CENTRIC BANK 2008 Annual Report

					2 He Helium 4.0026
5 B Boron 10.881	6 C Carbon 12.0107	7 N Nitrogen 14.0067	**8 O Opportunity 15.9994**	9 F Fluorine 18.9984	10 Ne Neon 20.1797
13 Al Aluminum 26.9815	14 Si Silicon 28.0855	**15 P Performance 30.9738**	**16 S Security 32.065**	17 Cl Chlorine 35.453	18 Ar Argon 39.948
31 Ga Gallium 69.723	32 Ge Germanium 72.64	33 As Arsenic 74.9216	34 Se Selenium 78.96	35 Br Bromine 79.904	36 Kr Krypton 83.798
49 In Indium 114.818	50 Sn Tin 118.71	51 Sb Antimony 121.76	52 Te Tellurium 127.6	53 I Iodine 126.9045	54 Xe Xenon 131.293
81 Tl Thallium 204.3833	82 Pb Lead 207.2	83 Bi Bismuth 208.9804	84 Po Polonium (209)	85 At Astatine (210)	86 Rn Radon (222)

Our “Chemistry of Banking” meets the needs of a diverse customer base and provides steady **performance**, growth **opportunities**, and long-term **security**.

CONTENTS

CENTRIC FINANCIAL CORPORATION
2008 Financial Report

CENTRIC FINANCIAL CENTERS

Please visit us at one of our three 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) 657-5036

Susquehanna Financial Center
10 N. Progress Avenue
Harrisburg, PA 17109
(717) 540-0683
Fax (717) 540-0689

Silver Spring Financial Center
6480 Carlisle Pike
Mechanicsburg, PA 17050
(717) 591-1360
Fax (717) 657-1363

For convenient online banking, please visit us at **www.centricbank.com**.

Experience 24-hour telephone banking at **1-888-274-9973**.

To Our **SHAREHOLDERS** + Customers + **Friends**:

2008 was a remarkable year for Centric Bank. In this year of market dislocation when portfolios plummeted, global financial players led companies and clients into ruin, and the markets set unprecedented low-water marks, we kept our customers' money safe and strong. We forged intangible, uncommon relationships with our customers—the types of relationships that cement our "Chemistry of Banking." By focusing attention on our "Main Street," Centric continues business as usual in the communities where we live and lend.

During 2008, we booked over $55 million in loans which increased our portfolio by 50.9%. Equally as strong, we expanded our deposit relationships by opening 1,776 new deposit accounts during the year. Total deposits increased by 61.1% or $39.7 million. Total assets surpassed the $100 million mark, ending the year at $124.9 million, an increase of $42.2 million or 51% growth from the previous year.

Our loan composition continues to change as well. When purchasing the bank, we were well aware of the more challenging credits in the portfolio. We continue to find exit strategies for some of those less-than-desirable credits that do not meet our existing underwriting standards. As of December 31, 2008, the new loans originated as Centric Bank now comprise over 71% of our loan portfolio. The delinquency ratio results directly mirror the concentrated efforts at enhancement of this loan portfolio. Not many of our competitors are able to say the same.

Another goal of ours was to develop relationships with our shareholder base. As of December 31, 2008, 65% of our shareholders are customers of Centric Bank. They continue to help us grow the bank by opening an account, referring a friend or business colleague, and in turn, enhancing your own financial investment.

Although the bottom line and results of operations do not yet represent a positive number, we categorize 2008 as a very successful year for Centric. Net losses from operations after tax benefit amounted to a loss of $635k in 2008. We were aware at the outset that the old loan portfolio contained risk and did not mirror our caliber of credit underwriting. During 2008, we had two (2) loan charge-offs from the legacy portfolio which totaled $411k. Outside of these legacy loan charge-offs, the actual numbers mirrored our projections. While most de novo banks are fully operational for up to four years before reaching profitability, our goal is to surpass the industry norm and reach profitability prior to that benchmark.

It is also important to note, despite the challenges that we have faced and met during the first two years, we did not find it necessary, nor have we accepted any funds from the Troubled Asset Relief Program.

In December 2008, Centric Bank filed an application with the Pennsylvania Department of Banking to convert from an OCC regulated institution to a State Chartered Bank regulated by the Department of Banking and FDIC. As of March 3, 2009, Centric Bank's charter conversion became effective, and we are now a Pennsylvania Chartered Bank. Our primary goal was to partner with a regulator that would be responsive to a growing community bank. **After a complete safety and soundness examination that concluded in May 2009, we are pleased to announce that effective June 4, 2009, Centric Bank has been released from all regulatory enforcement actions.** With the enhanced capital requirements being lifted and costly provisions in the enforcement agreement terminated, Centric Bank can now more effectively move forward with our future growth plans and focus on expanding the bank and realizing our goal of profitability.

Since January 1, 2008, there have been 62 bank failures throughout the United States. In times when other financial institutions have failed or been placed under enforcement actions, Centric Bank has proven to be the countertrend in today's challenging financial and economic environment.

On December 2, 2008, we relocated to our new, prominent corporate headquarters at 4320 Linglestown Road and followed with our public grand opening in January 2009 with a warm reception from the community. We are proud to provide Digital Deposit, the added strength of the CDARS deposit insurance program, seamless and state-of-the-art Internet banking, competitive rates on deposit products, attractive home equity products, and commercial loans. In addition, we offer investment products through the Conte-Browne Group, as well as insurance through Centric Insurance Agency.

Looking ahead, we will continue our momentum with service and growth. We are seeking new, convenient financial centers that mirror the goals of our strategic plan. Our primary goal is to place emphasis on the relationships, people, and Centric Bank team; however, we do recognize that it is important to have a physical presence in key locations in the southcentral region.

In closing, our personal service, vision, leadership, and customers are the story of our growth and success. Our customers can receive standard banking services at any of the hundreds of financial institutions in our region, but what differentiates Centric from other banks is our commitment to establishing relationships that last. We will continue to live our tag line and to introduce the "Centric Way of Banking"—where finally a bank revolves around their customers and not the other way around.

Thank you for your continued trust, support, and your investment in Centric Bank.

Donald E. Enders, Jr.
Chairman of the Board

Patricia A. Husic
President & CEO

The year 2008 proved to be a record of achievement for **CENTRIC BANK.**

Unlike many global institutions, Centric's community bank roots and capabilities enabled hundreds of customers to sustain business relationships, continue to build and buy homes, safeguard deposits, and experience positive yields.

Few items are more critical to community economic growth than access to capital. The first-time home buyer, the small business owner, and the college-bound senior all have one common denominator—they need our money. In the past several months, while the most recognized and trusted financial institutions collapsed, and lines of credit dried up, Centric Bank has continued to play a strong hand in providing a steady flow of capital, credit, and confidence to our customers in central Pennsylvania.

