CENTRIC FINANCIAL CORPORATION

ANNUAL REPORT | 2016

2016

SHATTERING EXPECTATIONS. BREAKTHROUGH BANKING.

We never take our eyes off small business owners, because we understand how critical they are to the fabric of our economies. Small business is BIG at Centric Bank, and in many ways we have become their voice.

Centric Financial Corporation Annual Report 2016

CENTRIC FINANCIAL CORPORATION: FINANCIAL REPORT 2016

SHATTERING EXPECTATIONS. BREAKTHROUGH BANKING.

DONALD E. ENDERS, JR.
Chairman of the Board

PATRICIA A. HUSIC
President & CEO

TO OUR SHAREHOLDERS, CUSTOMERS, AND FRIENDS:

As we look ahead to our tenth year of service, we are deeply inspired by the talented, curious, entrepreneurial-minded people who define Centric Financial Corporation. We are 96 employees strong—an almost magical benchmark to the original four people who invested our savings in February 2007. We invested in an idea, we invested in each other, and we have become a magnet for high-performing talent both in recruitment and among the people we serve.

Most financial institutions offer competitive loan rates, checking account perks, mobile banking, and remote deposit. At Centric Bank, we further define ourselves with local decision making, and one-to-one solution discovery and execution. But the real reason we're thriving is our people. *Harvard Business Review* says more important than skillful allocation of capital—and even technology—is a "workforce that can generate good ideas and translate them into successful new products, services, and businesses."

Today, we have grown to $482 million in assets with four financial centers, two loan production offices, and our Doctor Centric Bank concierge banking subsidiary—all serving Central Pennsylvania, Suburban Philadelphia, the Lehigh Valley, and Western New Jersey. And we've received national recognition for breakthrough banking successes. ***By nearly every measure, we are shattering expectations!***

Our continued focus is on supporting, financing, and scaling small businesses—the boundary-pushers who are critical to community economies. Small business is BIG to Centric Bank, and we have become the trusted lender to executives and entrepreneurs who are poised to bring their boldest ideas to market. We believe the most powerful path to job growth is to unleash capital to the job creators!

The year 2016 was a summit year for Centric Financial Corporation. We were named one of five Top Teams in *American Banker's* 25 Most Powerful Women in Banking, an exclamation point to our intentional advancement of high-achieving women, and a Best Places to Work in Pennsylvania for the third time.

Centric Financial Corporation reported annual results for 2016 of $3,042,000 in net income after tax, a 66% increase or $1,205,000 over 2015. Earnings per share were $0.48, an increase of $0.06 or 14% over year-end 2015. Centric's return on assets increased to 0.71%, an increase of 29% over the previous year, and return on average equity ended 2016 at 8.50%, increasing 8% over the year ended 2015. The largest increase in interest income resulted from commercial real estate interest income, which increased by $2.7 million or 29% over the prior year. Commercial and Industrial interest income produced a $1.6 million increase, or 77% over the prior year.

Net interest margin increased from 3.48% to 3.71% in 2016, or a 7% increase from 2015; while cost of deposits was reduced to .64%, a decrease of 9% from 2015. The yield on earning assets was 4.40%, an increase of 5% over 2015; the efficiency ratio improved by 9% and decreased to 66.7% at the end of 2016.

The provision for loan loss expense during 2016 totaled $1,650,000 and increased $974,000 over 2015, or 144%. This increase in provision for loan loss directly correlates with the total loan growth and increase in loans outstanding at year-end. According to our loan loss reserve calculation, our provision adequately reflects the risk inherent in our loan portfolio.

A Summit Year

Today, we have grown to $482 million in assets with four financial centers, two loan production offices, and Doctor Centric Bank, our concierge banking subsidiary—all serving Central Pennsylvania, Suburban Philadelphia, Lehigh Valley, and Western New Jersey. *By nearly every measure, we are shattering expectations!*

Centric Bank also experienced significant growth in non-interest income, increasing $1.5 million or 69% over the prior year-end and finished 2016 at $3.8 million before tax. Small Business Administration (SBA) loan sales and mortgage income were the most significant contributors to non-interest income in 2016. Non-interest expenses increased 28% or $2.8 million. The largest increase was in salary and benefits expense stemming from a full year of operations at the Suburban Philadelphia loan production office, as well as the newly launched Lancaster loan production office. The bank also invested in additional talent in sales and business development, as well as enhanced infrastructure in credit, loan and deposit operations, and IT.

