities and principal repayments	5,365	4,417
Purchases of securities	(14,699)	(9,873)
Sales of available for sale securities	4,637	–
Investment securities held to maturity:		
Proceeds from maturities and principal repayments	524	113
Net increase in loans	(25,585)	(30,759)
Purchases of regulatory stock	(68)	(448)
Redemptions of regulatory stock	322	406
Purchases of premises and equipment	(509)	(1,330)
Proceeds from sale of premises and equipment	27	5
Proceeds from sale of other real estate owned	129	200
Net cash used for investing activities	(40,331)	(37,269)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	33,466	39,705
Proceeds from the issuance of long-term debt	–	6,998
Repayment of long-term debt	–	(4,250)
Proceeds from exercise of stock options	94	–
Proceeds from issuance of preferred stock	6,049	–
Net cash provided by financing activities	39,609	42,453
Net increase (decrease) in cash and cash equivalents	(2,571)	5,217
Cash and cash equivalents – beginning of year	11,904	6,687
Cash and cash equivalents – end of year	$ 9,333	$11,904
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	$ 3,470	$ 2,371

See notes to consolidated financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Centric Financial Corporation ("Centric") was formed to become the holding company of Centric Bank ("Bank").

All intercompany transactions have been eliminated. Centric is subject to regulation and supervision of the Pennsylvania Department of Banking.

The Bank entails virtually all of Centric's ongoing operations. The Bank offers customers a range of deposit, loan and other services typical of community banks through two offices in south central Pennsylvania and online banking channels.

Basis of Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The accounts of Centric and the Bank are consolidated with the elimination of all intercompany transactions and balances.

Estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense, and the nature and extent of disclosures. Ultimate results could differ significantly from those estimates and assumptions. Centric's material estimates that are particularly susceptible to significant change in the near term relate to the valuation of loans, the allowances for loan and other credit losses, other-than-temporary impairment evaluations of securities, and the valuation of deferred tax assets.

In the ordinary course of business, Centric and the Bank are parties to legal proceedings that entail uncertainty. In management's opinion, Centric's financial position and results of operations would not be materially impacted by the outcome of such proceedings individually or in the aggregate.

Cash and Cash Equivalents

Cash and cash equivalents include cash, balances due from banks, interest-bearing demand deposits in other banks, and federal funds sold with original maturities of 90 days or loss. Federal funds sold are generally for one-day periods. The recorded amounts approximate fair value. The Bank is required to maintain average balances with the Federal Reserve Bank, amounting to $1,085,000 and $258,000 at December 31, 2009 and 2008 respectively.

Credit Risk Concentrations

As a community bank, most of the Bank's loans and credit commitments comprise Pennsylvania customers, primarily individuals and entities situate in Dauphin and Cumberland counties.

Securities

Investment securities must be classified when purchased as either, "securities available for sale," or "securities held to maturity," or "trading securities."

Securities classified as "available for sale" are those debt securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity, and are carried at fair value. Unrealized gains or losses are included in other comprehensive income, net of the related deferred tax effect. Realized gains and losses on disposition of securities are recognized as noninterest income measured on specific identification of the simple difference between net proceeds and adjusted book value. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Securities classified as "held to maturity" are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by the interest method over the terms of the securities.

Securities are periodically reviewed for other-than-temporary impairment based upon a number of factors, including, but not limited to, the length of time and extent to which market value has been less than cost, the financial condition of the underlying issuer, the ability of the issuer to meet contractual obligations, the likelihood of the security's ability to recover any decline in its market value, and whether or not management intents to sell the security or whether it is more likely than not that they would be required to sell the security before its anticipated recovery in market value, to determine whether the loss in value is other than temporary. A decline in value that is considered to be other-than-temporary is recorded as a loss within noninterest income in the Consolidated Statement of Operations.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of any allowance for loan losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance.

Lease contracts that meet the criteria specified in ASC Topic 840 Leases, are classified as direct finance leases. Lessees guarantee 100 percent of the leases' residual value at the conclusion of the lease term.

Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is generally amortizing these amounts over the contractual life of the loan.

The accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectibility of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Allowance for Loan Losses

The allowance for loan losses is established through provisions for loan losses charged against income as losses are estimated to have occurred. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective, since it requires material estimates that may be susceptible to significant change.

The allowance consists of specific and general components. The specific component relates to loans that are classified as doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral-dependent.