At Centric, we know that it's not about being bigger—it's about being better. We believe that your foundation for personal and business banking success depends on mutual trust, transparency, and confidence in your financial institution. The Centric team works diligently to earn your trust, and in turn, balances that with **Performance**, **Opportunity**, and **Security**.

P

CENTRIC

+ Experts Who Understand

Steady Performance

Return on investments. High yields. Profitability. Good banks must be high performing to meet shareholder and market demands, but great banks must continuously reach high performance to meet customer demands. Our customers' accessibility to decision makers, prompt response time for loan decisions, and genuine concern from the branch associates all create Centric's unique "Chemistry of Banking" experience.

"As soon as you walk in the door of Centric Bank, you get the feeling that they have been waiting just for you," says Dr. James McMillen, Centric customer. "I need experts who can understand how these difficult financial times affect me, the small business owner. Every Centric representative believes that the more successful the customers are, the more successful the bank is. Their goal is to make my growth easier. They really do fulfill their tagline of *We Revolve Around You*."

Centric provides an array of financial products, competitive interest rates, and client-first account services to champion every financial need, but their 2008 accomplishments have formed the foundation for sustained profitability.

Not affected by the subprime lending collapse, Centric's loan portfolio expanded by 50.9%—an increase of $29.9 million from December 31, 2007. Total loans for 2008 reached $89.2 million. At the same time, deposits increased 61% exceeding $104.8 million. Most de novo banks are fully operational for up to four years before reaching profitability; Centric's goal, however, is to surpass the industry norm and reach profitability in three years in 2010.

"At Centric Bank, we are definitely not just another banking account. Centric acts like a full partner in ensuring our growth and prosperity. Imagine a bank that cares about your success as much as you do and is willing to work with you to build that success. When Centric Bank says *We Revolve Around You*, it is far more than a marketing slogan. It's nice to be the center of attention, especially in today's difficult financial environment. Thanks, Centric."

Thomas B. York, Esquire
York Legal Group

CENTRIC

+ The Communities Where We Live and Lend

Opportunity

In central Pennsylvania—and throughout the United States—small businesses power 85% of the economic engine. By providing well-capitalized loan ratios and increasing deposits, which are loaned out locally and not out of state or to fund subprime loans, we are able to focus attention on our "Main Street" and continue to do business as usual in the communities where we live and lend. Our Digital Deposit feature, FDIC deposit insurance of up to $250,000, the CDARS program, daily courier service, and state-of-the-art financial center at the new corporate headquarters are just a few of the ways we make banking simple, safe, and convenient.

Financing small business growth is a Centric niche and a successful cadre of entrepreneurs has become a passionate marketing force. "The bank's growth and stability in three years is amazing. We have grown with them and have become quite dependent on the advice and professional services of the Centric team," says Paul R. Nelson, president of Associated Products Services Inc., in Mechanicsburg. "Their attention to detail is meticulous, and we are very excited that this level of banking is available in central Pennsylvania."

As a grass roots bank, the Centric force of 33 employees at three financial centers heralds a significant message for business and personal banking: *We Revolve Around You*. Do our customers believe it? "Refinancing in 2008 was untimely financially speaking, but proved to be seamless with Centric," said Chris Bravacos, president of the Bravo Group, in Harrisburg. "We had specific requirements for our capital improvements and financing allowed us to upgrade our building, both in terms of productivity and energy efficiency. Centric took the time to listen to us and understand our industry goals. And they delivered the most competitive, tailored solution. Winning our business meant more than simply providing attractive rates—it meant forming a business relationship for the long haul. They gave us more than capital; they gave us an opportunity to grow."

Beth M. Herr, Manager for the Silver Spring Financial Center, discusses loan opportunities with Wendy K. Gallaher and daughter Morgan.

"For 10 years, we dreamed of opening our own boutique winery. Centric Bank helped us make that dream come true! It is quite obvious that Centric hires outstanding people, promotes quality products, and believes that customer service is the key to local business success. Not only did Centric representatives embrace our vision, but they also encouraged us and assisted us with every aspect of new business operations. The support we have experienced from Centric Bank has been unmatched by other banks we have worked with in the past. There is no question—Centric is the only choice for us! Cheers!"

Jan and Kimberly Waltz
Waltz Vineyards, Manheim

S

CENTRIC
+ Accountability
Security

What's the price of feeling secure? James S. Snyder, PE, bank customer and civil engineer for the new corporate headquarters, says, "If we consumers have learned one thing from the market chaos in 2008, it's the alarming discovery that those professionals trusted to manage the world's investments and command the currency—the same professionals who are accountable for best-banking practices—didn't show up! The value of knowing my money is safe at Centric cannot be overestimated."

Perhaps the most impressive symbol of Centric's security is its physical establishment of a new corporate headquarters and financial center at 4320 Linglestown Road, the epicenter of a growing region. The location signaled a new chapter in community banking, and the perfect antidote to the absence of positivity in business headlines.

Centric provides guidance to help strengthen family finances for its personal customers; it provides capital security for its business accounts; and it provides investment information for its retiree and Baby Boomer accountholders. With decision makers who live and lend in the community, every financial decision carries the power of economic development and strengthens the financial fabric of the region. That's a win-win for central Pennsylvania.

At Centric, neither the management team nor the personal banking associates can hide behind a jumble of numbers. Lofty economic terms, impressive derivatives, and hard-to-comprehend financial spreadsheets are best suited to Wall Street bankers. Our customer relationships are built on a history of accountability, transparency, and clean banking.

"When we started our civil engineering and land development consulting firm in early 2008, we immediately looked to Centric Bank to be our company's financial partner. Part of the same local business community, we were very familiar, both personally and professionally, with the leadership at Centric; and we knew that they would provide the financial guidance and banking support that our new company needed. By offering initial assistance with our business plan, providing start-up capital, and maintaining our corporate accounts, Centric Bank has exceeded our expectations on service, professionalism, and convenience. Snyder, Secary & Associates, LLC was also extremely fortunate to have Centric Bank become one of our first corporate clients by being selected as the civil engineering consultant for their new corporate office building."

James S. Snyder, PE, Principal + **Ronald M. Secary, PE, Principal**
Snyder, Secary & Associates, LLC

The real truth is that your money is safe at **CENTRIC BANK** for 5 simple reasons:

1. We are committed to principled, relationship-strong banking. Ethics matter to us. We work, live, and shop in the communities we serve. Our decisions, delivered face to face with our customers, are based on the highest level of banking ethics and always in your best interest.

2. We are committed to safe banking. We understand hard-working people, and we count ourselves among that group. We do not squander time or resources on questionable banking practices regardless of the risk/reward ratio.