Total assets increased by $109 million to $482 million or 29% over the prior year-end. Gross loan originations for 2016 totaled $175 million, the largest year in our nine-year history, with loans to small business, real estate investors and developers, and individuals in our communities. The net loan growth and impact to our balance sheet was $111 million, or 36% over the year ended 2015, and ended 2016 at $422 million. Asset quality during this period of robust growth remains pristine, supported by credit quality metrics, loan delinquencies less than 90 days at .23%, and non-performing assets at 0.48% of total assets. In order to fund our loan demand, community deposits grew to $420 million, increasing $109 million or 35% over year-end 2015. Non-interest bearing deposits remained a significant portion of total deposits reflecting 14% of total at year-end.

Lending where we live remains the centerpiece of our mission. We understand the life-changing opportunities an SBA loan affords. Our lenders are immersed in the fabric and culture of the communities we serve and know that access to financing is the number one challenge facing small business owners nationwide. As champions of the SBA's 'Smart, Bold, and Accessible' vision, we are proud to ensure SBA loans are available to anyone, anywhere, regardless of social, educational, or financial status. In 2016, we were recognized as a Top 100 SBA (7a) Lender.

In an innovative partnership with the Harrisburg Young Professionals, the bank founded the Millennial Advisory Board to tap into the insights and expectations of a new generation of customers and bank employees. We are committed to eliminating resource challenges, sharing financial knowledge, and advancing growth opportunities. At year-end, we formalized a 2017 initiative titled *Women Centric: Prepared to Lead*.

Sending a powerful message of our commitment to board diversity, we welcomed Nicole Stezar Kaylor to our board. In every session, we expect diversity of thought to protect against group think and organizational stagnancy. Our pledge to you is that Centric Bank will stay competitive and relevant by providing our customers with valuable information and breakthrough banking relationships.

If past is prologue, our future is bright indeed! Thank you for your trust, loyalty, and investment in Centric Financial Corporation.

Sincerely,

Donald E. Enders, Jr.
Chairman of the Board

Patricia A. Husic
President & CEO

Leading with Purpose in Community Finance

Our regional and national achievements this year have swelled to a crescendo—shattering expectations and inspiring a breakthrough year! From top national awards to another Best Places to Work in Pennsylvania recognition, these milestones illustrate what success looks like, the impact it has on our communities, and what the future holds for a community bank that promises to grow, give back, and stay anchored in the communities it serves.

"Over the past ten years, more than 25% of U.S. community banks have been sold. They could not survive the turbulence. And for the first time ever, we have fewer than 6,000 banks in the United States. Centric Bank was born with an entrepreneurial spirit, adept at managing uncertainty, and driven to seek new opportunities," says Patti Husic, President & CEO. Staying relevant, foreseeing market disruptions and preparing for them, and expanding services to small business owners are core principles that continue to strengthen Centric Bank's market position.

"We exceeded nearly every goal outlined in our strategic plan for loans, deposits, assets, income, efficiency ratio, and non-interest income. Ranked #1 out of 111 banks in the SBA's Eastern District—an area that includes 40 out of 67 Pennsylvania counties—and recognized as a Top 100 SBA (7a) Lender in the U.S., Centric Bank has provided $38.5 million in approved loans to small business," says Husic. These numbers illustrate a prosperous path to the American dream.

"Last year, we were looking for a new and aggressive financial institution that was committed to fulfilling the needs of our growing company. We were introduced to Mike Watson at Centric Bank who explained all the programs we needed to be competitive in today's market. Mike and the whole Centric team provide unparalleled services at a moment's notice. I would certainly recommend Centric Bank to anyone looking for a financial institution that cares about their plans," says Sandra L. Miller, CEO, Osage Piping and Fabricating, Inc.

Grateful to earn the "trusted lender" reputation by our entrepreneurial, executive, medical professional, Millennial, and startup clients, Centric Bank is honored to be their fuel to grow and scale.

