CENTRIC BANK

ANNUAL REPORT 2010

"Your DNA contains the greatest history book ever written."

DR. SPENCER WELLS

The double helix on the front cover is symbolic of Centric Bank's DNA, the building blocks of our growing institution: financial and fiscal leadership, safe lending and investing, financial soundness at every level, and solutions for a better tomorrow.

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CENTRIC FINANCIAL CORPORATION ■ FINANCIAL REPORT 2010

TO OUR SHAREHOLDERS, CUSTOMERS, & FRIENDS:

2010 was a year of solid achievement and milestones for Centric Financial Corporation. **We remained focused on safety, soundness, profitability, and growth in that order of priority.** Our first year of profitability reflected a consolidated net income of $851,000 as compared to a net loss of $2.97 million for the previous year.

Centric Bank continues to be the countertrend in our industry and in our region. As credit quality trends by our peer banks deteriorated, and their delinquency ratios rose, our credit quality continued to improve. Delinquencies were reduced to 1.60% at year end from 3.20% for the period ending 2009. While banks throughout the country curtailed lending activities, Centric Bank led central Pennsylvania in organic loan growth by originating over $66 million in total loans, an overall net increase to our loan portfolio of 30%. Net deposits increased by 26.20%, ranking us in Pennsylvania's top 5 institutions for organic growth. Total assets topped $200.5 million at year end.

Net interest income grew from $3.48 million to $5.4 million, an increase of 54.83%. At the same time, we controlled operational expenses and continued to grow into our commercial space and infrastructure, evidenced by improving our efficiency ratio from 85% to 76.32%. Our return on assets and equity were 0.47% and 9.91% as of December 31, 2010. A fitting conclusion to a year of astonishing economic challenges, we exceeded our budget and goals for 2010 and charge forward in 2011 as a team "Well pleased but not satisfied" with our progress.

Our strong numbers reveal only part of the Centric Bank story. How we reached these profitability and portfolio percentages lies in our core values:

- **Customer Commitment**—At every level of service, we demonstrate our tagline *We Revolve Around You.*
- **Employee Commitment**—Believing that our team members are our strongest resource, we provide personal growth and professional development opportunities.
- **Financial Strength**—Our principles of banking attract customers and employees who strengthen our foundation.
- **Integrity**—With honesty and openness we are able to build lifetime, multi-generational relationships.
- **Operational Excellence**—Our high expectations are evident in every detail of our business story.

2010 marked additional milestones for Centric Financial Corporation. The highest honor a company can receive in the community is an award that acknowledges our employees as our greatest asset. We are proud to be named one of the 2010 *Best Places to Work in PA*. We also believe this designation indicates our employees' great pride in being part of the Centric family.

Our third financial center was under construction at 1625 Market Street, Camp Hill, in 2010 and opened on March 8, 2011. As we successfully expand our physical presence and brand story of Centric, we expect to announce our fourth future location in May 2011—look for us in Derry Township soon.

In June 2010, we added a new division to the organization, Centric Mortgage, and hired an in-house mortgage originator to serve our customers and to develop non-interest income for the bank. Our plans are to grow the mortgage area in 2011 and to continue to increase non-interest income in this division.

Other significant accomplishments in 2010 include the following:

- Women in Business Networking inaugural meeting in September with more than 25 business leaders attending;
- Our loan department expanded with new employees;
- We added technology to ensure we continue to meet loan demands and ongoing underwriting of our credit facilities; and
- We funded $8.2 million in loans to minority- and women-owned businesses.

Our brand continues to signify "relationship" banking, safe lending practices, and community confidence. Centric Bank's DNA of customer care is inherent in each one of our team members who serves as a director of first impressions.

We are honored to work with some of the finest people and businesses in central Pennsylvania, and your support in resources and referrals is deeply appreciated. Our promise? *We Revolve Around You.*

Sincerely,

Donald E. Enders, Jr.

DONALD E. ENDERS, JR.
Chairman of the Board

Patricia A. Husic

PATRICIA A. HUSIC
President & CEO

“The post-crisis reality is that Centric Bank, and our community bank colleagues, are leading in organic loan growth in central Pennsylvania. In March 2010, Centric Bank was featured in *The Wall Street Journal* as one of the few institutions reaching a 30% increase in lending. During the past three years, Centric Bank originated over $190 million in new loans to businesses and individuals in the central Pennsylvania region.

We funded $8.2 million in local loans to minority- and women-owned businesses in 2010 alone—engineering firms, law firms, physician’s practices, marketing firms, cleaning services, computer services, and retail stores in Dauphin and Cumberland counties. These business owners are the foundation of our regional economy.”

PATRICIA A. HUSIC
President & CEO of Centric Bank

THE CHEMISTRY OF CHOICE

WE REVOLVE AROUND YOU

Futurists and business strategists know that for every trend there is a countertrend, and we believe that Centric Bank remains the countertrend to the banking industry's epic contraction.

Nearly 12% of the nation's 7,657 banks were on the FDIC's problem list as of December 2010, according to *The Wall Street Journal* (April 15, 2011), but you will not find Centric Financial Corporation among them. As a de novo bank founded in 2007, we hit our lending stride right in the middle of a global financial crisis. A poor business decision by 125 overzealous investors? Quite the opposite. With a laser-focus on safety, soundness, profitability, and growth, we are the adrenaline our small business neighbors and community need. Proud of a 30% increase in consumer lending through 2010, and cheering a 32% increase in total core deposits, Centric Bank's customer solutions are powering business and community life forward.

We came to banking in March 2007 with a relational mindset. Our Chemistry of Banking philosophy places deep value on the people who save, borrow, build, invest, and create jobs in our community. What the downturn has done for community banks—and should be doing for all financial institutions—is force a return to relationship lending.

We know that customers can find competitive rates and services at many of our neighboring financial institutions, but they cannot find our chemistry—our personal phone calls to follow up on a loan application, an email response after working hours, business research and advice shared with an entrepreneur anxious to accomplish her life's dream, or our team's track record of helping families and businesses reach their goals.

Can you quantify Centric Bank's chemistry? We believe you can, and especially in the financial industry's new normal. The measurement begins with conversations over ice cream at one of our Customer Appreciation Days or a speedy response from our Courier when your time is money. It's also measured in the public satisfaction our customers share—your testimonials.

After you read our *Annual Report 2010* story, we hope Centric Bank will continue to serve as your financial DNA.

OUR DNA: LOCAL GROWTH DURING GLOBAL CHALLENGES

The companies and people who have survived the economic dislocation of the last 36 months—one of our worst economic cycles in generations and one that threatened to eradicate entire global industries—exhibited the DNA to innovate, adapt, and reinvent.

We are privileged to be in that group and to lead, lend, and provide solutions through the recovery. The competitive advantage we offer our clients and the community? We are a catalyst for both personal and business growth. We continue to bring value to every philanthropy, foundation, business, association, property owner, individual, and shareholder we work with. That's an equation for our region's profitable growth.

SAFETY: LEADING THROUGH RECOVERY

We love numbers and understand their power, but beneath the spreadsheets are stories of real businesses with real challenges. People who need capital and solutions. Recognized as the #1 bank for organic loan growth—a 30% increase—for the third consecutive year in central Pennsylvania has a deeper impact than the decimals dictate.

"The entire region benefits from the economic injection that our lending provides," says Centric President and CEO Patti Husic. "During the last three years, Centric Bank originated more than $190 million in new loans to businesses and individuals in central Pennsylvania. ***Think of us as Financial First Responders.***"

While other banks merged due to losses or were placed under enforcement actions, Centric Bank celebrated a clear season of growth. Our assets at year-end were $200.5 million, an increase of $39.7 million or 24.7%. This reflects the community's vote of confidence for our Chemistry of Banking. Helping businesses start, grow, make capital improvements, acquire new partners, invest in commercial real estate, and increase staff are the fundamentals of community banking.

"Working with Centric Bank has been a positive experience in every way. The Centric team has guided us through multiple loan originations, as well as money management options. They deliver excellent customer service and respond to our concerns immediately. The versatility they offer in deposit options has been a benefit to us, allowing us to find what worked best for our dental health practice. We enjoy and appreciate the one-on-one relationship, the friendly atmosphere, and the best-in-class banking experience Centric Bank and its team provides."