3. We are committed to local business. When you grow, we grow. Our practice is to issue good loans to great people.

4. We do not divert from our core strengths. Numbers matter to us. We have excellent risk management, good asset liability, and strong capital ratios. We are present at the beginning of the loan, and we plan to be present on final payment.

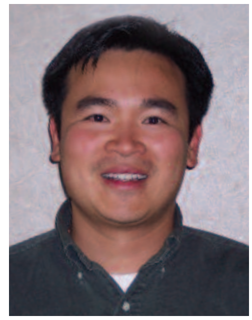
5. We recognize our responsibility to give back. That's why our bankers engage in community events and activities including The Second Mile, the Light the Night Walk and Summer Solstice for the Leukemia and Lymphoma Society, as well as supporting the youth through Susquehanna Township, Hummelstown, and Lemoyne sports organizations and community schools.

"We chose Centric Bank as a partner when we acquired Dasher Direct Marketing, because the team at Centric clearly communicated their sincere interest in helping us achieve our goals. They worked with us every step of the way toward achieving those goals, and we look forward to growing with them."

Sharon Ryan, MBA
President, Dasher Direct Marketing Services

Amber N. Spotts, Teller Manager, fulfills a transaction for Wendy K. Gallaher and daughter Morgan, at the Silver Spring Financial Center.

We help hard-working people make sound financial decisions. We move business forward and at every transaction, *We Revolve Around You*.



Centric client Joseph Tang embraces the Centric brand. "Before I begin a banking relationship, I take a good look at the caliber of people in the bank—the officers and lenders who will be examining my personal and business finances and deciding on my loan applications. I value Centric's short chain of command. They treat their customers like members of their own family. But most importantly, they are locally owned and operated."

Centric has created a Chemistry of Banking that meets the needs of a diverse customer base and not only provides solid performance, growth opportunities, and security, but encourages minority- and women-owned enterprises to grow. "My business advisors told me there are three imperatives for a successful entrepreneur and the first one was to find a good banker. Working with Patti Husic on The Second Mile board and recognizing her achievements as one of Pennsylvania's Best 50 Women in Business convinced me to grow with Centric. Moving from a small office to Class A space with employees demands a strong financial platform. Centric has delivered on its promise to partner in my business evolution," says Anne Deeter Gallaher, CEO/owner, Deeter Gallaher Group LLC, headquartered in Mechanicsburg.

Understanding that community bank growth is organic—one customer's great experience turns into three referrals—Patti Husic and the Centric team will continue to create new offerings and services. As published in the opinion editorials for daily and weekly publications, the bank will continue to share its voice of accountability and expertise. Going forward, Centric's team will be a leader for new banking technologies and a vital component for a healthy community.

The real investments for Centric are in its people—the employees, the customers, and the shareholders. "First-person access to our money, our talent, and our resources is our customers' right and our competitive advantage," says Patti Husic. "We are privileged to serve every person, business, and organization that entrusts us with their financial future."

Board of Directors

Standing left to right

- Steven P. Dayton, Director and Founder, CODI Inc.
- Patricia A. Husic, President & CEO, Centric Financial Corporation and Centric Bank
- Fred M. Essis, Owner, Essis & Sons Inc.
- Dr. Jeffrey W. Keiser, Managing Partner, Forest Hills Dental Associates
- Frank A. Conte, Managing Partner & Financial Advisor, The Conte-Browne Group LLC
- Thomas H. Flowers, CPA, Partner, Flowers & Flowers, CPA
- Renee J. Conner, CEO, Pension Alliance Inc.
- Robert V. Gothier Sr., President & CEO, RVG Management & Development Company

Seated left to right

- John A. Maher, CPA, Vice Chairman
- Donald E. Enders Jr., Chairman of the Board, President & CEO, Enders Insurance Associates
- Kerry A. Pae, Vice Chairman & Secretary, President & Owner, Kerry Pae Auctioneers

---

"We will combine steady growth, consistent earnings, and firm control of risk factors to provide safety for Centric's depositors. Our people will be the difference in establishing consistency in earnings and enhanced shareholder value."

The Centric Bank Board of Directors

Senior Management Team

Standing left to right

- Jamie L. Nelson, SVP, Chief Retail Officer
- Shane E. McNaughton, SVP, Management Information Systems
- Jeffrey W. Myers, EVP, Chief Lending Officer
- Sandra L. J. Schultz, SVP, Chief Financial Officer
- Wim van Olden, SVP, Chief Credit Officer

Seated

- Patricia A. Husic, President & CEO

Lending Team

Standing left to right

- Michael J. Meck, VP, Commercial Lending
- Wim van Olden, SVP, Chief Credit Officer
- Michael J. Watson, VP, Commercial Lending

Seated

- Jeffrey W. Myers, EVP, Chief Lending Officer

Financial Center Managers

Standing left to right

- Veronica L. Rodgers, Susquehanna Financial Center
- Beth M. Herr, Silver Spring Financial Center
- Miriam Glavina, Lower Paxton Financial Center

Seated

- Jamie L. Nelson, SVP, Chief Retail Officer

CENTRIC FINANCIAL CORPORATION
2008 Financial Report
Management's Discussion and Analysis

Please note that in this discussion we have made forward-looking statements that are subject to risks and uncertainties. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995. These statements include information concerning the future financial results of Centric Financial Corporation and Centric Bank. Many factors could affect these future results including economic, political, regulatory, or operating risks. In addition, competition and rapidly changing technology could also impact our future operations. Our analysis of these risks may also be incorrect and our strategies to address them may be ineffective.

Bank Performance

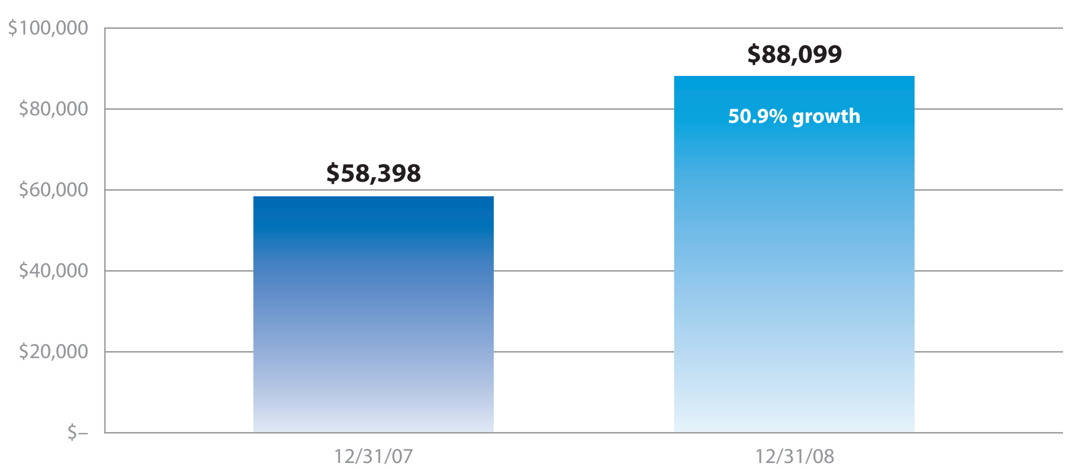
Now with almost two years behind us and the strong foundation we have built, we look forward to the successes that are possible for Centric Bank. 2008 has brought some tough challenges for not only our bank but virtually all banks. We have faced those challenges head-on and feel Centric is positioned to benefit from those efforts. We are relying on those cornerstones of infrastructure including management, employees, technology, and customers to continue to strengthen this institution.