Our mission has a far-reaching economic consequence. We believe the most powerful route to a healthy economy and job growth is to unleash capital to the job creators. The future of healthy communities depends on jobs. Every day for the last nine years, the Centric Bank team has invested time, resources, data, intellectual capital, and personal passion to provide stability and opportunities for prosperity to the men and women on Main Street, and together we see breakthrough success.

Centric Financial Corporation and Centric Bank welcomed Nicole Stezar Kaylor to the board of directors reaffirming our commitment to succession and diversity of thought, as well as gender and age parity. Her legal background and work with financial institutions in the M&A world delivers strong corporate governance experience.

Our passion for small business owners combined with our capital resources energizes communities and puts people to work. At Centric Bank, we believe that's an incredibly worthwhile and rewarding mission.

As Snyder, Secary & Associates LLC enters its tenth year in business in 2017, we recognize Centric Bank as a committed, long-term financial partner who has been instrumental in the success of our civil engineering consulting business. From providing initial business planning guidance and start-up capital to ongoing business support banking, Centric Bank has been a trusted advisor. They continue to exceed our expectations on service, convenience, and professionalism. Thank you and congratulations to the leadership team for your vision, growth, and success in the community banking marketplace. We look forward to continuing our long and rewarding relationship.

JAMES E. SNYDER, PE, PRINCIPAL, MANAGING PARTNER &
RONALD M. SECARY, PE, PRINCIPAL, PARTNER
Snyder, Secary & Associates LLC

When people ask me why Centric Bank, I tell them the SBA process was truly seamless and the speed at which the Centric team moved from my initial contact in early April to closing on the loan July 11 is just unheard of. Centric's understanding of the SBA lending process is a rare find, and combined with their responsiveness, it was an incredibly smooth and painless experience. After the initial meeting with Andrea Ahern, Terry Monteverde, and Michele Light, I knew this was the right bank for us based on their understanding of our business, our documentation, and the SBA process.

JODY CORDARO, PRESIDENT
SCE Environmental Group, Inc.

Breakthrough Bankers: The Heart and Soul of Centric Bank's Growth

Passion, drive, collaboration, trust, loyalty, motivation, purpose—our team personifies these traits, and they have inspired us to new achievements. Centric Bank's people are the heart and soul of our goal-shattering growth. We have hired with intention to build a culture of inclusion, innovation, and freedom for associates to expand their talents and do great work. As we reached 96 employees, they fostered personal relationships that produced a 36% increase in organic loan growth and an 85% surge in commercial loan growth.

The business development teams, the mortgage lenders, the executive leadership team, and the branch management team are nurturing legacy clients. Companies who seek a partner, not just a bank. "We work closely with our commercial lenders to ensure our business customers are well-informed about our residential product suite. One large corporation moved their business accounts to us, and the CEO was thrilled to easily access a residential mortgage and receive the same personalized service and immediate response as he does with his business accounts. We focus on people, not the account size. We truly become business and personal banking partners," says Getty Wilson, Mortgage Team Leader.

These relationships have enabled Centric to close 100% of their SBA-approved loans. With increased fee income, access to capital, and small business optimism, Centric Bank is priming small business owners to catch a long-awaited growth wave.

As M&As consume smaller banks and multi-billion dollar institutions leave small business behind, Centric continues to expand its footprint deeper into Southeastern Philadelphia and Lancaster County with its loan production offices.

In November, Centric Bank formed an innovative partnership with Harrisburg Young Professionals (HYP) to tap into the insights and expectations of a new generation of customers and employees. About 15% of the bank's employees are Millennials and that number is expected to double by 2020.

"Excellent customer service invites a two-way conversation with our audiences. We are not relying on statistics alone or third-party market studies. We want our primary source to be the potential customers who represent our demographic. We're anxious to learn more about their needs, and we're willing to make immediate changes based on these discoveries," says Husic, who was the keynote speaker at the Harrisburg Young Professionals Annual Meeting.

Committed to financial health, we partnered with SCORE in 2016 to offer free small business workshops in Central Pennsylvania, as well as provided a series of *Centric Connections* for executive women in Bucks County and the mid-state. Believing that a healthy team is a strong team, we also launched an employee wellness program featuring health education, heart-healthy recipes, and group fitness.

Centric Bank has been a key partner to the sustained growth of my firm. Their personal attention to both my financial needs and ultimate success has been nothing short of stellar.