Purchased loans with evidence of credit quality deterioration for which it is probable at purchase that all contractually required payments will not be collected are accounted for under ASC Topic 310, *Loans and Debt Securities* acquired with deteriorated credit quality. ASC Topic 310 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans acquired in a transfer if those differences are attributable, at least in part, to credit quality. ASC Topic 310 requires impaired loans to be recorded at fair value and prohibits carrying over valuation allowances in the initial accounting for loans acquired in a transfer, including loans acquired in a purchase business combination. Under ASC Topic 310, the excess of cash flows expected at purchase over the purchase price is recognized as interest income over the life of the loans. Subsequent increases in cash flows expected to be collected are recognized prospectively through an adjustment of the loan's yield over its remaining life. Decreases in expected cash flows are recognized as impairments

Unfunded Credit Commitments

In the ordinary course of business, the Bank enters into commitments to extend credit and letters of credit. Such financial instruments are recorded when funded. A reserve for unfunded lending commitments under contract, lines and letter of credit, is included in other liabilities.

Restricted Investments in Bank Stocks

Under membership agreements, the Bank is required to own stock issued by the Federal Home Loan Bank of Pittsburgh (FHLB), the Federal Reserve Bank and Atlantic Central Bankers Bank. Because ownership and disposition is restricted, these shares lack a market for measuring fair value and are recorded at cost. The FHLB-required stock purchases are based on a percentage of outstanding borrowings and a percentage of unused borrowing capacity and may also include a percentage of assets sold to the FHLB.

Goodwill

Goodwill represents the amount paid to acquire the Bank beyond the fair value of the identifiable net assets acquired. Goodwill is not amortized but rather is tested for impairment at least annually. For federal tax purposes, goodwill is amortized on a straight-line basis over 15 years. The Bank did not recognize impairment of goodwill during 2009 and 2008.

Core Deposit Intangibles

Core deposit intangibles represent the asset identified for depositor relationships acquired with the Bank. This asset was valued at acquisition based upon the economic advantages of core deposits as a funding source. This acquired asset is being amortized using an accelerated method with an estimated useful life of ten years; $16,000 of amortization expense was recognized in 2009. Amortization expense will be $14,000, $12,000, $10,000, $8,000, $6,000, and $7,000 for years 2010, 2011, 2012, 2013, 2014, and thereafter, respectively.

Mortgage Servicing Rights and Related Credit Enhancement Fees

Some years prior to being acquired by Centric, the Bank sold residential mortgages to FHLB under the Mortgage Partnership Finance Program ('MPF'). The Bank is no longer an active participant in the MPF program. Under this program, the Bank services the portfolio sold to the FHLB and receives corresponding fees. The MPF program also entails a credit enhancement arrangement whereby the Bank receives a fee for retaining a residual contingent liability for the repayment of loans sold to the FHLB.

When Centric purchased the Bank, assets for mortgage servicing rights and related credit enhancement fees were recorded at fair value corresponding to net cash flows expected for servicing and credit enhancement of the MPF portfolio. Mortgage servicing rights are $83,000 and $100,000 at December 31, 2009 and 2008, respectively. These assets are amortized based upon portfolio activity and subject to ongoing evaluation for any permanent impairment.

MPF portfolio fees earned amounted to $89,000 and $107,000 for 2009 and 2008, respectively. The MPF portfolio balance was $22,562,000 and $28,373,000 at December 31, 2009 and 2008, respectively. The FHLB maintains a first-loss position for the MPF portfolio that totals $97,000. Should the FHLB exhaust its first-loss position, recourse to the Bank's credit enhancement would be up to the next $1,062,000 of losses. The Bank has not experienced any losses for the MPF portfolio. The value of credit enhancement fees receivable, net of an estimated liability, was $44,000 and $53,000 at December 31, 2009 and 2008, respectively.

Transfers of Financial Assets
The Bank sells interests in loans receivable through loan participation sales. The Bank accounts for these transactions as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The Bank retains servicing responsibilities for the loan participation sales. The Bank does not recognize a servicing asset or liability, since the amount received for servicing the loan participations is a reasonable approximation of market rates and servicing costs.

Advertising Costs
The Bank charges advertising costs to expense as accrued.

Earnings Per Share
Basic earnings per share represents income available to common stockholders divided by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by Centric relate to outstanding stock options and warrants and non-vested restricted stock. Options and warrants to purchase 81,163 and 38,904 shares of common stock, at a weighted-average price of $5.54, outstanding at December 31, 2009 and 2008 and restricted shares of 3,985 at a price of $5.71 at December 31, 2009, were not included in dilutive earnings per share because the Company recorded net losses during 2009 and 2008.

The earnings per share calculations give retroactive effect to the stock dividends declared during 2009, amounting to 5 percent of the total common shares outstanding at the declaration date, as well as the three-for-one stock split as discussed in Note 16.