Financial Position

Loans

Centric Bank's primary earning asset is loans. As depicted in the following graph, loan growth was 50.9% during 2008.

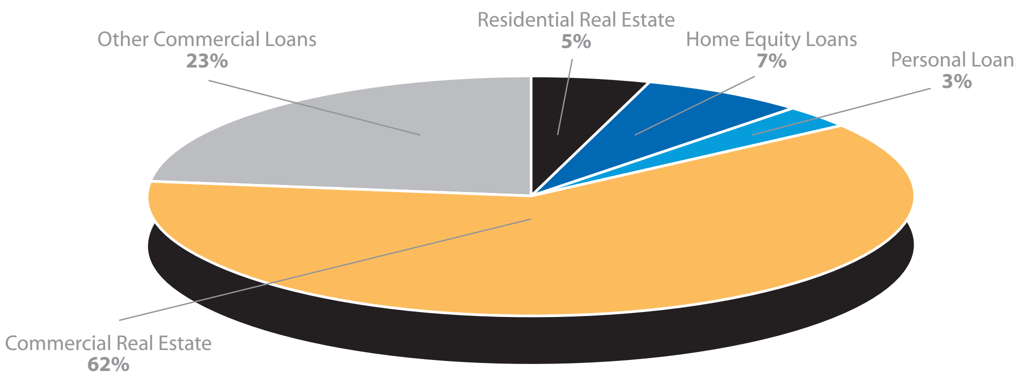
CENTRIC FINANCIAL CORPORATION
Total Loans
(in thousands)



Our primary area of strategic focus is in loans to small and medium-sized businesses and their owners. This focus is reflected in the level of commercial loans detailed in the following graph:

CENTRIC FINANCIAL CORPORATION

Loan Mix as of 12/31/08



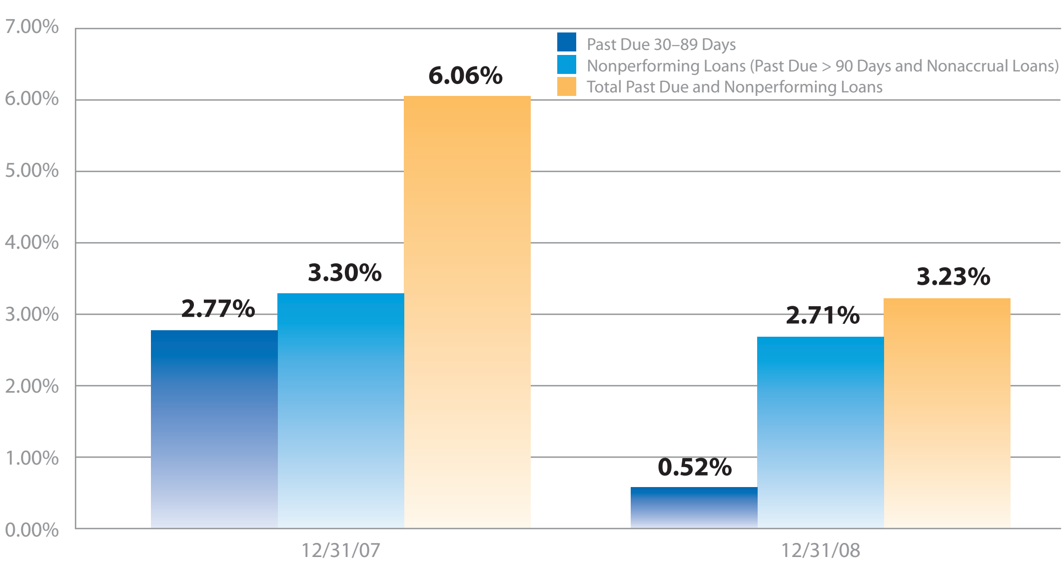
This focus on commercial lending has been coupled with prudent loan underwriting standards and enhanced relationship monitoring. This helps to ensure that loans being recorded are solid and that proactive efforts can be taken to address any potential credit deterioration identified in the loan portfolio.

Credit Quality

Enhancements that have been made in loan underwriting and related controls along with continual monitoring will ensure the long-term maintenance of overall loan portfolio credit quality. Centric has made significant progress in reducing the past-due and nonperforming loans as a percent of total loans which is reflected in the following graph:

CENTRIC FINANCIAL CORPORATION

Nonperforming Assets and Past Due Loans as a % of Total Loans



Nonaccrual loans (included in nonperforming loans on page 15) have a negative impact on the Bank's earnings as these are assets that require funding, but do not provide current income. These loans are primarily secured with real estate and management believes that potential losses related to these loans have already been provided for in the allowance for loan losses as discussed further below. Management continues aggressive collection efforts with these nonaccrual loans; however, this collection process is extremely lengthy and is often delayed by bankruptcy proceedings.

It should be noted that nearly 71% of the loan portfolio at December 31, 2008, is now made up of loans that have been issued since the acquisition of the Bank. The balance of loans issued prior to the acquisition of the Bank have declined by $9.6 million in 2008 and $23.9 million since the acquisition. Some of this decline can be attributed to management's determination that certain borrowers do not meet the Bank's current loan underwriting standards, and these borrowers have chosen to meet their financing needs elsewhere.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level considered by management to be adequate to provide for losses that can be reasonably anticipated. This evaluation is inherently subjective and requires significant estimates that are subject to change.