KRAMER, SHIRLEY AND DITTY LLC

Dental Health Practice

We believe that strong leadership defines an institution and one positive outcome from the economic turmoil was that strong leaders were revealed and weak leaders exposed. The qualified, loyal, and committed professionals on our team are Centric Bank's most valued asset. When combined with more than 300 years of business experience shared on our 12-person board, this competitive intelligence provides a powerful brain trust for our customers and partners.

Leading by example, Patti Husic is featured regularly in the media for her professional insights and financial expertise. Her opinion editorials appearing in *The Patriot-News*, the *Central Penn Business Journal*, *PA Banker* magazine, and comments in *The Wall Street Journal* herald her position as a banking authority at the community, state, and national levels.

In addition to guiding the bank's growth and broadening its circle of influence, the leadership established a deeper bricks and mortar footprint. We settled into our new headquarters in Lower Paxton, redesigned the Silver Spring location, and made plans to build a new West Shore financial center in Camp Hill.

We've proven our ability to proactively navigate the environment in the face of shifting financial sands; and our customers have rewarded our leadership with increased business and staunch loyalty, which resulted in our second major stock offering.

"Simply amazing best describes the efficient, helpful, professional service I have come to count on from my Centric Bank team.

I met Chief Lending Officer Jeff Myers in the midst of closing on my office space purchase. I was frustrated with the bank that was handling the closing. As a customer of this national bank for over 15 years, I assumed that I would receive top-notch service. But what I received was many layers of bureaucracy that threatened to make my transaction go up in smoke.

After I moved my banking business to Centric Bank, I closed on the property within three weeks, and I have never looked back! The bank's business team is an excellent resource. I have a solid team of advisers that were instrumental in the smooth start of my medical practice."

DR. CLAUDETTE JATTO

Owner, Jatto Internal Medicine & Wellness P.C.

SOUNDNESS: LENDING THROUGH RECOVERY

When other institutions shuttered loans and refused to lend, we became the foundation for business stability and a serious catalyst for growth. Through our increased consumer lending, we continue to pipe the region with new jobs and economic advancement.

Our boost to consumer and commercial lending emanates from sound banking principles. We continue to "make loans bigger banks pass up because [we] know the customers better. We know the cash cycles and the market they move in." (*The Wall Street Journal*, March 13-14, 2010). In most cases, Centric has made local loans up to 80% of a business loan request. How are we able to lend? We practice prudent business planning and cost management strategies to ensure financial viability and responsible growth for our customers and the community.

Daily we focus on understanding the business models of loan applicants, educating them on cash flow, and walking an appropriate and realistic risk-taking line that provides capital for goods and services. We offer a leg-up to those who meet our sound lending principles.

We funded $8.2 million in local loans to minority- and women-owned businesses in 2010 alone—engineering firms, law firms, physician's practices, marketing firms, cleaning services, computer services, and retail stores in Dauphin and Cumberland counties. These business owners are the foundation of our regional economy.

In addition to publishing *A Financial Partner for Women in Business* and distributing to women business owners in central Pennsylvania, Centric hosted an evening of "Insight and Repartée on Women, Business, and Financial Success" in September to more than 25 business women. New brochures highlighting Foundation and Non-Profit Banking and Construction Lending helped businesses clearly understand our service offerings. The inaugural edition of *Revolutions* Fall 2010, the bank's print newsletter, adds another dimension to our brand story and reinforces the message: We will meet your banking needs because *We Revolve Around You*.

"A long-standing relationship with someone like Bob McDonald gives me great confidence that our account will be viewed with knowledge and real understanding of our business and successes. I look for stable, long-term relationships founded on trust and value an honest, open relationship with my bank. In over 20 years of working with different commercial lenders, I can say that our experience with Bob and Centric Bank has been outstanding."

SEAN CONVILLE
President, Atlantic Tactical

PROFITABILITY: SOLUTIONS THROUGH RECOVERY

As market demands and consumer needs shift, we remain laser-focused on our clients and provide solutions for their financial needs: reduced fees, increased service points, easy access to decision makers, new and better lending opportunities, sensitivity to cash cycles, and digital and in-person banking experiences made easier and more efficient.

We offer more than capital for growing businesses; we provide a financial support system and advisory network that are tools for success and profitability.

Our personalized, one-on-one business loan guidance sets the tone for an unparalleled Chemistry of Banking—with one degree of separation between customer and financial decision maker.

As a community bank, we live, lend, and lead in the same neighborhoods as our customers. We understand our customers' clients and the buying cycles of their businesses. Banks as a rule are risk averse, and we take our due diligence seriously in understanding expected business outcomes. Bad loans are bad for everyone, especially the community.

The need for a trusted and trustworthy financial partner has never been more critical to personal, family, and business success. Our track record in our first three years of existence demonstrates that whatever your financial needs require, Centric Bank is the solution.

Our ability to make good loans and wise investments, when other institutions are unable or unwilling, is a fundamental strength. We've emerged from the banking crisis with a stronger hand to play.

We Revolve Around You has always been more than a tagline to us. From coffee sleeves in neighborhood coffee shops to our stained glass logo on the new Camp Hill Financial Center, we intend for your first impression to be confidence in our services.

Bringing neighborhood banking to Camp Hill with plans to expand to Hershey and Carlisle is part of our strategic vision. Our original premise of local people making local decisions and delivering a profit to shareholders is still our blueprint.

Our focus remains on building relationships in the local marketplace—one business, one person, one customer at a time.

"After 35 years with County Community Corrections, Probation and Parole, I founded Keystone Correctional Services Inc. in 2007 to create my own work-release programs.

I knew the potential, but convincing others was a major business challenge. I met with several banks that would not finance my program. Centric Bank was there to help me get started—everyone from Bank President and CEO Patti Husic to the tellers has been unbelievably supportive. It is such a pleasure to go to Centric Bank and meet a team who shares a real interest in my business.

With Centric on my side, my success is only confined by my own efforts, desires, and vision. Thanks to Centric Bank, I have surpassed even my own expectations of what is possible in private enterprise."

TERRY L. DAVIS

President/CEO, Keystone Correctional Services Inc.

OUR GREATEST ROI IS IN COMMUNITY INVESTMENTS

We do more than put our money on Main Street; we invest time and resources into many causes that create a better tomorrow for all of us. Our true measure of success is in the personal contacts we develop with you — the people in the neighborhoods where we work, live, and serve. Please say *Hello* when you see us in your neighborhood or at one of these events:

- Plein Air Camp Hill on Canvas
- Keystone Human Services
- Whitaker Center for Science and the Arts
- Camp Hill, Lemoyne, and Linglestown Baseball
- The Arc of Dauphin/Lebanon counties
- Leukemia and Lymphoma Society Summer Solstice and Light the Night Walk
- American Heart Association
- Harrisburg Regional and West Shore chambers of commerce
- Dress for Success
- Junior Achievement
- The Second Mile Celebration of Excellence
- Bishop McDevitt, Central Dauphin, Susquehanna Township, and Camp Hill school activities
- Big Brothers Big Sisters of the Capital Region
- Colonial Park Rotary
- Camp Hill Lunch Box Review

"My wife and I were introduced to Centric Bank by a medical colleague. We needed to finance the purchase of a medical arts building, along with some build out and equipment loans. The commercial lending team turned what could have been a painful process of twists and turns into a seamless, experience-guided journey. For that, we are most appreciative."

DR. MICHAEL BENNESE, DC & CHRISTINE BENNESE

Founder and Clinical Director, Synchrony ChiroCare

“When the lending environment began to tighten, Navarro & Wright was in the midst of landing several large energy and transportation projects and needed more operating capital to finance the work. After many months of trying to secure the financing with a national bank, we went to Centric Bank. They were very prompt in reviewing our request and provided us with a commitment letter in record time—with much more favorable terms. Just like we build relationships with our clients, we build a relationship with our bank. Having decision makers with local roots who understand our business and the communities we work in is a serious business advantage.”

PAUL J. NAVARRO, P.E.

President, Navarro & Wright Consulting Engineers Inc.