Stock Based Compensation
Centric records the cash flow from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for stock-based awards (excess tax benefit) be classified as financing cash flows. During 2009 there were $124,000 of stock options exercised, and $46,000 tax benefits included as such in the Consolidated Statement of Cash Flows.

Accumulated Other Comprehensive Income or Loss
Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income (loss), are components of comprehensive income (loss) as of December 31, 2009 and 2008, as follows:

	2009	2008
	(In Thousands)	
Accretion of unrealized loss on securities transferred into held to maturity	$34	$11
Change in net unrealized holding losses on securities on securities available for sale	(52)	(50)
Non-credit unrealized losses of debt securities with other than temporary impairment	(469)	–
Realized investment gains included in net loss	(63)	–
Net Unrealized Losses	(550)	(39)
Tax benefit	187	13
Net of Tax Amount	**(363)**	(26)

NOTE 2 – INVESTMENT SECURITIES

The balance sheet presents "available for sale" securities at fair value based upon quoted market prices. Corresponding unrealized gains and losses do not affect net income but are recorded in accumulated other comprehensive income, net of related deferred income taxes.

A summary of securities available for sale, is as follows (in thousands):

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency securities	$ 4,901	$ 5	$ (30)	$ 4,876
Mortgage-backed securities	15,845	185	(104)	15,926
	$20,746	$190	$(134)	$20,802

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency securities	$ 2,510	$ 25	$ (1)	$ 2,534
Mortgage-backed securities	13,499	175	(28)	13,646
	$16,009	$200	$(29)	$16,180

A summary of securities held to maturity is as follows (in thousands):

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	$1,261	$ –	$ –	$1,261

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	$3,006	$ –	$(339)	$2,667

Securities are evaluated on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether a decline in their value is other than temporary. For debt securities, management considers whether the present value of cash flows expected to be collected is less than the security's amortized cost basis (the difference defined as the credit loss), the magnitude and duration of the decline, the reasons underlying the decline and management's intent to sell the security or whether it is more likely than not that they would be required to sell the security before its anticipated recovery in market value, to determine whether the loss in value is other than temporary. Once a decline in value is determined to be other than temporary, if the investor does not intend to sell the security, and it is more-likely-than-not that it will not be required to sell the security, before recovery of the security's amortized cost basis, the charge to earnings is limited to the amount of credit loss. Any remaining difference between fair value and amortized cost (the difference defined as the non-credit portion) is recognized in other comprehensive income, net of applicable taxes. Otherwise, the entire difference between fair value and amortized cost is charged to earnings.

A summary of securities available for sale which were in an unrealized loss position is as follows (in thousands):

	December 31, 2009					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agency securities	$ 3,914	$ (30)	$ –	$ –	$ 3,914	$ (30)
Mortgage-backed securities	6,300	(104)	–	–	6,300	(104)
Total temporarily impaired securities	$10,214	$(134)	$ –	$ –	$10,214	$(134)

	December 31, 2008					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agency securities	$ 507	$ (1)	$ –	$ –	$ 507	$ (1)
Mortgage-backed securities	5,250	(363)	195	(4)	5,445	(367)
Total temporarily impaired securities	$5,757	$(364)	$195	$(4)	$5,952	$(368)

Securities with a fair value of $11,457,000 and $13,202,000 were pledged to collateralize Bank deposits by Pennsylvania local governments and FHLB advances as of December 31, 2009 and 2008, respectively.

The amortized cost and fair value of debt securities at December 31, 2009, by contractual maturity, are shown below (in thousands):

	2009			
	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	$ 4,582	$ 4,663	$ –	$ –
Due after one year through five years	9,815	9,852	1,045	1,045
Due after five years through ten years	3,712	3,678	216	216
Due after ten years	2,637	2,609	–	–
Total	$20,746	$20,802	$1,261	$1,261

Centric reviews investment securities on an ongoing basis for potential impairment which would be other than temporary and has adopted the provision which provides for the bifurcation of OTTI (Other than temporary impairment) into two categories: (a) the amount of the total OTTI related to a decrease in expected cash flows to be collected (credit loss) which is recognized through earnings and (b) the amount of OTTI related to all other factors, which is recognized, net of income taxes, as a component of Other Comprehensive Income (OCI). While we have not received any interruption in payments, Centric recorded credit-related impairment of $788,000 on three private label mortgage-backed securities through earnings as of December 31, 2009. There were 21 securities that were temporarily impaired at December 31, 2009.