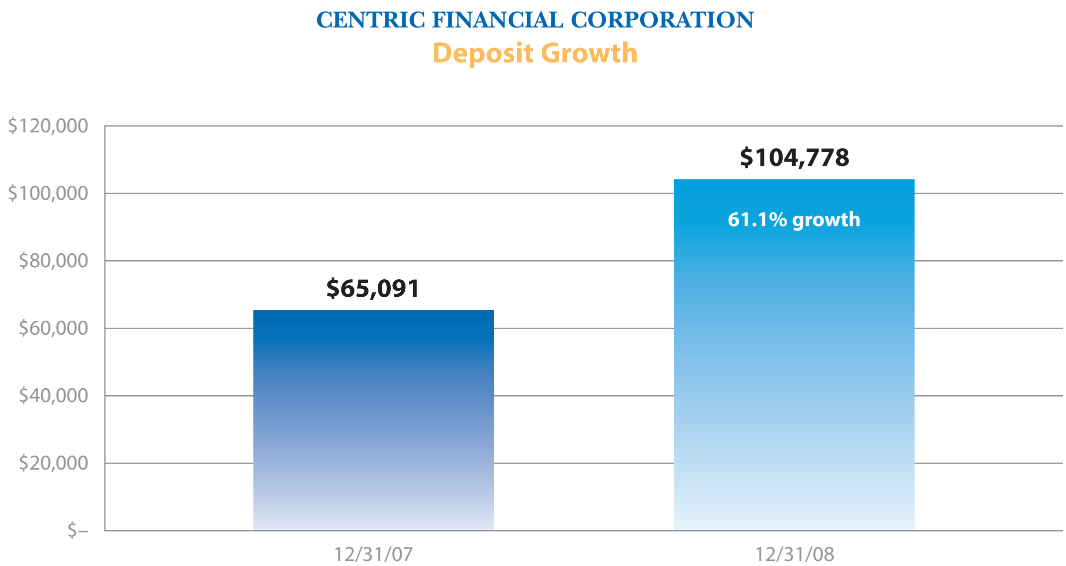
During 2008, the Bank had net charge-offs of $399,000. One transaction accounts for the majority of the net charge-off. The amount of the transaction was $381,000. All charge-offs during 2008 related to loans purchased with the acquisition of the Bank.

Investment Securities

Periodically, the Bank invests excess funds in investment securities. Investment securities are part of the Bank's overall balance sheet management strategy. These investments serve as a source of liquidity through paydowns, sales, and maturities to fund future loan growth and are also utilized to secure public funds deposits as required by state law. These investments are an alternative to overnight federal funds investments and reduce the Bank's exposure to falling interest rates. The Bank's investment securities consist of U.S. agency and mortgage-backed securities. The securities have a relatively short average life. Investments are thoroughly analyzed prior to purchase, and the portfolio is subject to ongoing monitoring.

Deposits

The most critical source of funding for the Bank is its deposit base. We have pursued core deposit growth including acquiring deposit accounts with new loan relationships and looked to our local market to expand the deposit base. We have been successful in fully funding our loan growth with growth in deposits. The Bank consistently monitors our deposit pricing and that of our competitors. The following graph depicts the growth in total deposits.



Borrowings

An additional source of funding for the Bank is borrowings through the Bank's membership in the Federal Home Loan Bank of Pittsburgh (FHLB). The FHLB provides a ready source of funding for the Bank at flexible terms.

In addition to long-term borrowings, the Bank has utilized letters of credit issued by the FHLB to collateralize public funds. These letters of credit are priced affordably and provide an alternative to using investment securities as pledged collateral for public funds. This flexibility has also allowed the Bank to pursue larger municipal deposit relationships.

Centric Financial Corporation was approved for and advanced a small bank holding company line of credit. The proceeds from this line were infused into the Bank as equity to provide ample ability for the Bank to continue to grow.

Stockholders' Equity

Our stockholder equity continues to be in excess of minimum total capital levels required by federal regulatory authorities. Please see Note 13 to the Consolidated Financial Statements for additional details.

Results of Operations

Net Interest Income

Net interest income is the amount by which interest earned on loans, investment securities, and other earning assets exceeds the interest paid on deposits and borrowings. This is Centric's main source of income and it is summarized in the following table for the year ended December 31, 2008:

CENTRIC FINANCIAL CORPORATION

Distribution of Assets, Liabilities, and Stockholders' Equity

Interest Rates and Interest Differential

(amounts in thousands)

	Year Ended December 31, 2008		
	Average Balance	Interest	Rate
ASSETS			
Deposits in Other Banks	$ 1,076	$ 37	3.44%
Federal Funds Sold	5,753	109	1.89%
Investment Securities (1)	14,258	770	5.40%
Loans (2)	73,487	4,829	6.57%
Regulatory Stock	728	35	4.81%
Total Earning Assets	95,302	5,780	6.06%
Allowance for Loan Losses	(1,000)		
Other Nonearning Assets	4,877		
Total Assets	$99,179		
LIABILITIES and STOCKHOLDERS' EQUITY			
Deposits			
Interest-Bearing Demand	$28,887	$ 584	2.02%
Savings	8,689	307	3.53%
Time	33,064	1,335	4.04%
Total Deposits	70,640	2,226	3.15%
Borrowings	7,600	281	3.70%
Total Interest-Bearing Liabilities	78,240	2,507	3.20%
Demand Deposits	9,692		
Other Liabilities	487		
Total Liabilities	88,419		
Stockholders' Equity	10,760		
Total Liabilities and Stockholders' Equity	$99,179		
Net Interest Income/Interest Rate Spread		$3,273	2.86%
Net Interest Margin			3.43%

NOTES:

(1) Balances reflect amortized historical cost for available-for-sale securities. The related average unrealized holding gain or loss on securities is included in other nonearning assets.

(2) Balances of nonaccrual loans and related income recognized have been included for computational purposes. Includes net loan fee expense of $1,000.

Management strives to limit exposure to changes in interest rates through prudent structuring of interest-bearing assets and liabilities. This is accomplished through the promotion of various loan and deposit products and the purchase of certain investment securities or the structure of borrowings. Interest-rate risk is measured on a quarterly basis and current measurement indicates exposure to rising interest rates. Recently, in response to deterioration in economic conditions, the Federal Reserve has been reducing short-term interest rates. These actions have also prompted a decline in overall market interest rates. The federal funds target rate was reduced from 4.25% at the beginning of 2008 to 0.25% – 0.00% in December 2008. These rate reductions have impacted the yield on Centric's earning assets. Largely offsetting this impact have been significant reductions that have been made to deposit rates and lower borrowing rates. In addition, certain variable-rate loans have interest-rate floors and have not been fully impacted by these rate reductions.

Provision for Loan Losses

Centric's provision for loan losses amounted to $633,000 for the year. The provision for loan losses is an estimated expense to provide for losses attributable to uncollectible loans. The provision is based on management's analysis of the adequacy of the allowance for loan losses and is impacted by the level of net charge-offs, loan growth, and estimated changes in credit risk on specifically identified loans and the overall loan portfolio. The evaluation is subjective and involves significant estimates that are subject to change.