“Centric Bank genuinely appreciates their customers. Regardless of your company’s size, every effort is made to understand your unique business needs. Centric Bank’s brand of customer service is truly a rare commodity today.”

KIMBERLY CLEMENTS AND SUSANNE C. EHGARTNER

Johnson Imaging Systems Inc.

“Noticing Centric Bank’s active presence in the marketplace, I inquired if they could assist me in the construction and permanent financing for our LaQuinta Inn and Suites at Routes 81 and 39 in West Hanover Township. From our first meeting, I felt as if I was a long-time client. Everyone in the bank was very welcoming and very knowledgeable. The staff at each office is always eager to assist with whatever our financial needs may be.

I appreciated the level of detail and the interest in the project that Centric Bank showed. At each turn, the staff had prior working experience with the other professionals involved with the project—from the engineer, to the municipality, to the insurance agency. They listened to our vision and worked with us as we moved through the development process. We made the right selection for our banking needs and truly feel that we have a business partner in Centric Bank.”

NIRAJ R. PAREKH

President, VR Hospitality

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

As we have celebrated our third anniversary, Centric has also celebrated a number of successes. Milestones were reached in several key components of Centric's performance. 2010 continued to be tough worldwide; however, Centric has prospered in the face of a beleaguered economy. The components of Centric's DNA—management, employees, technology, and customers—are the basis of 2010's success.

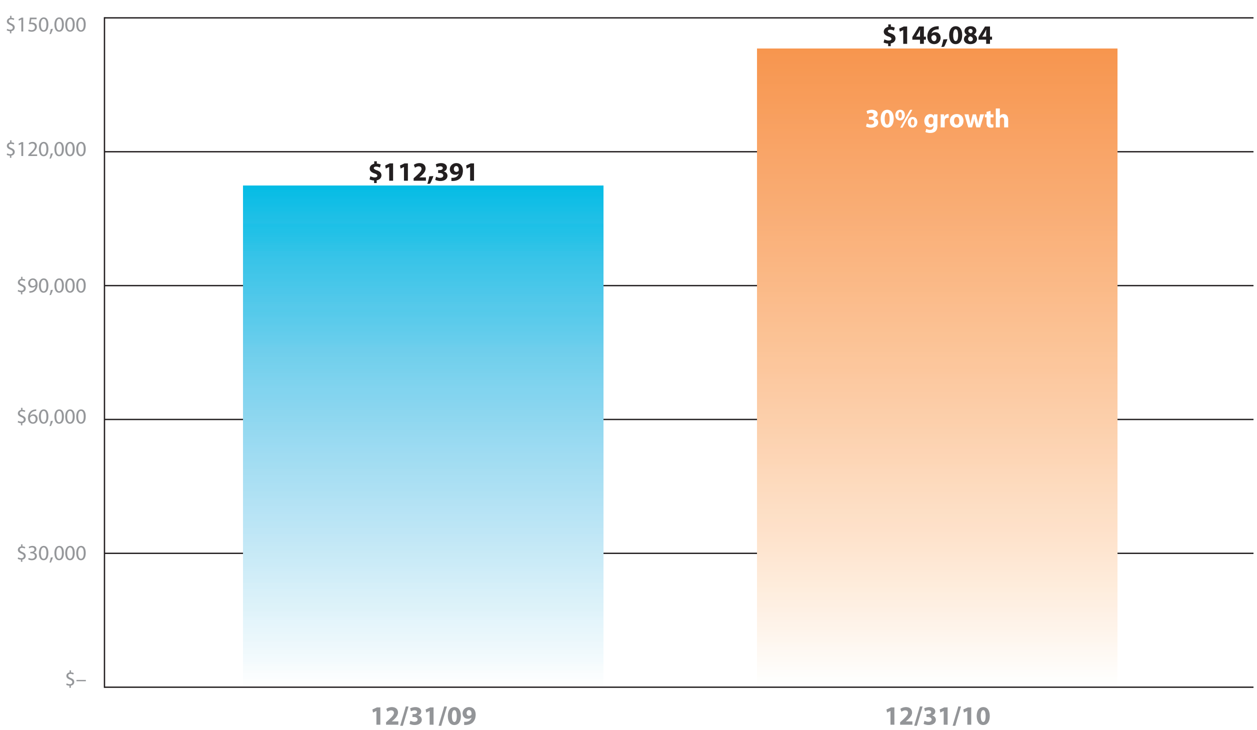
FINANCIAL POSITION

Loans

Centric Bank's primary earning asset is loans. As depicted in the following graph, loan growth was 30.0% during 2010.

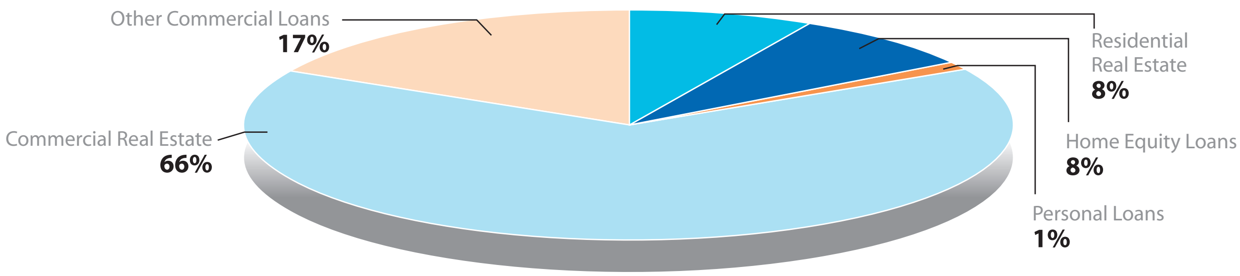
CENTRIC FINANCIAL CORPORATION TOTAL LOANS

(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 DECEMBER 31, 2010

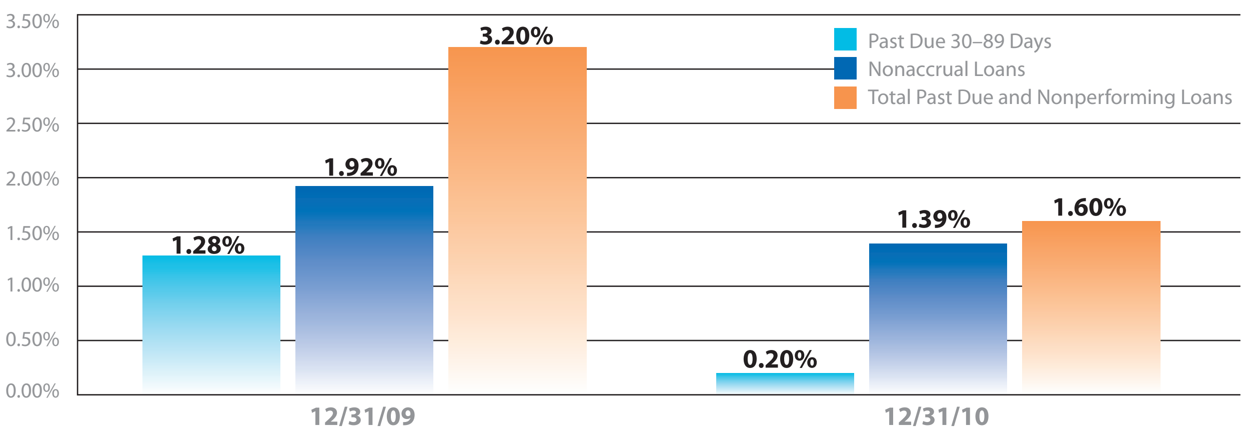


This focus on commercial lending has been coupled with prudent loan underwriting standards and enhanced relationship monitoring. This helps to ensure that loans being recorded are solid and that proactive efforts can be taken to address any potential credit deterioration identified in the loan portfolio.

Credit Quality

Prudent 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:

NONPERFORMING ASSETS AND PAST DUE LOANS AS A % OF TOTAL LOANS



Nonaccrual loans (included in nonperforming loans above) 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 90% of the loan portfolio at December 31, 2010 is now made up of loans that have been issued since the acquisition of the bank. The balances of loans issued prior to the acquisition of the bank have declined by $4.7 million in 2010 and $34.0 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 2010, the bank had net charge-offs of $227,000.