A summary of the OTTI on private label mortgage-backed securities is as follows (in thousands):

	Gross OTTI	OTTI Included in OCI	OTTI Included in Earnings
Balance, January 1, 2009	$ –	$ –	$ –
Additions:	770	469	301
Balance, December 31, 2009	$770	$469	$301

Proceeds from sales of securities totaled $4,637,000 for the year ended December 31, 2009. The Bank recorded gross realized gains of $74,000 and gross realized losses of $11,000 on these sales. There were no investment sales during 2008.

NOTE 3 – LOANS

The composition of loans, net of unamortized loan origination fees, at December 31, is as follows (in thousands):

Loans secured by real estate:	**2009**	2008
Commercial	$ 74,494	$54,284
Residential	17,613	11,544
Commercial and industrial loans	19,442	19,676
Finance leases	131	744
Consumer loans	2,061	2,967
Overdrafts	5	23
Total Loans	113,746	89,238
Allowance for loan losses	(1,355)	(1,139)
Net Loans	$112,391	$88,099

Following is a summary of information regarding the Bank's nonperforming loans (in thousands):

	2009	2008
Nonaccrual loans	$2,181	$2,421

Interest income on loans would have increased by approximately $145,000 and $92,000 during 2009 and 2008 if these loans had performed in accordance with the original terms.

The following table summarized the information concerning impaired loans (in thousands):

	2009	2008
Loans with a related allowance for loan losses	$ 61	$ 185
Loans written down to fair value at acquisition of bank	416	443
Loans without a related allowance for loan losses	2,252	1,745
Total outstanding balance at year end	$2,729	$2,373
Related allowance for loan losses	$12	$185
Average outstanding balance of impaired loans for the year	3,116	3,331
Interest income recognized on impaired loans	176	232

For any impaired loan that the Bank expects to collect less than the contractual balance, the loan was recorded at fair value at acquisition or a corresponding provision to the allowance for loan losses was recorded.

Acquired impaired loans had outstanding contractual balances of $549,000 and $576,000 and carrying amounts of $416,000 and $443,000 as of December 31, 2009 and 2008, respectively.

NOTE 4 – ALLOWANCE FOR LOAN LOSSES

Allowance for loan loss activity is as follows (in thousands):

	2009	2008
Balance at beginning of period	$1,139	$ 905
Provision for loan losses	1,296	633
Charged-off loans	(1,088)	(428)
Recoveries of charged-off loans	8	29
Balance at end of period	$1,355	$1,139

The Bank has experienced no charge-offs of any loan originated since the acquisition of the Bank.

NOTE 5 – PREMISES AND EQUIPMENT

Ongoing additions to premises and equipment are recorded at cost. Occupancy and equipment expense includes $302,000 and $140,000, respectively for the years ending 2009 and 2008 of depreciation expense calculated on the straight-line method over estimated economic lives: buildings and improvements, 15 to 40 years; leasehold improvements, 10 years; furniture, fixtures and equipment, 3 to 10 years.

Premises and equipment at year-end comprised (in thousands):

	2009	2008
Land	$ 445	$ 554
Buildings and improvements	610	641
Leasehold improvements	1,468	1,390
Furniture, fixtures and equipment	990	871
Subtotal	3,513	3,456
Less: Accumulated Depreciation	(467)	(226)
Premises and Equipment – Net	$3,046	$3,230

Lease expense amounted to $163,000 for 2009 and $241,000 for 2008. Minimum lease payments total $134,000 for 2010; $134,000 for 2011; $134,000 for 2012; $161,000 for 2013; $173,000 for 2014; and $591,000 thereafter.

NOTE 6 – DEPOSITS

Centric's deposits at years-ended comprised (in thousands):

	2009	2008
Demand, non-interest-bearing	$ 10,425	$ 9,131
Demand, interest-bearing	26,101	14,795
Savings	24,388	19,706
Money market	14,483	12,720
Time deposits	62,856	48,426
	$138,253	$104,778

Scheduled maturities of time deposits are (in thousands):

	2009	2008
Within one year	$39,793	$32,292
One to two years	16,822	3,770
Two to three years	1,321	6,739
Three to four years	4,510	1,218
Four to five years	410	4,407
	$62,856	$48,426

Time deposits in denominations of $100,000 or greater total $25,552,000 for 2009 and $19,749,000 for 2008.

NOTE 7 – OTHER BORROWINGS

As one avenue for funding growth, the Bank is approved by the FHLB for borrowings of up to $45,931,000. At year-end, $6,498,000 was outstanding.

Additional borrowing capacity for FHLB borrowings was $39,433,000 at year-end.

FHLB borrowings are secured by pledged securities and a general pledge of the Bank's assets.