Other Operating Income

Other operating income consists primarily of service charges on deposit accounts, ATM surcharge and interchange income, interchange income on debit card transactions, and servicing income on loans sold. Servicing income is primarily related to earnings on residential mortgage loans sold to the FHLB. The Bank had previously sold loans to the FHLB as part of its Mortgage Partnership Finance Program. The Bank is no longer actively selling loans through this program. Future servicing revenue from these loans will decrease as the outstanding balances of these loans continue to decline.

Other Operating Expenses

The most significant operating cost for Centric is salaries and wages and related employee benefit costs. Included in these costs for 2008 are costs related to the hiring of additional lending staff. Additional lending staff was needed to allow for expanded business development activities as well as servicing of the existing loan portfolio.

Other operating costs also included $176,000 in advertising, marketing, and business development costs primarily related to establishing the Bank's presence in our local market.

During 2008, total legal and professional fees amounted to $301,000. This included legal costs of $126,000 related to loan collections. It is anticipated that these costs will decline in future years as the overall quality of our loan portfolio continues to improve.

The overall results of operations for 2008 amounted to a net loss of $635,000. Despite the net loss for 2008, we are pleased with the progress we have made in the past year and we look forward to the future for the benefits of our efforts. Please see the Consolidated Statement of Operations and related notes for further details.

Regulatory Supervision

Centric Bank is subject to the regulatory supervision of the OCC. Vartan National Bank had entered into a formal agreement with the OCC in July 2006, agreeing to address various OCC concerns. Centric Bank has been subject to the terms of this formal agreement. Management believes it has addressed these concerns and is in compliance with the terms of the formal agreement.

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, 2008, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Centric Financial Corporation as of December 31, 2008, and the results of its operations and its cash flows for the year 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
June 8, 2009

Consolidated Balance Sheet
December 31, 2008

(amounts in thousands, except per share data)

ASSETS	
Cash and due from banks	$1,946
Interest-bearing deposits in other banks	40
Federal funds sold	9,918
Cash and Cash Equivalents	11,904
Securities available for sale	16,180
Securities held to maturity, fair value of $2,667	3,006
Loans, net of allowance for loan losses of $1,139	88,099
Accrued interest receivable	354
Premises and equipment, net	3,230
Regulatory stocks	751
Goodwill	493
Core deposit intangibles	73
Other assets	999
Total Assets	$125,089
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities	
Deposits	
Non-interest-bearing	$9,131
Interest-bearing	95,647
Total Deposits	104,778
Other borrowings	8,998
Accrued interest payable	340
Other liabilities	730
Total Liabilities	114,846
Stockholders' Equity	
Common stock, $1.00 par value; authorized 2,000,000 shares; issued and outstanding 623,168 shares	623
Paid-in capital	10,447
Accumulated deficit	(830)
Accumulated other comprehensive income	3
Total Stockholders' Equity	10,243
Total Liabilities and Stockholders' Equity	$125,089

See Notes to Consolidated Financial Statements.

Consolidated Statement of Operations
Year Ended December 31, 2008

(amounts in thousands)

INTEREST AND DIVIDEND INCOME	
Loans, including fees	$4,829
Securities	770
Federal funds sold	109
Deposits in other banks	37
Regulatory stocks	35
Total interest income	5,780
INTEREST EXPENSE	
Deposits	2,226
Borrowings	281
Total interest expense	2,507
Net interest income	3,273
Provision for loan losses	633
Net interest income after provision for loan losses	2,640
NONINTEREST INCOME	
Service charges on deposit accounts	164
Other loan fees/servicing income	130
Other income	33
Total noninterest income	327
NONINTEREST EXPENSE	
Salaries and employee benefits	1,780
Occupancy and equipment	574
Legal and professional fees	301
Data processing	319
Advertising and marketing	176
Pennsylvania bank shares tax	82
Other	669
Total noninterest expense	3,901
Loss before income tax benefit	(934)
Income tax benefit	299
Net loss	$(635)
Earnings per share – basic	$(1.02)
Earnings per share – diluted	$(1.02)
Average shares outstanding	623,168

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Stockholders' Equity
Year Ended December 31, 2008

(amounts in thousands, except share data)

	Common Stock Shares	Common Stock	Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	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 $13,000					(26)	(26)
Total comprehensive loss						(661)
Balance, December 31, 2008	623,168	$623	$10,447	$(830)	$3	$10,243

See Notes to Consolidated Financial Statements.

CENTRIC FINANCIAL CORPORATION

Consolidated Statement of Cash Flows
Year Ended December 31, 2008
(amounts in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$(635)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Provision for loan losses	633
Depreciation and amortization	210
Deferred income tax benefit	(299)
Net accretion of investment securities' discounts	1
Net amortization of market value adjustments	(29)
Stock-based compensation	31
Increase in accrued interest receivable	(75)
Increase in accrued interest payable	136
Loss on sale of other real estate owned	8
Loss on retirement of premises and equipment	28
Other, net	24
Net cash provided by operating activities	33
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment securities available for sale:	
Proceeds from maturities and principal repayments	4,417
Purchases of securities	(9,873)
Investment securities held to maturity:	
Proceeds from maturities and principal repayments	113
Net increase in loans	(30,759)
Purchases of regulatory stocks	(448)
Redemptions of regulatory stocks	406
Purchases of premises and equipment	(1,330)
Proceeds from sale of premises and equipment	5
Proceeds from sale of other real estate owned	200
Net cash used in investing activities	(37,269)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net increase in deposits	39,705
Proceeds from the issuance of long-term debt	6,998
Repayment of long-term debt	(4,250)
Net cash provided by financing activities	42,453
Net increase in cash and cash equivalents	5,217
Cash and cash equivalents – beginning of year	6,687
Cash and cash equivalents – end of year	$11,904
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash payments for:	
Interest	$2,371

See Notes to Consolidated Financial Statements.

CENTRIC FINANCIAL CORPORATION

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, N.A. ("Bank").

All intercompany transactions have been eliminated. Centric is subject to regulation and supervision of the Office of the Comptroller of the Currency.

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 three offices in southcentral 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 less than 90 days. 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 $258,000 at year-end.

Credit Risk Concentrations
As a community bank, most of the Bank's loans and credit commitments comprise Pennsylvania customers, primarily individuals and entities situated in Dauphin and Cumberland counties. The Bank does not have any other significant credit concentrations.

Securities
Investment securities must be classified when purchased as either "securities available for sale," "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 related the 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 management's intent and ability to hold the security for a period of time sufficient to allow for a recovery in market value. Among the factors that are considered in determining management's intent and ability is a review of the Bank's capital adequacy, interest rate risk position, and liquidity. The assessment of a security's ability to recover any decline in market value, the ability of the issuer to meet contractual obligations, and management's intent and ability requires considerable judgment. 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 Statement of Financial Accounting Standards No. 13, *Accounting for 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 collectability 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 as 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.