BILL CROMEDY, PRESIDENT | Cromedy Construction Corporation, Inc.

Engaging with Community: Investing in Tomorrow

Gaining national exposure and media attention from *American Banker's* Top Teams Award and Patti Husic's ascension to #17 on the 25 Most Powerful Women in U.S. Banking list, the team continues to develop valuable brand currency. When the CEO appears on *WITF Smart Talk* to discuss small business finance, leads a Leadership Harrisburg panel, or chairs the American Heart Association Go Red Campaign, she personifies corporate responsibility and community passion. Sandie Schultz, CFO, was recognized as a finalist in the *Central Penn Business Journal's* CFO of the Year Award, and she and Patti Husic were recognized nationally as one of only 13 female CEO/CFO bank leaders in the country.

Growing healthy communities requires investments in non-profits and organizations that meet the financial, social, educational, health care, and artistic needs of the region. In addition to EITC donations, you'll see our lenders and team leaders wearing Centric blue running in 5Ks, collecting pet food and supplies for the Humane Society, packing Christmas gifts for The Salvation Army, donating blood for the Central PA Blood Bank, and marching in Memorial Day and Christmas parades. We are teaching children through Junior Achievement, sponsoring India Day and Community Fairs, supporting Go Red and the American Heart Association, sharing heart healthy stories on the Centric Red Couch, as well as participating in The Salvation Army's WIN Women Involved and Shoe Strut. The Camp Hill Lion Foundation, Dauphin County Library, Healthy Steps Diaper Bank, PA Breast Cancer Coalition, and the Central PA Food Bank continue to be stewardship opportunities for us, too.

With more than 1.8 billion people on Facebook, our 1,280 Centric Bank fans tell us it's the most popular channel for customers to receive news and find product and service offerings. Customers can connect with us on the channels of their choice—Facebook, Instagram, Twitter, and LinkedIn. Our social content tells the stories of our economic impact, our community investments, and our customers' social endorsements. Patti Husic's thought leadership on Twitter and on banking panels has positioned her and the bank as nationally recognized "Difference Makers" on social media.

Together, we promise to continue shattering expectations in service, loans, growth, diversity, and community support to develop an even more prosperous small business environment.

When an opportunity came up to purchase my own animal hospital, I first went to the bank where I'd been a customer for 14 years. I went through the process of preparing my documents and a business plan, but they were uninterested in helping me. I had heard of Centric Bank through acquaintances and from my first meeting with Cory Bishop over coffee, he understood what I wanted to do and knew how to help me get there. Cory and the Centric Bank team believed in me and made my dream come true.

UGUR SALLI, DVM
Valley Animal Hospital LLC

At Pierson, we have always valued relationship banking. When our locally owned bank was recently acquired, many of the team members that were supporting us moved on. We were then left with 800 numbers and banking personnel that did not know our business. After talking to other business owners, as well as having several positive interactions with the management team at Centric Bank, our team decided to make a change. We are beyond thrilled at the level of customer service, the knowledge of (and desire to know) our business, and the flexibility to deliver banking and financing options that allow us to grow. We recently needed a short-term line of credit increase; this was requested, approved, and processed within hours. Centric's courier service allows our staff to avoid bank runs, and their remote deposit options do as well. We are happy to be part of the Centric Bank family.

DEBRA A. PIERSON, PRESIDENT & CEO | Pierson

My wife and I cannot thank Doctor Centric Bank enough! The bank's team, with their local decision-making and easy accessibility, helped navigate us through our practice acquisition process. Doctor Centric Bank was there for us every step of the way as we worked through the challenges of purchasing the real estate and practice that we've helped build over the past 15 years. Doctor Centric Bank understands the banking and financing needs of health care providers, which makes them stand out from their competitors. Centric's customer service is first-class!