The following table presents information regarding outstanding other borrowings:

	Maturity Range		Weighted Average	Stated Interest Rate Range			
Description	**From**	**To**	**Interest Rate**	**From**	**To**	**2009**	2008
Fixed rate	01/25/2010	9/25/2013	3.99%	2.39%	6.25%	$8,998	$8,998
						$8,998	$8,998

Included in the above table is a borrowing with an institution other than the FHLB in the amount of $2,500,000 (6.25 percent) with a maturity date of September 25, 2013.

Scheduled maturities of outstanding other borrowings are $2,368,000, $2,000,000, $2,130,000 and $2,500,000 with weighted-average rates of 2.39 percent, 3.76 percent, 3.34 percent, and 6.25 percent in 2010, 2011, 2012, and 2013, respectively.

NOTE 8 – EMPLOYEE BENEFITS

401(k) Plan

The Bank has a 401(k) plan whereby substantially all employees participate in the Plan. Employees may make contributions to the plan, subject to certain limitations based on federal tax laws. The Bank makes matching contributions of 25 percent of employees' contributions, subject to a maximum contribution of 1 percent of an employee's compensation. Matching contributions vest to the employee after three years. For the years ended December 31, 2009 and 2008, expense attributable to the plan amounted to $9,000 and $11,000, respectively, and are included in salaries and employee benefits.

Stock Options and Warrants

The Company has a Stock Incentive Plan (the "Plan") that includes designated officers including directors and other designated employees. The Plan covers 252,000 shares of common stock. Shares available for grant at December 31, 2009, were 173,385.

Options granted under the Plan will have an option price at least equal to the fair market value of the common stock on the date of the grant. The options expire not more than ten years after the date of the grant. Exercise and vesting dates and terms may vary and are specified at the date of the grant.

In addition to those shares granted under the stock incentive plan, the Company also granted warrants to designated officers and directors. Warrants expire not more than ten years after the date of the grant. Exercise and vesting dates and terms may vary and are specified at the date of the grant.

Options and warrants outstanding at December 31, 2009, consisted of the following:

	Options	Weighted-Average Exercise Price
Outstanding at the beginning of the year	70,399	$5.47
Granted	28,539	5.71
Exercised	17,775	5.52
Forfeited	–	–
Outstanding at the end of the year	81,163	$5.54
Exercisable at December 31	61,895	$5.49

At December 31, 2009, the aggregate intrinsic value of all options and warrants outstanding and exercisable were approximately $37,000 and $32,000, respectively. The weighted average remaining life of outstanding and exercisable options and warrants is 8.5 years. The aggregate intrinsic value of options and warrants exercised during 2009 was $9,000.

For the years ended December 31, 2009 and 2008, stock option compensation expense of $16,000 and $21,000 was recognized in connection with the option plan, respectively. Tax benefits of $8,000 and $10,000 were recognized relative to these stock options. At December 31, 2009, future compensation expense related to non-vested stock option grants aggregated to $28,000 and is expected to be recognized as $12,000, $11,000 and $5,000 in 2010, 2011 and 2012, respectively.

The fair value of the options granted during the years ended December 31, 2009 and 2008, were calculated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2009	2008
Expected dividend rate	0.00%	0.00%
Stock price volatility	14.42%	13.37%
Risk-free interest rate	2.98%	2.95%
Expected life	6.2 yrs	5.5 yrs

The weighted average grant date fair values of options granted during 2009 and 2008 were $4.15 and $3.66, respectively.

Restricted Stock

Under the Plan, the Company awarded 11,173 restricted shares to non-employee directors and executive officers subject to vesting and other provisions. At December 31, 2009, 5,188 shares granted to the plan participants had vested and been distributed.

The following table summarizes transactions regarding restricted stock under the Plan:

	Number of Restricted Shares	**Weighted Average Grant Date Price Per Share**
Non-vested shares at January 1, 2009	–	$ –
Granted	11,173	5.71
Vested	(5,188)	5.71
Cancelled	–	–
Non-vested shares at December 31, 2009	5,985	$5.71

Expected future compensation expense related to non-vested restricted stock at December 31, 2009 is $34,000 and is expected to be recognized over the vesting period of 2.5 years.