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.

Large groups of smaller-balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual residential real estate, consumer and home equity loans for impairment disclosures, unless such loans are subject to a restructuring agreement.

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 AICPA Statement of Position ("SOP") 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." SOP 03-3 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. SOP 03-3 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 SOP 03-3, 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 letters 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 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; $18,000 of amortization expense was recognized in 2008. Amortization expense will be $16,000, $14,000, $12,000, $10,000, and $21,000 for the years 2009, 2010, 2011, 2012, 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 the FHLB under the Mortgage Partnership Finance ("MPF") Program. 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 $100,000 at December 31, 2008.

These assets are amortized based upon portfolio activity and subject to ongoing evaluation for any permanent impairment. MPF portfolio fees earned amounted to $107,000 for 2008.

The MPF portfolio balance was $28,373,000 at December 31, 2008. The FHLB maintains a first-loss position for the MPF portfolio that totals $87,000 at year-end. 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 $53,000 at December 31, 2008.

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 incurred.

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.

Options to purchase 12,350 shares of common stock at $18.00 were not included in dilutive earnings per share because Centric recorded a net loss during 2008.

Stock Based Compensation

Centric accounts for stock options based on the grant-date fair value of all share-based payment awards that are expected to vest over the requisite service period.

FASB 123(R) requires that 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. Prior to the adoption of FASB 123(R), such excess tax benefits were presented as operating cash flows. During 2008 there were no stock options exercised, and therefore no excess tax benefits were 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, 2008, accumulated other comprehensive income, net of taxes of $1,000, amounted to $3,000. For the year ended December 31, 2008, there were no gains or losses on the sale of securities available-for-sale that were reclassified out of accumulated other comprehensive income into earnings.

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 as of December 31, 2008, is as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Gains	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 as of December 31, 2008, is as follows (in thousands):

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

During 2008 Centric transferred approximately $3,286,000 securities from the "available for sale" classification into the "held to maturity" classification. At the time of the transfer, the investments had an approximate fair value of $3,108,000 and an unrealized loss of $178,000. This unrealized loss is being amortized over the expected average remaining life of the securities, of which the Bank incurred approximately $11,000 of amortization expense during 2008.

Centric has the ability and intent to hold "available for sale" securities with an unrealized loss due to changes in interest rates and other market factors for a time necessary to recover the amortized cost of the investment. Although Centric had no other-than-temporary impairments for 2008, our accounting policy would recognize any such impairment below amortized cost as a realized loss.

The following table shows the gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2008:

	Less than 12 Months		12 Months or Greater		Total	
	Approx. Market Value	Gross Unrealized Losses	Approx. Market Value	Gross Unrealized Losses	Approx. Market Value	Gross Unrealized Losses
U.S. Government agencies	$ 507	$ (1)	$ –	$ –	$ 507	$ (1)
Mortgage-backed securities	5,250	(363)	195	(4)	5,445	(367)
Total debt securities	$5,757	$(364)	$195	$(4)	$5,952	$(368)

Securities totaling $13,202,000 are pledged to collateralize Bank deposits by Pennsylvania local governments.

The amortized cost and fair value of debt securities at December 31, 2008, by contractual maturity, are shown below (in thousands):

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than 1 year	$1,501	$1,511	–	–
Due after 1 year through 5 years	1,503	1,529	–	–
Due after 5 years through 10 years	1,510	1,529	–	–
Due after 10 years	11,495	11,611	$3,006	$2,667
Total	$16,009	$16,180	$3,006	$2,667

Note 3 – Loans

The composition of loans, net of unamortized loan origination fees, at December 31, 2008 is as follows (in thousands):

Loans secured by real estate:	
Commercial	$54,284
Residential	11,544
Commercial and industrial loans	19,676
Finance leases	744
Consumer loans	2,967
Overdrafts	23
Total Loans	89,238
Allowance for loan losses	(1,139)
Net Loans	$88,099

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

Nonaccrual loans	$2,421
Accruing loans – 90 days or more past due	–
Total nonperforming loans	$2,421

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

Financial Accounting Standard 114 requires disclosures concerning "impaired loans" (in thousands):

Loans with a related allowance for loan losses	$ 185
Loans written down to fair value at acquisition of bank	443
Loans without a related allowance for loan losses	1,745
Total outstanding balance at year end	$2,373
Related allowance for loan losses	$185
Average outstanding balance of impaired loans for the year	3,331
Interest income recognized on impaired loans	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.

As of December 31, 2008, these acquired impaired loans had an outstanding contractual balance of $576,000 and a carrying amount of $443,000.

Note 4 – Allowance for Loan Losses

Allowance for loan loss activity for 2008 is as follows (in thousands):

Balance, December 31, 2007	$ 905
Provision for loan losses	633
Charged-off loans	(428)
Recoveries of charged-off loans	29
Balance, December 31, 2008	$1,139

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

Note 5 – Premises and Equipment

The increase in premises and equipment is the result of the corporate headquarters including its retail branch relocating to a new, more prominent location. Ongoing additions to premises and equipment are recorded at cost. Occupancy and equipment expense includes $140,000 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 comprises (in thousands):

Land	$ 554
Buildings and improvements	641
Leasehold improvements	1,390
Furniture, fixtures, and equipment	871
Subtotal	3,456
Less: Accumulated Depreciation	(226)
Premises and Equipment – Net	$3,230

Lease expense amounted to $241,000 for 2008. In March 2008, the Bank leased property for construction and renovation of the new location. Minimum lease payments total $129,000 for 2009, $134,000 for 2010, $134,000 for 2011, $134,000 for 2012, and $925,000 thereafter.

Note 6 – Deposits

Centric's deposits at year-end comprised (in thousands):

Demand, non-interest bearing	$ 9,132
Demand, interest bearing	14,794
Savings	19,706
Money market	12,720
Time deposits	48,426
	$104,778

Scheduled maturities of time deposits are (in thousands):

2009	$32,293
2010	3,770
2011	6,739
2012	1,218
2013	4,407
	$48,426

Time deposits in denominations of $100,000 or greater total $19,749,000 at year-end.

Note 7 – Other Borrowings

As one avenue for funding growth, the Bank is approved by the Federal Home Loan Bank ("FHLB") for borrowings of up to $32,107,000. At year-end, $6,498,000 was outstanding.

The FHLB issued letters of credit of $2,036,000 to collateralize Bank deposits by Pennsylvania local governments.

Additional borrowing capacity for FHLB borrowings was $23,573,000 at year-end.