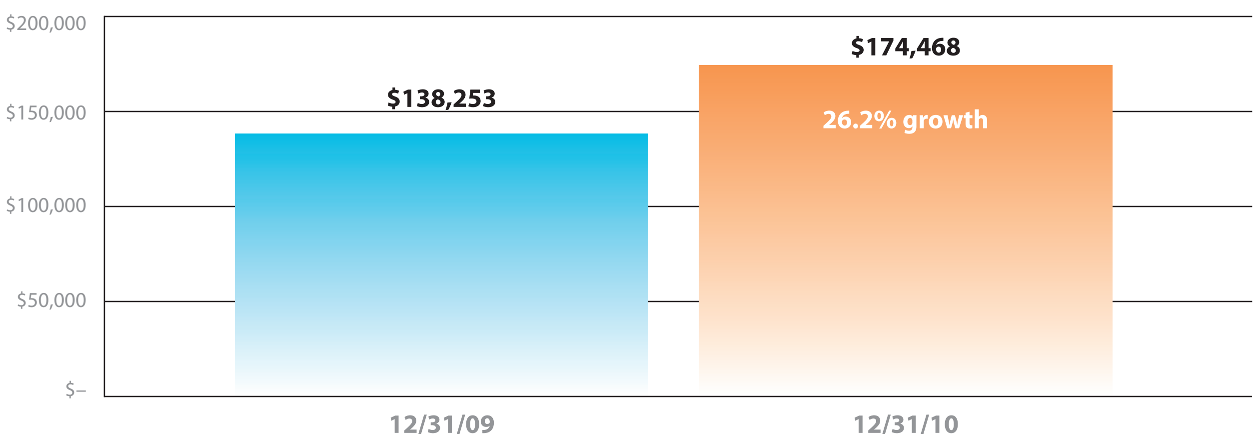
Investment Securities

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 used to secure public funds deposits as required by state law. These investments are an alternative to overnight Fed 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. The bank did not recognize any other-than-temporary impairment of the investment security portfolio in 2010.

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 its deposit pricing and that of its competitors. The following graph depicts the growth in total deposits.

CENTRIC FINANCIAL CORPORATION
DEPOSIT GROWTH



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.

Stockholders' Equity

Our stockholder equity continues to be in excess of minimum total capital levels required by regulatory authorities. Please see Note 12 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, 2010:

CENTRIC FINANCIAL CORPORATION
DISTRIBUTION OF ASSETS, LIABILITIES, AND STOCKHOLDERS' EQUITY
INTEREST RATES AND INTEREST DIFFERENTIAL

(amounts in thousands)

	Year Ended December 31, 2010		
	Average Balance	Interest	Rate
ASSETS:			
Deposits in other banks	$ 9,950	$ 106	1.06%
Federal funds sold	12,350	25	0.20%
Investment securities (1)	21,750	801	3.68%
Loans (2)	131,591	7,715	5.86%
Regulatory stock	504	–	0.00%
Total earning assets	176,145	8,647	4.91%
Allowance for loan losses	(1,536)		
Other nonearning assets	9,662		
Total assets	$184,271		
LIABILITIES and STOCKHOLDERS' EQUITY:			
Deposits:			
Interest-bearing demand	$ 57,831	$ 792	1.37%
Savings	22,517	333	1.48%
Time	65,518	1,790	2.73%
Total deposits	145,866	2,915	2.00%
Short-term borrowings	16	–	0.75%
Long-term borrowings	8,638	331	3.84%
Total interest-bearing liabilities	154,520	3,246	2.10%
Demand deposits	13,540		
Other liabilities	485		
Total Liabilities	168,545		
Stockholders' equity	15,726		
Total liabilities and stockholders' equity	$184,271		
Net Interest Income/Interest Rate Spread		$5,401	2.81%
Net Interest Margin			3.07%

NOTES

(1) Balances reflect amortized historical cost for available-for-sale securities. The related average unrealized 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 income of $17,000.

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. The Federal Reserve has made no change to short-term interest rates in 2010. The lack of action has continued the decline in overall market interest rates. The extended period of low rates has impacted the yield on Centric's earning assets. Largely offsetting this impact have been reductions 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 $684,000 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, interchange income on debit card transactions, servicing income on loans sold, and fee income on mortgages sold on the secondary market. 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 2010 are costs related to the hiring of additional lending and support staff. Additional lending staff was hired to allow Centric to expand its activities into residential mortgage generation.

Other operating costs also included $178,000 in advertising and marketing costs primarily related to continuing the bank's presence in our local market.

During 2010, total legal and professional fees amounted to $161,000. This included significant legal costs 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 2010 amounted to net income of $851,000. We are proud to present our first year of profitability and look forward to the future for continued benefits from 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 FDIC and the Pennsylvania Department of Banking.

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 (the "Company") and subsidiary as of December 31, 2010 and 2009, 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, 2010 and 2009, 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.

Need Signature

Wexford, Pennsylvania
March 30, 2011

CENTRIC FINANCIAL CORPORATION

CONSOLIDATED BALANCE SHEET

(amounts in thousands, except share data)

	December 31, 2010	December 31, 2009
ASSETS		
Cash and due from banks	$ 2,815	$ 1,359
Interest-bearing deposits in other banks	1,454	4,448
Federal funds sold	9,741	3,526
Cash and cash equivalents	14,010	9,333
Investment certificates of deposits	8,825	10,474
Securities available for sale	22,422	20,802
Securities held to maturity, fair value $1,198 and $1,261	1,052	1,261
Loans held for sale	270	–
Loans	147,896	113,746
Allowance for loan losses	(1,812)	(1,355)
Net Loans	146,084	112,391
Accrued interest receivable	475	426
Premises and equipment, net	4,210	3,046
Regulatory stock	506	497
Goodwill	492	493
Other intangible assets	43	57
Prepaid federal deposit insurance	562	834
Other assets	1,554	1,206
TOTAL ASSETS	**$200,505**	**$160,820**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest-bearing	13,128	10,425
Interest bearing	161,340	127,828
Total Deposits	174,468	138,253
Long-term debt	8,630	8,998
Accrued interest payable	153	183
Dividends payable	41	12
Other liabilities	292	283
Total Liabilities	**183,584**	**147,729**
Stockholders' Equity		
Preferred stock series A, $1.00 par; 1,000,000 shares authorized; 6,056 shares issued and outstanding in 2010 and 2009 (liquidation preference $1,000 per share)	5,912	5,875
Preferred stock series B, $1.00 par; 182 shares issued and outstanding in 2010 and 2009 (liquidation preference $1,000 per share)	182	182
Common stock, $1.00 par; 12,000,000 shares authorized; 2,640,233 and 1,985,853 Shares issued and outstanding in 2010 and 2009, respectively	2,640	1,986
Additional paid-in capital	12,975	9,791
Retained deficit	(4,572)	(4,383)
Accumulated other comprehensive loss	(216)	(360)
Total Stockholders' Equity	**16,921**	**13,091**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$200,505**	**$160,820**

See notes to consolidated financial statements.

CENTRIC FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

(amounts in thousands, except share data)

	Years Ended December 31, 2010	2009
INTEREST INCOME		
Interest and fees on loans	$ 7,715	$ 5,843
Interest and dividends on securities	801	823
Federal funds sold	25	22
Interest-bearing deposits in other banks	106	113
Total interest income	8,647	6,801
INTEREST EXPENSE		
Interest on deposits	2,915	2,949
Interest on long-term debt	331	364
Total interest expense	3,246	3,313
Net Interest Income	5,401	3,488
Provision for loan losses	684	1,296
Net interest income after provision for loan losses	4,717	2,192
NONINTEREST INCOME		
Service charges on deposit accounts	98	120
Other loan fees/servicing income	140	132
Net gain on securities	–	63
Total other-than-temporary impairment ("OTTI") losses	–	(1,257)
Non-credit portion of OTTI recognized in other comprehensive income	–	469
Net OTTI losses recognized in earnings	–	(788)
Other income	112	85
Total noninterest income	350	(388)
NONINTEREST EXPENSE		
Salaries and employee benefits	1,967	1,813
Occupancy and equipment	700	698
Legal and professional fees	161	262
Data processing	389	370
Advertising and marketing	178	161
Pennsylvania bank shares tax	110	94
Directors expense	94	87
Federal deposit insurance	296	351
Other expenses	568	549
Total noninterest expense	4,463	4,385
Income (loss) before income taxes (benefit)	604	(2,581)
Income tax expense (benefit)	(247)	394
Net income (loss)	851	(2,975)
Preferred stock dividends and discount accretion	(356)	(12)
Net income (loss) available to common shareholders	$ 495	$ (2,987)
PER SHARE DATA		
Basic earnings per share	$0.22	$(1.44)
Diluted earnings per share	$0.22	$(1.44)
Average shares outstanding (basic)	2,282,592	2,067,672
Average shares outstanding (diluted)	2,289,111	2,067,672

See notes to consolidated financial statements.