NOTE 9 – INCOME TAXES

The provision (benefit) for income taxes consists of the following for the years ended December 31 (in thousands):

	2009	2008
Currently payable	$ (5)	$ –
Deferred taxes	(866)	(299)
Valuation allowance against deferred tax asset	1,265	–
	$ 394	$(299)

The following temporary differences gave rise to the net deferred tax assets at December 31 (in thousands):

	2009	2008
Deferred tax assets:		
Allowance for loan losses	$ 461	$ 250
Impairment losses on securities	268	–
Stock option expense	22	10
Uncollected Interest	66	37
Unrealized losses on securities available for sale	185	–
Net operating loss carryforward	749	277
Other	23	3
Gross Deferred Tax Assets	1,774	577
Deferred tax valuation allowance	(1,265)	–
Total Deferred Tax Assets	509	577
Deferred tax liabilities:		
Goodwill and core deposit intangible	22	14
Prepaid expenses	71	42
Loan origination costs	118	69
Unrealized gains on securities available for sale	–	2
Premises and equipment	90	38
Other	23	15
Total gross deferred tax liabilities	324	180
Net deferred tax assets	$ 185	$ 397

The Bank represents an entity that has been in existence since February 8, 2007, and has accumulated a net operating loss since its inception. As such, management has established a valuation allowance for its deferred tax assets, primarily the accumulated future tax benefits attributed to the operating loss carryforward and loan loss provisions since it is more likely than not that realization of these deferred assets cannot be fully supported at December 31, 2009. There was no valuation allowance for these deferred tax assets at December 31, 2008.

The total provision (benefit) for income taxes is different from that computed at the statutory rates due to the following items for the years ended December 31 (in thousands):

	2009	2008
Computed statutory tax benefit	$(878)	$(317)
Valuation allowance	1,265	–
Other, net	7	18
	$394	$(299)

At December 31, 2009, the Bank has available a net operating loss carryforward of $2,202,000 for federal income tax purposes. If unused, the carryforwards will expire in 2027, 2028, and 2029.

U.S. generally accepted accounting principles prescribe a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Bank has transactions in the ordinary course of business with its directors, their immediate families and affiliated companies (commonly referred to as related parties).

In accordance with federal law, all loans and deposits with related parties are on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers. At December 31, 2009, loans to related parties were $7,002,000 and deposits by related parties totaled $2,613,000. At December 31, 2008, loans to related parties were $8,016,000 and deposits by related parties totaled $3,850,000.

Related party loan activity is summarized as follows (in thousands):

	2009	2008
Balance at beginning of period	$8,016	$ 5,426
Additions	1,446	4,989
Reductions	2,460	2,399
Balance at end of period	$7,002	$8,016

All of Centric's directors are customers of the Bank. Centric shareholders number approximately 130 and many are Bank customers situated in the south central Pennsylvania community. Conversely, the Bank is a customer of some shareholder-related entities in the ordinary course of business. The Bank also has a joint venture arrangement with an insurance agency affiliated with a director that began in 2001. During 2009, related party transactions include $43,000 of purchases and $18,000 in revenue; in 2008, there were $44,000 of purchases and $11,000 in revenue.

The Bank has also entered into employment agreements with two executive officers. The agreements include minimum annual salary commitments. Upon termination, these individuals will receive monetary compensation as set forth in the agreements.

NOTE 11 – UNFUNDED CREDIT COMMITMENTS

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Such instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Unfunded lending commitments at year-end (in thousands):

	2009	2008
Commitment to grant loans	$ 3,683	$ 737
Unfunded commitments under lines of credit	18,634	14,195
Standby letters of credit	440	632
	$22,757	$15,564

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's creditworthiness on a case-by-case basis.

The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory, and equipment. Commitments under lines of credit presented above include lines that will be funded only to the extent that the Bank receives corresponding augmentation of satisfactory collateral.

Outstanding letters of credit are conditional commitments issued by the Bank to guarantee performance of a customer to a third party. Most of these standby letters of credit expire within 12 months. The credit risk involved in issuing letters of credit is essentially the same as in extending comparable loans to customers. The Bank requires collateral supporting these letters of credit as deemed necessary. Management believes that the proceeds through liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees.

The Bank did not incur any losses in 2009 associated with financial instruments with off-balance sheet risk.

NOTE 12 – REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets and of Tier 1 capital to average assets.

The Bank changed from a federal to a state charter in March 2009, and is now regulated and supervised by the Pennsylvania Department of Banking and the Federal Deposit Insurance Commission (FDIC). Until this change, the Bank's primary federal regulator was the Office of the Comptroller of the Currency (OCC). In the year prior to being acquired by Centric, the Bank entered into a formal agreement with the OCC (OCC Agreement) that included commitments to improve the Bank's capital, asset quality, management, earnings, and liquidity. Among other provisions, the OCC Agreement established capital ratios more restrictive than typically required of banks. As part of the adoption of a state charter, the Bank and the Pennsylvania Department of Banking agreed to carry forward the terms of the OCC Agreement in a Memorandum of Understanding (MOU).