DRS. SCOTT AND MARY COLMAN
The Colman Center, PC (dba The Hetrick Center)

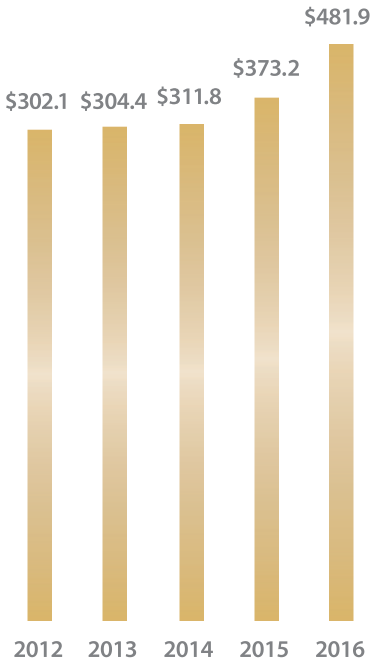
Enhancing Our Social Currency

In 2016, Instagram was added to the marketing communications arsenal and expresses the visual impressions of our brand. Developing social currency and engaging with the next generation of customers bridges the divide between digital and real-world experiences. The value of a heart-felt Facebook review from a Doctor Centric Bank customer, or a tweet thanking our CEO for her advocacy, leadership, and mentoring will not appear on the Centric Bank P&L statement, but it does form a powerful and positive digital tattoo on Page 1 of Google Search.

We recently closed on a mortgage loan through Centric Bank and were extremely pleased with the process. When we found out we would be moving our family across the state, we were at a loss on who to trust with financing a new home. Getty Wilson and Centric Bank were highly recommended by our builder. Centric Bank's amazing staff made the process so easy and stress free. They were extremely knowledgeable, understanding, and helpful throughout the entire process. We highly recommend Centric Bank to anyone looking for a trusted financial institution.

SCOTT AND HEIDI FRANK
Harrisburg, PA

TOTAL ASSETS IN MILLIONS

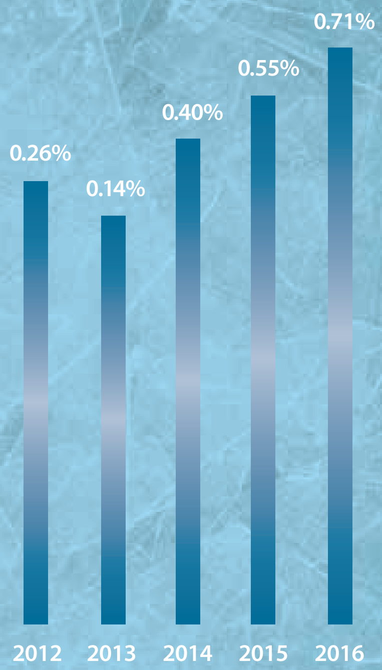


NET INCOME PER SHARE

Breakthrough Banking

(Dollars in thousands, except per share data)	**2016**	2015
FOR THE YEARS ENDED DECEMBER 31		
Interest income	**$ 18,079**	$ 13,451
Interest expense	**2,848**	2,247
Net interest income	**15,231**	11,204
Provision for loan loss	**(1,650)**	(676)
Noninterest income	**3,774**	2,234
Noninterest expenses	**12,922**	10,103
Net income before tax	**4,433**	2,659
Income tax expense	**1,391**	822
Net income	**3,042**	1,837
AT YEAR END		
Assets	**481,863**	373,232
Loans	**426,545**	314,244
Deposits	**420,008**	310,918
Stockholders' equity	**37,671**	34,359
PER SHARE DATA		
Net income - basic	**$ 0.48**	$ 0.42
Net income - diluted	**$ 0.48**	$ 0.42
Book value at year-end	**$ 5.94**	$ 5.45
PERFORMANCE STATISTICS		
Return on average assets	**0.71%**	0.55%
Return on average equity	**8.50%**	7.84%
Equity/assets at year-end	**7.82%**	9.21%

RETURN ON AVERAGE ASSETS



RETURN ON AVERAGE EQUITY

Milestones 2016

#1	SBA lender in Eastern District
100	Top 100 SBA (7a) lender in the U.S.
15%	of Centric Bank employees are Millennials
$482	Million in assets
3	Times named a Best Places to Work in PA
4	Times named a Top 50 Fastest Growing Companies in PA
13	One of 13 U.S. bank executive teams with a female CEO/CFO
#17	CEO Patti Husic ascended to #17 on *American Banker's* Most Powerful Women in Banking in the U.S.
96	Employees in the Centric Bank family
2	Financial Centers serving Cumberland County, the fastest-growing county in PA
5	Centric Bank ranked as 1 of 5 Top Teams by *American Banker's* Most Powerful Women in Banking in the U.S.
36%	Organic loan growth
50+	Community investments including American Heart Association, Four Diamonds, Central PA Blood Bank, Salvation Army, United Way, Lion Foundation, YWCA
66%	Net income after taxes increase
69%	Growth in non-interest income