CENTRIC FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(amounts in thousands, except share data)	Preferred Stock Series A	Preferred Stock Series B	Common Stock	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2008	$ –	$ –	$ 623	$10,447	$ (830)	$ 3	$10,243
Comprehensive loss, net of tax and reclassification adjustments:							
Net loss					(2,975)		(2,975)
Net unrealized losses on investment securities						(363)	(363)
Total comprehensive loss							(3,338)
Stock-based compensation plans:							
Vesting of restricted stock			2	28			30
Compensation expense				24			24
Stock options and warrants exercised			6	88			94
Issuance of preferred stock (6,238 shares)	5,874	182		(7)			6,049
Net amortization/accretion on preferred stock	1				(1)		–
Preferred stock dividend					(11)		(11)
Common stock dividend, 5%			31	535	(566)		–
Common stock split, 3-for-1			1,324	(1,324)			–
Balance, December 31, 2009	5,875	182	1,986	9,791	(4,383)	(360)	13,091
Comprehensive income, net of tax:							
Net income					851		851
Net unrealized gains on investment securities						144	144
Total comprehensive income							995
Stock-based compensation plans:							
Vesting of restricted stock				8			8
Compensation expense				22			22
Net amortization/accretion on preferred stock	37				(37)		-
Preferred stock dividend					(319)		(319)
Common stock dividend, 5%			125	559	(684)		-
Issuance of common stock (528,655 shares)			529	2,595			3,124
Balance, December 31, 2010	$5,912	$182	$2,640	$12,975	$(4,572)	$(216)	$16,921

See notes to consolidated financial statements.

CENTRIC FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in thousands, except share data)

	Years Ended December 31, 2010	2009
Cash flows from operating activities		
Net income (loss)	$ 851	$(2,975)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Provision for loan losses	684	1,296
Depreciation and amortization	401	344
Stock-based compensation	30	52
Deferred income tax	(289)	399
Origination of loans held for sale	(270)	–
Increase in accrued interest receivable	(49)	(72)
Decrease in accrued interest payable	(30)	(157)
Investment securities gains	–	(63)
Security impairment losses realized in earnings	–	788
(Increase) decrease in prepaid federal depository insurance	272	(834)
Net (gain) loss on other real estate owned	15	(6)
Other, net	225	(621)
Net cash provided (used) by operating activities	1,840	(1,849)
Cash flows from investing activities		
Net (increase) decrease in investment CDs	1,649	(10,474)
Sales of available-for-sale securities	–	4,637
Maturities and principal paydowns of available-for-sale securities	8,911	5,365
Maturities and principal paydowns of held-to-maturity securities	323	524
Purchases of available-for-sale securities	(10,516)	(14,699)
Purchases of regulatory stock	(9)	(68)
Redemption of regulatory stock	–	322
Net increase in loans	(35,233)	(25,585)
Purchases of Bank premises and equipment	(1,472)	(491)
Proceeds from disposal of other real estate owned	483	129
Proceeds from disposal of Bank premises and equipment	16	9
Net cash used by investing activities	(35,848)	(40,331)
Cash flows from financing activities		
Net increase in deposits	36,207	33,466
Proceeds from long-term debt	2,000	–
Payments on long-term debt	(2,368)	–
Dividends paid – preferred stock	(278)	–
Proceeds from issuance of common stock	3,124	94
Net proceeds from issuance of preferred stock	–	6,049
Net cash provided by financing activities	38,685	39,609
Net increase (decrease) in cash and cash equivalents	4,677	(2,571)
Cash and cash equivalents at beginning of period	9,333	11,904
Cash and cash equivalents at end of period	$14,010	$ 9,333

Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 3,276	$ 3,470
Supplemental schedule of noncash investing and financing activities:		
Other real estate acquired in settlement of loans	884	29

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ▪ SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Centric Financial Corporation ("Centric" or "the Company") is a financial holding company that includes its wholly owned subsidiary, Centric Bank ("the Bank"). All intercompany transactions have been eliminated.

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. A third banking office will be opening during the first quarter of 2011 in the Camp Hill market.

Centric is subject to the regulation and supervision of the Pennsylvania Department of Banking and the FDIC.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. 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 less. 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 $1,272,000 and $1,085,000 at December 31, 2010 and 2009, respectively.

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.

Securities

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

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 intends 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 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.

NOTE 1 ▪ SIGNIFICANT ACCOUNTING POLICIES (continued)

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 uncollectable 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 acquired with deteriorated credit quality. Centric accounts 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. Centric records impaired loans at fair value and did not carry over valuation allowances in the initial accounting for loans acquired in a transfer, including loans acquired in a purchase business combination. 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 agreement, the Bank is required to own stock issued by Atlantic Central Bankers Bank. Because ownership and disposition is restricted, the shares lack a market for measuring fair value and are recorded at cost.

The Bank is also a member of the Federal Home Loan Bank ("FHLB") of Pittsburgh and, as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is bought from and sold to the FHLB based upon its $100 par value. The stock does not have a readily determinable fair value and, as such, is classified as restricted stock, carried at cost, and evaluated by management. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared with the capital stock amount and the length of time this situation has persisted; (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance; (c) the impact of legislative and regulatory changes on the customer base of the FHLB; and (d) the liquidity position of the FHLB.

NOTE 1 ▪ SIGNIFICANT ACCOUNTING POLICIES (continued)

The FHLB of Pittsburgh has incurred losses in the prior two years and has suspended the payment of dividends. The losses are primarily attributable to impairment of investment securities associated with the extreme economic conditions in place over the last two years. Management evaluated the stock and concluded that the stock was not impaired for the periods presented herein. More consideration was given to the long-term prospects for the FHLB as opposed to the recent stress caused by the extreme economic conditions the world is facing. Management also considered that the FHLB's regulatory capital ratios have increased from the prior year, liquidity appears adequate, and new shares of FHLB stock continue to exchange hands at the $100 par value.

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. There was no impairment of goodwill for 2010 and 2009.

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; $14,000 and $16,000 of amortization expense was recognized in 2010 and 2009, respectively. The unamortized balance was $43,000 and $57,000 at December 31, 2010 and 2009, respectively. Amortization expense will be $12,000, $10,000, $8,000, $6,000, $4,000, and $3,000 for years 2011, 2012, 2013, 2014, 2015, 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 $70,000 and $83,000 at December 31, 2010 and 2009, respectively. These assets are amortized based upon portfolio activity and subject to ongoing evaluation for any permanent impairment.

MPF portfolio fees earned amounted to $73,000 and $89,000 for 2010 and 2009, respectively. The MPF portfolio balance was $17,116,000 and $22,562,000 at December 31, 2010 and 2009, respectively. The FHLB maintains a first-loss position for the MPF portfolio that totals $267,000. Should the FHLB exhaust its first-loss position, recourse to the Bank's credit enhancement would be up to the next $688,000 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 $35,000 and $44,000 at December 31, 2010 and 2009, 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 nonvested restricted stock.

Options and warrants to purchase 100,976 shares of common stock, at a weighted-average price of $5.30 outstanding at December 31, 2010, and unvested restricted shares of 9,734 at a price of $5.44 at December 31, 2010, were included in dilutive earnings per share.

Options and warrants to purchase 85,226 shares of common stock, at a weighted-average price of $5.28, outstanding at December 31, 2009, and unvested restricted shares of 7,448 at a price of $5.44 at December 31, 2009, were not included in dilutive earnings per share because the Company recorded net losses during 2009.