Coinciding with the conversion to a state charter, the Pennsylvania Department of Banking and the FDIC conducted a Safety and Soundness Examination of the Bank. Following the completion of examination fieldwork, the Pennsylvania Department of Banking lifted the MOU. Free of those restrictions, the Bank can now operate with capital ratios that compare favorably to levels required to be deemed well capitalized.

	December 31, 2009			
	Actual		Minimum to Be Well Capitalized	
	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$15,345	12.44%	$12,335	10.00%
Tier 1 capital (to risk-weighted assets)	13,963	11.32	7,401	6.00
Tier 1 capital (to total assets)	13,963	8.66	8,064	5.00

	December 31, 2008			
	Actual		Previously required by the Formal Agreement with the OCC	
	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$13,322	13.52%	$≥13,096	≥13.0%
Tier 1 capital (to risk-weighted assets)	12,166	12.35	≥12,089	≥12.0
Tier 1 capital (to total assets)	12,166	10.30	≥10,598	≥9.0

The Bank does not intend to declare dividends for the foreseeable future. In any case, dividends are generally restricted by federal banking laws based upon a regulatorily defined profit.

NOTE 13 – FAIR VALUE MEASUREMENTS

The following disclosures show the hierarchal disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three broad levels defined by U.S. generally accepted accounting principles 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: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available.

The following table presents the assets reported on the Consolidated Balance Sheet at their fair value as of December 31, 2009 and 2008, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

(In thousands)	December 31, 2009			
	Level I	**Level II**	**Level III**	**Total**
Assets:				
Fair value measured on a recurring basis:				
U.S. government agency securities	$ –	$ 4,876	$ –	$ 4,876
Mortgage-backed securities	–	15,926	–	15,926
Fair value measured on a non-recurring basis:				
Other real estate owned	–	130	–	130
Impaired loans	–	2,717	–	2,717

(In thousands)	December 31, 2008			
	Level I	**Level II**	**Level III**	**Total**
Assets:				
Fair value measured on a recurring basis:				
U.S. government agency securities	$ –	$ 2,534	–	$ 2,534
Mortgage-backed securities	–	13,646	–	13,646
Fair value measured on a non-recurring basis:				
Other real estate owned	–	257	–	257
Impaired loans	–	2,188	–	2,188

NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of the Company's financial instruments as of December 31 is as follows (in thousands):

	2009		2008	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets:				
Cash and cash equivalents	$ 9,333	$ 9,333	$ 11,904	$ 11,904
Certificates of deposits	10,474	10,474	–	–
Securities available for sale	20,802	20,802	16,180	16,180
Securities held to maturity	1,261	1,261	3,006	2,667
Net loans	112,391	116,521	88,099	90,312
Regulatory stock	497	497	751	751
Mortgage servicing rights and credit enhancement fees receivable	127	177	153	174
Accrued interest receivable	426	426	354	354
Financial liabilities:				
Deposits	$138,253	$140,942	$104,778	$105,375
Other borrowings	8,998	9,874	8,998	8,724
Accrued interest payable	183	183	340	340

Financial instruments are defined as cash, evidence of ownership interest in an entity, or a contract that creates an obligation or right to receive or deliver cash or another financial instrument from/to a second entity on potentially favorable or unfavorable terms.

Fair value is defined as the amount at which a financial instrument could be exchanged in current transactions using active trading markets. If a quoted market price is available for a financial instrument, the estimated fair value would be calculated based upon the market price per trading unit of the instrument.

If no readily available market exists, the fair value estimates for financial instruments should be based upon management's judgment regarding current economic conditions, interest rate risk, expected cash flows, future estimated losses, and other factors as determined through various option pricing formulas.

As many of these assumptions result from judgments made by management based upon estimates that are inherently uncertain, the resulting estimated fair values may not be indicative of the amount realizable in the sale of a particular financial instrument. In addition, changes in assumptions on which the estimated fair values are based may have a significant impact on the resulting estimated fair values.

As certain assets such as deferred tax assets and premises and equipment are not considered financial instruments, the estimated fair value of financial instruments would not represent the full value of Centric.

Centric employed simulation modeling in determining the estimated fair value of financial instruments for which quoted market prices were not available based upon the following assumptions:

Cash and Cash Equivalents, Certificates of Deposit, Regulatory Stock, Accrued Interest Receivable, and Accrued Interest Payable
The fair value is equal to the current carrying value.

Investment Securities
The fair market value of investment securities is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities.