Net Income
after taxes increase

Serving, Sharing, Connecting

The Power of Media

The Centric Bank story is well-positioned with earned, owned, and paid media. “We continue to harness the power of the Fourth Estate–traditional media and information flow–and are engaged with the Fifth Estate–citizen journalists, bloggers, and digital content creators. We’re committed to reaching our customers on the screens of their choice,” says Patti Husic.

Our Words Are Far Reaching

Our "Making a Difference" segment broadcast on CBS21 News garnered an audience reach of 46,600!

INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS
CENTRIC FINANCIAL CORPORATION
HARRISBURG, PENNSYLVANIA

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Centric Financial Corporation and subsidiaries which comprise the consolidated balance sheet as of December 31, 2016 and 2015; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Centric Financial Corporation and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

S.R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
February 23, 2017

CONSOLIDATED BALANCE SHEET

(in thousands, except share data)	December 31, 2016	December 31, 2015
ASSETS		
Cash and due from banks	$ 19,927	$ 3,855
Interest-bearing deposits in other banks	1,979	1,064
Federal funds sold	2,821	15,394
Cash and cash equivalents	24,727	20,313
Investments in certificates of deposits	999	2,999
Securities available for sale	9,615	15,715
Securities held to maturity, fair value of $6,774 and $7,301	6,039	6,419
Loans	426,545	314,244
Less: allowance for loan losses	4,512	3,274
Net loans	422,033	310,970
Loans held for sale	693	896
Accrued interest receivable	1,152	842
Premises and equipment, net	6,806	7,114
Regulatory stock	1,230	1,162
Cash surrender value life insurance	3,856	3,141
Goodwill	492	492
Other assets	4,221	3,169
TOTAL ASSETS	**$ 481,863**	**$ 373,232**
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 59,277	$ 53,628
Interest-bearing	360,731	257,290
Total deposits	420,008	310,918
Short-term borrowings	13,000	15,500
Long-term debt	9,373	11,202
Accrued interest payable	138	105
Other liabilities	1,673	1,148
Total Liabilities	**444,192**	**338,873**
STOCKHOLDERS' EQUITY		
Common stock, $1.00 par; 12,000,000 shares authorized; 6,338,490 and 6,306,262 shares issued and outstanding in 2016 and 2015, respectively	6,338	6,306
Additional paid-in capital	28,104	27,947
Retained earnings	3,435	393
Accumulated other comprehensive loss	(206)	(287)
Total Stockholders' Equity	**37,671**	**34,359**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 481,863**	**$ 373,232**

CONSOLIDATED STATEMENT OF INCOME

(in thousands, except share and per share data)	Year Ended December 31, 2016	2015
INTEREST INCOME		
Interest and fees on loans	$ 17,382	$ 12,861
Interest and dividends on securities	581	519
Interest-bearing deposits in other banks	28	26
Federal funds sold	88	45
Total interest income	18,079	13,451
INTEREST EXPENSE		
Interest on deposits	2,285	2,089
Interest on borrowings	563	158
Total interest expense	2,848	2,247
Net interest income	15,231	11,204
Provision for loan losses	1,650	676
Net interest income after provision for loan losses	13,581	10,528
NONINTEREST INCOME		
Service charges on deposit accounts	203	176
Other loan fees and servicing income	408	273
Net gain on sale of loans	2,825	1,495
Loss on sale of other real estate owned	(52)	(62)
Net loss on sale of securities	-	(1)
Total other-than-temporary impairment ("OTTI") losses	(95)	-
Non-credit portion of OTTI recognized in other comprehensive income	56	-
Net OTTI losses recognized in earnings	(39)	-
Other income	429	353
Total noninterest income	3,774	2,234
NONINTEREST EXPENSE		
Salaries and employee benefits	7,561	5,643
Occupancy and equipment	1,462	1,303
Legal and professional fees	295	392
Data processing	745	600
Advertising and marketing	362	327
Shares and capital stock tax	345	237
Directors expense	149	106
Federal deposit insurance	274	324
Other expenses	1,729	1,171
Total noninterest expense	12,922	10,103
Income before income tax expense	4,433	2,659
Income tax expense	1,391	822
NET INCOME	**3,042**	**1,837**
Preferred stock dividends	-	(75)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	**$ 3,042**	**$ 1,762**
PER SHARE DATA		
Basic earnings per share	$ 0.48	$ 0.42
Diluted earnings per share	$ 0.48	$ 0.42
Average shares outstanding (basic)	6,300,705	4,232,733
Average shares outstanding (diluted)	6,331,316	4,244,155