NOTE 1 ■ SIGNIFICANT ACCOUNTING POLICIES (continued)

(in thousands, except per share data)

	2010	2009
Net income	$ 851	$ (2,975)
Preferred stock dividends and discount accretion	(356)	(12)
Net income	$495	$ (2,987)
Weighted-average number of shares outstanding (basic)	2,282,592	2,067,672
Effect of dilutive shares	6,519	–
Weighted-average number of shares outstanding (diluted)	2,289,111	2,067,672
Per share information:		
Basic earnings per share	$ 0.22	$ (1.44)
Diluted earnings per share	$ 0.22	$ (1.44)

The earnings-per-share calculations give retroactive effect to the three-for-one stock split in February 2010, as well as a 5 percent stock dividend declared on January 20, 2011, as discussed in Note 17.

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 2010, no stock options were exercised. 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

Centric recognizes revenue, expenses, gains, and losses 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) for the year ended December 31, 2010 and 2009, as follows (in thousands):

	2010	2009
Accretion of unrealized loss on securities transferred into held to maturity	$ 34	$ 34
Change in net unrealized gains on securities available for sale	105	(52)
Non-credit portion of OTTI	–	(469)
Accretion of non-credit portion of OTTI	79	–
Realized investment gains included in earnings	–	(63)
Net unrealized gains (losses) before taxes	218	(550)
Tax effect	(74)	187
Net change	$ 144	$(363)

The components of accumulated other comprehensive loss at December 31, 2010 and 2009, are as follows (in thousands):

	2010	2009
Net unrealized losses on securities available for sale	$162	$ 57
Unaccreted losses on securities transferred into held to maturity	(100)	(134)
Unaccreted noncredit portion of OTTI	(390)	(469)
Tax effect	112	186
Total accumulated other comprehensive loss	$(216)	$(360)

NOTE 2 ▪ INVESTMENT SECURITIES

The Consolidated 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, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency securities	$ 5,000	$ 17	$ (17)	$ 5,000
Mortgage-backed securities:				
Government issued or guaranteed	16,888	209	(60)	17,037
Privately issued residential	372	13	–	385
Total	$22,260	$239	$ (77)	$22,422

	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:				
Government issued or guaranteed	15,146	177	(104)	15,219
Privately issued residential	699	8	–	707
Total	$20,746	$190	$(134)	$20,802

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

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities:				
Privately issued residential	$1,052	$189	$(43)	$1,198

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

NOTE 2 ▪ INVESTMENT SECURITIES (continued)

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

	December 31, 2010					
	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	$ 2,483	$ (17)	$–	$–	$ 2,483	$ (17)
Mortgage-backed securities:						
Government issued or guaranteed	4,744	(60)	–	–	4,744	(60)
Privately issued residential	100	(43)	–	–	100	(43)
Total temporarily impaired securities	$ 7,327	$(120)	$–	$–	$ 7,327	$(120)

	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:						
Government issued or guaranteed	6,300	(104)	–	–	6,300	(104)
Total temporarily impaired securities	$10,214	$(134)	$–	$–	$10,214	$(134)

Securities with a fair value of $22,415,560 and $11,457,000 were pledged to collateralize bank deposits by Pennsylvania local governments, FHLB advances, and treasury tax and loan accounts as of December 31, 2010 and 2009, respectively.

The amortized cost and fair value of debt securities at December 31, 2010, by contractual maturity, are shown below (in thousands):

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 6,114	$ 6,177	$ –	$ –
Due after one year through five years	11,744	11,824	–	–
Due after five years through ten years	2,990	3,001	–	–
Due after ten years	1,412	1,420	1,052	1,198
Total investment securities	$22,260	$22,422	$1,052	$1,198

Securities are evaluated on an ongoing basis 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 noncredit 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.

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 other-than-temporary impairment ("OTTI") 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). Centric recorded credit-related impairment of $788,000 on three private-label mortgage-backed securities through earnings as of December 31, 2009. There has been no additional write-down on these three securities or any other securities for the year ended December 31, 2010. There were 15 securities that were temporarily impaired at December 31, 2010.

Changes in credit losses during 2010 and 2009 associated with investment securities for which other-than-temporary impairment losses have been previously recognized in both earnings and other comprehensive income follows (in thousands):

	Year Ended December 31	
	2010	2009
Estimated credit losses – beginning balance	$301	$ –
Additions for credit losses not previously recognized	–	301
Reductions for increases in cash flows	–	–
Reductions for realized losses	–	–
Estimated credit losses – ending balance	$301	$301

NOTE 2 ▪ INVESTMENT SECURITIES (continued)

There were no proceeds from sales of securities in 2010. Proceeds 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 in 2009.

NOTE 3 ▪ LOANS

The composition of loans, net of unamortized loan origination (fees) costs of $(32,000) and $20,000, at December 31, 2010 and 2009, are as follows (in thousands):

	2010	2009
Commercial, financial, and agricultural	$ 22,498	$ 15,441
Real estate – Commercial	70,648	55,399
Real estate – Construction	8,585	8,155
Real estate – Mortgage	44,740	32,784
Consumer	1,423	1,836
Finance leases	2	131
Total Loans	147,896	113,746
Allowance for loan losses	(1,812)	(1,355)
Net Loans	$146,084	$112,391

The Bank had $270,000 of loans held for sale on its balance sheet at December 31, 2010. There were no loans held for sale at the end of 2009.

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

	2010	2009
Loans 90 Days or more past due		
Commercial, financial, and agricultural	$1,007	$ 263
Real estate	940	1,789
Consumer	118	129
Total	$2,065	$2,181
Nonaccrual loans	$2,065	$2,181
Interest income that would have been accrued at original contract rates	143	145
Amount recognized as interest income	–	–
Foregone revenue	$ 143	$ 145

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

	2010	2009
Loans with a related allowance for loan losses	$1,051	$ 61
Loans written down to fair value at acquisition of bank	200	416
Loans without a related allowance for loan losses	160	2,252
Total outstanding balance at year-end	1,411	$2,729
Related allowance for loan losses	$ 94	$ 12
Average outstanding balance of impaired loans for the year	1,181	3,116
Interest income recognized on impaired loans	70	176

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.

Loans acquired with deteriorated credit quality had outstanding contractual balances of $332,000 and $549,000 and carrying amounts of $200,000 and $416,000 as of December 31, 2010 and 2009, respectively.

NOTE 4 ▪ ALLOWANCE FOR LOAN LOSSES

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

	2010	2009
Balance at beginning of period	$1,355	$1,139
Provision for loan losses	684	1,296
Charged-off loans	(230)	(1,088)
Recoveries of charged-off loans	3	8
Balance at end of period	$1,812	$1,355

NOTE 5 ▪ PREMISES AND EQUIPMENT

Ongoing additions to premises and equipment are recorded at cost. Occupancy and equipment expense includes depreciation expense of $298,000 and $302,000, respectively, for the years ending 2010 and 2009. Depreciation expense was 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, three to 10 years.

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

	2010	2009
Land	$1,351	$ 445
Buildings and improvements	1,111	610
Leasehold improvements	1,473	1,468
Furniture, fixtures, and equipment	1,035	990
Subtotal	4,970	3,513
Less: accumulated depreciation	(760)	(467)
Premises and equipment – net	$4,210	$3,046

Lease expense amounted to $165,000 for 2010 and $163,000 for 2009. Future minimum lease payments are as follows:

Due in the Year Ending December 31,	
2011	$ 134
2012	134
2013	161
2014	173
2015	178
Thereafter	413
	$1,193

Commitments payable related to the building of the Camp Hill branch, slated to be opened in the first quarter of 2011, amounted to $605,000, which will be paid and capitalized as construction is completed. Commitments payable related to new software amounted to $15,000 at December 31, 2010.

NOTE 6 ▪ DEPOSITS

Centric's deposits at December 31 were comprised of (in thousands):

	2010	2009
Demand, non-interest-bearing	$ 13,128	$ 10,425
Demand, interest-bearing	47,573	26,101
Savings	21,676	24,388
Money market	20,138	14,483
Time deposits	71,953	62,856
	$174,468	$138,253

Scheduled maturities of time deposits are (in thousands):

	2010	2009
Within one year	$38,213	$39,793
One to two years	23,839	16,822
Two to three years	9,089	1,321
Three to four years	492	4,510
Four to five years	320	410
	$71,953	$62,856

Time deposits in denominations of $100,000 or greater totaled $30,945,000 for 2010 and $25,552,000 for 2009.