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

The following table presents information regarding outstanding other borrowings:

Description	Maturity Range From	Maturity Range To	Weighted Average Interest Rate	Stated Interest Rate Range From	Stated Interest Rate Range To	2008
Fixed rate	01/25/2010	9/25/2013	3.99%	2.39%	6.25%	$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. This borrowing is collateralized by shares of Centric Financial Corporation stock.

The Bank retired one FHLB borrowing prior to its maturity date in the amount of $2,500,000 (4.94 percent) with a penalty of $46,000.

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

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, 2008, expense attributable to the Plan amounted to $11,000 and is included in salaries and employee benefits.

Note 9 – Stock Option Plan

The Company has a Stock Option Plan (the "Plan") that includes designated officers including directors and other designated employees. The Plan covers 80,000 shares of common stock. 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 10 years after the date of the grant. Exercise and vesting dates and terms may vary and are specified at the date of the grant.

Stock option transactions under the Plan were as follows:

Options outstanding at December 31, 2008 consisted of the following:

	Options	Weighted-Average Exercise Price
Outstanding at the beginning of the year	–	–
Granted	12,350	18.00
Exercised	–	–
Forfeited	–	–
Outstanding at the end of the year	12,350	$18.00
Exercisable at December 31	9,883	$18.00

At December 31, 2008, the aggregate intrinsic value of all options outstanding and exercisable were approximately $222,300 and $177,900, respectively. The weighted average remaining life of outstanding options is 9.8 years.

Options available for grant at December 31, 2008, were 67,650.

For the year ended December 31, 2008, stock option compensation expense of $21,000 was recognized in connection with the option plan. A tax benefit of $10,000 was recognized relative to stock options during the year ended December 31, 2008. At December 31, 2008, future compensation expense related to non-vested stock option grants aggregated to $14,000 and is expected to be recognized as $5,000, $5,000 and $4,000 in 2009, 2010, and 2011, respectively.

The fair value of the options granted during the year ended December 31, 2008, was calculated using the Black-Scholes option pricing model with the following assumptions:

	Incentive	Non-Qualified
Expected dividend rate	0.00%	0.00%
Stock price volatility	12.63%	13.68%
Risk-free interest rate	3.21%	2.84%
Expected life	6.5 yrs	5.0 yrs

Note 10 – Income Taxes

On a consolidated basis, no federal income taxes were paid, payable, or refundable for 2008. A deferred federal income tax benefit of $299,000 for the year ended December 31, 2008, is included in net income principally to account for the expected future use of the net deferred tax assets.

The components of the net deferred tax asset at December 31, 2008, are as follows:

The Bank records deferred tax assets and liabilities for the future tax consequences of temporary differences between financial statement recognition of events and corresponding tax return positions. At December 31, 2008, the Bank has a net deferred tax asset of approximately $397,000, which is primarily comprised of the deferred tax asset related to the net operating loss carryforward. No deferred tax asset valuation allowance was considered necessary at December 31, 2008, based on anticipated future taxable income.

The reconciliation of the statutory rate and the effective income tax rate is as follows:

	Amount	% of Pretax Income
Provision at statutory rate	$317	34.0%
Nondeductible expenses	(18)	(2.0)
Actual tax expense and effective rate	$299	32.0%

The Bank is exempt from Pennsylvania income taxes and Centric's unconsolidated liability is immaterial.

Note 11 – 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, 2008, loans to related parties were $8,016,000 and deposits by related parties totaled $3,850,000.

Related party loan activity during 2008 is summarized as follows (in thousands):

Balance, January 1, 2008	$ 5,426
Additions	4,989
Reductions	2,399
Balance, December 31, 2008	$ 8,016

All of Centric's Directors are customers of the Bank. Centric shareholders number approximately 125 and many are Bank customers situated in the southcentral 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 2008, related party transactions include $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 12 – 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):

Commitment to grant loans	$737
Unfunded commitments under lines of credit	14,195
Standby letters of credit	632
	$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 credit worthiness 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. At year-end, the amount of the liability for guarantees under standby letters of credit is not material.

The Bank did not incur any losses in 2008 associated with financial instruments with off-balance sheet risk.

Note 13 – 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's primary federal regulator is 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. Management has proceeded with improvements to comply with the OCC Agreement. Should the OCC at any time deem that the Bank is not adequately addressing regulatory concerns, there could be further restrictions imposed on the Bank's activities.

Pursuant to the OCC Agreement, the Bank maintains capital levels and ratios that exceed those typically required of banks. The Bank's actual and required capital amounts and ratios at year end are (dollars in thousands):

	December 31, 2008			
	Actual		As 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 regulatory-defined profit measure and specifically constrained by the OCC Agreement.

The OCC Agreement provides that the Bank obtains OCC approval for any brokered deposits. As of December 31, 2008, the Bank had $10,076,000 of brokered deposits under the CDARS program.

On March 23, 2009, the Bank was subject to a regulatory examination by the Pennsylvania Department of Banking (see Note 16). As a result of this examination, the requirements of the formal agreement described above were lifted effective June 4, 2009.

Note 14 – Fair Value Measurements

Effective January 1, 2008, Centric 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 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.

The following table presents the assets reported on the Consolidated Balance Sheet at their fair value as of 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.

(In thousands)

	Level 1	Level II	Level III	Total
Assets:				
Fair value measured on a recurring basis:				
Securities available for sale	$ –	$16,180	$ –	$16,180
Fair value measured on a non-recurring basis:				
Other real estate owned	$ –	$ 257	$ –	$ 257
Impaired loans	$ –	$ 2,188	$ –	$ 2,188

Note 15 – Fair Value of Financial Instruments

The estimated fair value of Centric's financial instruments as of December 31, 2008, is as follows (in thousands):

	Carrying Value	Fair Value
Financial assets:		
Cash and cash equivalents	$ 11,904	$ 11,904
Securities available for sale	16,180	16,180
Securities held to maturity	3,006	2,667
Net loans	88,099	90,312
Restricted investment in bank stock	751	751
Mortgage servicing rights and credit enhancement fees receivable	153	174
Accrued interest receivable	354	354
Financial liabilities:		
Deposits	$104,778	$105,375
Other borrowings	8,998	8,724
Accrued interest payable	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, 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 12.

Note 16 – Subsequent Events

In March 2009 the Bank changed from a federal to a state-chartered bank. With the charter change, the Bank is subject to regulation and supervision by the Pennsylvania Department of Banking and the Federal Deposit Insurance Corporation.

On March 23, 2009, the Bank was subject to a regulatory examination by the Pennsylvania Department of Banking. As a result of this examination, the requirements of the formal agreement described above were lifted effective June 4, 2009.

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.

4320 Linglestown Road, Harrisburg, PA 17112 • (717) 657-7727 • Fax (717) 657-5036 • www.centricbank.com