Loans
Fair value is estimated by discounting future cash flows using current market inputs at which loans with similar terms and qualities would be made to borrowers of similar credit quality. Where quoted market prices were available, primarily for certain residential mortgage loans, such market rates were utilized as estimates for fair value.

Mortgage Servicing Rights and Credit Enhancement Fees
The fair value for mortgage servicing rights is estimated by discounting contractual cash flows and adjusting for prepayment estimates. Discount rates are based upon rates generally charged for such loans with similar characteristics.

Deposits and Other Borrowings
The fair values of certificates of deposit and 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. Demand, savings, and money market deposit accounts are valued at the amount payable on demand as of year-end.

Commitments to Extend Credit
These financial instruments are generally not subject to sale and estimated fair values are not readily available. The carrying value, represented by the net deferred fee arising from the unrecognized commitment or letter of credit, and the fair value, determined by discounting the remaining contractual fee over the term of the commitment using fees currently charged to enter into similar agreements with similar credit risk, are not considered material for disclosure. The contractual amounts of unfunded commitments and letters of credit are presented in Note 11.

NOTE 15 – PARTICIPATION IN THE U. S. DEPARTMENT OF THE TREASURY CAPITAL PURCHASE PROGRAM

Centric entered into a Securities Purchase Agreement ("Agreement") on December 18, 2009, with the U.S. Department of the Treasury ("Treasury") in association with its participation in the Capital Purchase Program ("CPP") of the Emergency Economic Stabilization Act of 2008 ("EESA"). Pursuant to the agreement, Centric sold to the Treasury 6,056 shares of fixed rate, noncumulative Senior Perpetual Preferred Stock, par value $1.00 per share, having a liquidation amount of $1,000 per share, with an attached warrant to purchase 182 shares of Centric's preferred stock for the aggregate price of $6.1 million. The U.S. treasury immediately exercised the warrant to purchase 182 shares during 2009. The allocated carrying values of the preferred stock and warrant, at issuance, based on their relative fair values, were $5.9 million and $182,000, respectively.

The preferred stock qualifies as Tier 1 capital and will pay quarterly dividends, beginning February 2010, at a rate of 5 percent per year, for the first five years and 9 percent per year thereafter. The warrants pay dividends quarterly, beginning February 2010, at a rate of 5 percent. Under the terms of the CPP, the preferred stock may be redeemed with the approval of the Federal Reserve in the first three years with the proceeds from the issuance of certain qualifying Tier 1 capital or after three years at par value plus accrued and unpaid dividends.

NOTE 16 – SUBSEQUENT EVENTS

In February 2010, the Board of Directors approved a three-to-one stock split which increased authorized shares from 4,000,000 common shares with a par value of $1.00 per common share to 12,000,000 common shares with a par value of $1.00 per common share. All per share information included herein has been retroactively adjusted.

Management has reviewed events occurring through April 13, 2010, the date the financial statements were issued and no subsequent events, other than as noted above, occurred requiring accrual or disclosure.

CENTRIC BANK
We Revolve Around You.

OUR MISSION

Centric Bank is a "locally owned, locally loaned" community bank that provides a variety of core financial services to businesses, professionals, and individuals. We promise our customers immediate, direct access to our bank decision makers and deliver the finest high-touch service in the industry. Centric has committed people and resources to enrich the communities where we live and work. Because trust is our most important commodity, we are focused on building and sustaining long-term generational relationships with our customers, our community, our employees, and our shareholders. In every transaction, We Revolve Around You.

OUR VISION

We aspire to become the locally owned, independent, community bank of choice for small and medium-size businesses, professionals, and individuals in central Pennsylvania. We will offer a comprehensive selection of products delivered with the highest level of personal service. We will combine steady growth, consistent earnings, and firm control of risk factors to provide safety for our depositors. Our people will be the difference in establishing consistency in earnings and enhanced shareholder value.

CORE VALUES

We trust our principles are clear to every customer from the moment you enter our facilities or speak to a Centric Bank representative:

- We value an uncompromising dedication to understanding and meeting our clients' financial needs.
- We recognize and reward the contributions of our team members and believe that qualified, loyal, and committed professionals are our most valuable asset.
- We practice prudent business planning and cost management strategies to ensure financial viability and responsible growth.
- We embrace change and continually seek ways to provide quality, cost-effective services that meet or exceed our clients' expectations.
- We seek to establish a relationship of trust and respect with our clients and value integrity as an organization and as individuals.
- We are committed to providing the best possible service to our clients. We will go above and beyond what is required to attract and retain cherished business relationships. Our goal is to build relationships. We Revolve Around You.

CENTRIC BANK

We Revolve Around You.

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