NOTE 7 ▪ LONG-TERM DEBT

As one avenue for funding growth, the Bank is approved by the FHLB for borrowings of up to $71,749,000. At year-end, $6,130,000 was outstanding. Additional borrowing capacity for FHLB borrowings was $65,619,000 at year-end.

FHLB borrowings are secured by pledged investment securities.

The following table presents information regarding outstanding borrowings (in thousands):

	2010	2009
Advances from FHLB		
Fixed rate	$6,130	$6,498
Other	2,500	2,500
	$8,630	$8,998

Long-term fixed rate advances from the FHLB had contractual interest rates that ranged from 1.11 percent to 3.76 percent at December 31, 2010, and from 2.39 percent to 3.76 percent at December 31, 2009. The weighted-average contractual interest rates were 2.75 percent at December 31, 2010, and 3.12 percent at December 31, 2009. Advances from the FHLB mature at dates ranging from January 2011 through March 2012 and are secured by investment securities.

Other borrowings included in the above table have a stated rate and weighted-average rate of 6.25 percent, maturing in 2013.

Maturities of long-term debt at December 31, 2010, consisted of the following (in thousands):

	Amount	Weighted-Average Rate
2011	$4,000,000	2.44%
2012	2,130,000	3.34
2013	2,500,000	6.25
	$8,630,000	3.76%

NOTE 8 ▪ STOCK PLANS AND 401K

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 each of the years ended December 31, 2010 and 2009, expense attributable to the plan amounted to $9,000, and is included in salaries and employee benefits.

Stock Options and Warrants

The Company has a Stock Incentive Plan (the "Plan") that includes directors and other designated employees. The Plan covers 240,000 shares of common stock. Shares available for grant at December 31, 2010 were 138,255.

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, 2010, consisted of the following:

	Options	Weighted-Average Exercise Price
Outstanding at the beginning of the year	85,226	$5.28
Granted	15,750	5.44
Exercised	–	–
Forfeited	–	–
Outstanding at the end of the year	100,976	$5.30
Exercisable at December 31	75,485	$5.26

NOTE 8 ▪ STOCK PLANS AND 401K (continued)

At December 31, 2010, the aggregate intrinsic value of all options and warrants outstanding and exercisable were approximately $42,000 and $35,000, respectively. The weighted-average remaining life of outstanding and exercisable options and warrants is 7.74 and 7.42 years, respectively. No options were exercised during 2010. The aggregate intrinsic value of the options and warrants exercised during 2009 was $9,000.

For the years ended December 31, 2010 and 2009, stock option compensation expense of $22,000 and $24,000 was recognized in connection with the option plan, respectively. Tax benefits of $8,000 were recognized relative to these stock options. At December 31, 2010, future compensation expense related to nonvested stock option grants is expected to be recognized as $15,000, $10,000, and $1,000 in 2011, 2012, and 2013, respectively.

Common stock warrants were issued in 2006, to certain directors to purchase an aggregate share of common stock pursuant to the warrant grant. At December 31, 2010, 26,579 shares were outstanding and exercisable related to these warrants, with a weighted-average exercise price of $4.91. There were 6,496 shares exercised during 2009. There were no shares exercised during 2010.

During 2010, the Company also granted one warrant to each of the directors of the Company. Each warrant represents 31,500 shares for a total of 315,000 shares, all of which vest only upon a change in control of the Company. During 2010 none of these warrants vested, and the Company recorded no compensation expense associated with this grant.

The fair value of the options granted during the years ended December 31, 2010 and 2009, were calculated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Exercise Price	Dividend Yield	Expected Volatility	Expected Life (Yrs)	Risk Free Interest Rate	Value Black Scholes
Non-employee director stock plans						
2010	**$5.44**	**0.00%**	**14.42%**	**5**	**2.37%**	**1.00**
2009	5.44	0.00	14.40	6.0	2.93	1.23
Employee stock plans						
2010	**$5.44**	**0.00%**	**14.42%**	**6.5**	**2.89%**	**1.28**
2009	5.44	0.00	14.40	6.5	3.13	1.32

Restricted Stock

Under the Plan, the Company awarded 15,180 restricted shares to non-employee directors and executive officers subject to vesting and other provisions. At December 31, 2010, 5,446 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 the beginning of the year	7,448	$5.44
Granted	2,286	5.44
Vested	–	–
Cancelled	–	–
Non-vested shares at the end of the year	9,734	$5.44

Future compensation expense related to non-vested restricted stock at December 31, 2010, is expected to be recognized at $26,000, $18,000, and $1,000 in 2011, 2012, and 2013, respectively.

NOTE 9 ▪ INCOME TAXES

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

	2010	2009
Currently payable	$ 42	$ (5)
Deferred taxes	225	(866)
Valuation allowance against deferred tax asset	(514)	1,265
	$(247)	$ 394

NOTE 9 ▪ INCOME TAXES (continued)

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

	2010	2009
Deferred tax assets:		
Allowance for loan losses	$ 616	$ 461
Impairment losses on securities	245	268
Stock incentive expense	16	22
Uncollected interest	88	66
Unrealized losses on securities available for sale	111	185
Net operating loss carryforward	432	749
Other	16	23
Gross deferred tax assets	1,524	1,774
Deferred tax valuation allowance	(751)	(1,265)
Total Deferred Tax Assets	773	509
Deferred tax liabilities:		
Goodwill and core deposit intangible	30	22
Prepaid expenses	111	71
Loan origination costs	157	118
Premises and equipment	58	90
Other	27	23
Total Deferred Tax Liabilities	383	324
Net Deferred Tax Assets	$ 390	$ 185

The Company represents an entity that has been in existence since February 8, 2007, and has accumulated a net operating loss since its inception. As such, in 2009, management established a valuation allowance of $1,265,000 for its deferred tax assets, primarily the accumulated future tax benefits attributed to the operating loss carryforward and loan loss provisions, since it was more likely than not that realization of these deferred assets would not be fully supported at that time. At December 31, 2010, the Bank has available a net operating loss carryforward of $1,267,000 for federal income tax purposes. If unused, the carryforwards will expire in 2028 and 2029. The Company has continued to hold a valuation allowance against these assets at December 31, 2010.

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):

	2010	2009
Computed statutory tax benefit	$ 205	$ (878)
Valuation allowance	(514)	1,265
Other, net	62	7
	$(247)	$ 394

The Company utilizes 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.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statement of Income. With few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2007.

NOTE 10 ▪ RELATED PARTY TRANSACTIONS

Centric 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, 2010, loans to related parties were $6,635,000 and deposits by related parties totaled $3,429,136. At December 31, 2009, loans to related parties were $7,002,000 and deposits by related parties totaled $2,613,000.

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

	2010	2009
Balance at the beginning of the period	$7,002	$8,016
Additions	1,475	1,446
Reductions	1,842	2,460
Balance at end of period	$6,635	$7,002

All of Centric's directors are customers of the Bank. Centric shareholders number approximately 170 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 2010, related party transactions include $82,000 of purchases and $18,000 in revenue; in 2009, there were $43,000 of purchases and $18,000 in revenue.

The Company has 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 Company 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 by Centric's banking subsidiary. 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):

	2010	2009
Commitment to grant loans	$ 4,581	$ 3,683
Unfunded commitments under lines of credit	22,790	18,634
Standby letters of credit	733	440
Total Unfunded Credit Commitments	$28,104	$22,757

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 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 2010 associated with financial instruments with off-balance sheet risk.

NOTE 12 ▪ REGULATORY MATTERS

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. The Company 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 Company must meet specific capital guidelines that involve quantitative measures of Centric's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Centric'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 Company 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.

	December 31, 2010					
	Actual		For Capital Adequacy Purposes		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)						
Company	$18,438	12.27%	$12,022	8.00%	$ N/A	N/A
Bank	19,988	13.34%	11,987	8.00%	14,984	10.00%
Tier 1 capital (to risk-weighted assets)						
Company	16,595	11.05%	6,007	4.00%	N/A	N/A
Bank	18,145	12.11%	5,993	4.00%	8,990	6.00%
Tier 1 capital (to total assets)						
Company	16,595	8.28%	8,017	4.00%	N/A	N/A
Bank	18,145	9.09%	7,985	4.00%	9,981	5.00%

	December 31, 2009					
	Actual		For Capital Adequacy Purposes		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)						
Company	$14,276	11.54%	$9,897	8.00%	$ N/A	N/A
Bank	15,345	12.44%	9,868	8.00%	12,335	10.00%
Tier 1 capital (to risk-weighted assets)						
Company	12,894	10.43%	4,945	4.00%	N/A	N/A
Bank	13,963	11.32%	4,934	4.00%	7,401	6.00%
Tier 1 capital (to total assets)						
Company	12,894	7.99%	6,455	4.00%	N/A	N/A
Bank	13,963	8.66%	6,449	4.00%	8,064	5.00%

Dividends are generally restricted by federal banking laws based upon regulatorily defined profit. The Company does not intend to declare dividends for the foreseeable future.

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.

NOTE 13 ▪ FAIR VALUE MEASUREMENTS (continued)

The following table presents the assets reported on the Consolidated Balance Sheet at their fair value as of December 31, 2010 and 2009, 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, 2010			
	Level I	**Level II**	**Level III**	**Total**
Assets:				
Fair value measured on a recurring basis:				
U.S. government agency securities	$–	$ 5,000	$–	$ 5,000
Mortgage-backed securities	–	17,422	–	17,422
Fair value measured on a non-recurring basis:				
Other real estate owned	–	510	–	510
Impaired loans	–	1,449	–	1,449

(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

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):

	2010		2009	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets:				
Cash and cash equivalents	$ 14,010	$ 14,010	$ 9,333	$ 9,333
Certificates of deposit	8,825	8,825	10,474	10,474
Securities available for sale	22,422	22,422	20,802	20,802
Securities held to maturity	1,052	1,198	1,261	1,261
Net loans	146,084	152,790	112,391	116,521
Loans held for sale	270	270	-	-
Regulatory stock	506	506	497	497
Mortgage servicing rights and credit enhancement fees receivable	105	136	127	177
Accrued interest receivable	475	475	426	426
Financial liabilities:				
Deposits	$174,468	$175,630	$138,253	$140,942
Other borrowings	8,630	8,683	8,998	9,874
Accrued interest payable	153	153	183	183

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.

NOTE 14 ▪ FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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 pays 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 9 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 ▪ COMMON STOCK

February 18, 2010, the Board of Directors approved a three-for-one stock split to shareholders of record as of February 28, 2010, which increased common share by 1,323,902 on March 8, 2010. Authorized shares were increased 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.

NOTE 16 ▪ COMMON STOCK (continued)

On April 15, 2010, Centric Financial Corporation commenced a private offering of up to 6,000,000 shares of $1.00 par value common stock to accredited investors at a cost of $6.00 per share. As a result of this offering, the Company issued 528,655 shares of common stock, of which the proceeds of $3,172,000 were netted against costs of $48,000, for a net increase in stockholders' equity of $3,124,000.

Accompanying the purchase of common shares during the offering was a warrant to purchase an equal amount of common shares at $6.50 per share exercisable in the future. The value of these warrants have been measured utilizing the Black-Scholes model as of the date of the issuance of the warrant. Due to the higher purchase price of the shares under this warrant over the current price of Centric's stock, and the lack of volatility in Centric's stock price, there was no expense associated with these instruments, nor any impact in diluted earnings per share.

NOTE 17 ▪ SUBSEQUENT EVENTS

In January 2011, the Board of Directors approved a 5 percent stock dividend to shareholders of record as of March 31, 2011, with a payment date of April 30, 2011. All per share information included herein has been retroactively adjusted, including earnings per share for the years ended December 31, 2010 and 2009.

Management has reviewed events occurring through March 30, 2011, the date the financial statements were issued, and no subsequent events have occurred requiring accrual or disclosure.

BOARD OF DIRECTORS

Standing left to right

- Robert V. Gothier Sr., CEO, RVG Management & Development Company
- Steven P. Dayton, Retired, Founder and Former CEO, CODI Inc.
- Frank A. Conte, Partner, Conte Browne Group LLC
- Dr. Jeffrey W. Keiser, Partner & President, Forest Hills Dental Associates, P.C.
- R. Luke Rohrbaugh, Retired, Director–Investments, Wells Fargo Advisors
- Fred M. Essis, President & CEO, Essis & Sons Carpet One
- Thomas H. Flowers, Certified Public Accountant, Flowers & Flowers, CPA
- Kerry A. Pae, Secretary of the Board, President & Owner, Kerry Pae Auctioneers Inc.
- Renee J. Connor, Owner, Renee J. Connor Consulting

Seated left to right

- Donald E. Enders Jr., Chairman of the Board, President, Colonial Park Realty Company, Enders Insurance Associates
- Patricia A. Husic, President & CEO, Centric Financial Corporation and Centric Bank
- John A. Maher, CPA, Vice Chairman of the Board, Member, Pennsylvania House of Representatives

2010 PRESIDENT'S CUP AWARD

Michael J. Meck, VP, Commercial Lending, receives the distinguished President's Cup Award for the inaugural year of 2010. The President's Cup will be awarded annually to the Centric Team Member who demonstrates exceptional customer service and business development achievements in that year, to include new loan and deposit originations, non-interest and fee income generation, and relationship building for customers. Mike led the bank in commercial lending relationships, securing more than $19 million to power businesses forward in 2010.

SENIOR MANAGEMENT TEAM

Standing left to right

- Sheri L. Brown, SVP, Chief Credit Officer
- Jamie L. Nelson, SVP, Chief Retail Officer
- Shane E. McNaughton, SVP, Management Information Systems
- Sandra L. J. Schultz, SVP, Chief Financial Officer

Seated left to right

- Jeffrey W. Myers, EVP, Chief Lending Officer
- Patricia A. Husic, President & CEO

LENDING TEAM

Standing left to right

- Peggy J. Elder, VP, Loan Operations & Compliance
- Michael J. Meck, VP, Commercial Lending
- Patricia A. Husic, President & CEO
- Sheri L. Brown, SVP, Chief Credit Officer

Seated left to right

- Robert E. McDonald, VP, Commercial Lending
- Jeffrey W. Myers, EVP, Chief Lending Officer

RETAIL TEAM

Left to right

- Jamie L. Nelson, SVP, Chief Retail Officer
- Veronica L. Rodgers, Community Office Manager Silver Spring Financial Center
- Miriam Glavina, Community Office Manager Lower Paxton Financial Center
- Vickie L. Broughton, AVP, Community Office Manager Camp Hill Financial Center

CENTRIC FINANCIAL CENTERS

Please visit us online or in person at our three financial centers. You can also call us toll-free during normal business hours at **1-888-274-2033**. For convenient online banking, please visit us at **www.centricbank.com**. Experience 24-hour telephone banking at **1-888-274-9973**.

LOWER PAXTON FINANCIAL CENTER

4320 Linglestown Road
Harrisburg, PA 17112
(717) 657-7727
Fax (717) 657-7748

Hours

M – Th 8:30 a.m. to 5 p.m.
F 8:30 a.m. to 6 p.m.
Sat 8:30 a.m. to 12 Noon

SILVER SPRING FINANCIAL CENTER

6480 Carlisle Pike
Mechanicsburg, PA 17050
(717) 591-1360
Fax (717) 591-1363

Hours

M – Th 8:30 a.m. to 5 p.m.
F 8:30 a.m. to 6 p.m.
Sat 8:30 a.m. to 12 Noon

CAMP HILL FINANCIAL CENTER

1625 Market Street
Camp Hill, PA 17011
(717) 730-2816
Fax (717) 730-2813

Hours

M – Th 8:30 a.m. to 5 p.m.
F 8:30 a.m. to 6 p.m.
Sat 8:30 a.m. to 12 Noon

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 personalized 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 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) 657-7748 • WWW.CENTRICBANK.COM