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands)	December 31, 2016	2015
NET INCOME	$ 3,042	$ 1,837
Other comprehensive income:		
Unrealized holding gains on available-for-sale securities	62	188
Tax effect	(21)	(64)
Reclassification adjustment for losses recognized in income	-	1
Tax effect	-	-
Accretion of discount on securities transferred to held to maturity	38	37
Tax Effect	(13)	(13)
Accretion of non-credit OTTI on held-to-maturity securities	(16)	20
Tax effect	5	(7)
OTTI losses recognized in earnings	39	-
Tax effect	(13)	-
Total other comprehensive income	81	162
COMPREHENSIVE INCOME	**$ 3,123**	**$ 1,999**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except share data)	Preferred Stock Series C	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2014	$ 7,492	$ 3,688	$ 17,631	$ (1,369)	$ (449)	$ 26,993
Net income				1,837		1,837
Other comprehensive income					162	162
Stock-based compensation plans:						
Vesting of restricted stock (2,300 shares)		2	(2)			-
Restricted stock - compensation expense			8			8
Stock options - compensation expense			4			4
Issuance of Employee Stock Purchase Plan (4,117 shares)		4	17			21
Redemption of preferred stock	(7,492)					(7,492)
Preferred stock dividend				(75)		(75)
Issuance of common stock (2,612,132 shares)		2,612	10,289			12,901
Balance, December 31, 2015	-	6,306	27,947	393	(287)	34,359
Net income				3,042		3,042
Other comprehensive income					81	81
Stock-based compensation plans:						
Vesting of restricted stock (2,000 shares)		2	(2)			-
Restricted stock - compensation expense			31			31
Stock options - compensation expense			7			7
Stock options exercised (2,648 shares)		3	13			16
Warrants exercised (26,580 shares)		26	104			130
Issuance of common stock (1,000 shares)		1	4			5
Balance, December 31, 2016	**$ -**	**$ 6,338**	**$ 28,104**	**$ 3,435**	**$ (206)**	**$ 37,671**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	Years Ended December 31, 2016	2015
Cash flows from operating activities		
Net income	$ 3,042	$ 1,837
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,650	676
Depreciation and amortization	782	556
Stock-based compensation	38	12
Deferred income tax benefit	(468)	(227)
Loans originated for sale	(55,756)	(28,818)
Proceeds from sale of loans	58,784	29,946
Net gain on sale of loans	(2,825)	(1,495)
Increase in accrued interest receivable	(310)	(201)
Increase in accrued interest payable	33	37
Earnings on cash surrender value of life insurance	(115)	(99)
Net loss on sale of securities	-	1
Net OTTI losses recognized in earnings	39	-
Net loss on sale of assets	52	62
Other, net	(545)	(99)
Net cash provided by operating activities	4,401	2,188
Cash flows from investing activities		
Net decrease of investment certificates of deposits	2,000	1,496
Sales of available-for-sale securities	-	3,492
Maturities and principal pay downs of available-for-sale securities	6,125	5,243
Maturities and principal pay downs of held-to-maturity securities	396	90
Purchases of held-to-maturity securities	-	(3,000)
Purchases of regulatory stock	(2,208)	(2,104)
Redemption of regulatory stock	2,140	1,582
Net increase in loans	(112,989)	(60,971)
Purchases of bank premises and equipment	(172)	(381)
Proceeds from disposal of other real estate owned	409	42
Purchase of bank-owned life insurance	(600)	-
Net cash used for investing activities	(104,899)	(54,511)
Cash flows from financing activities		
Net increase in deposits	109,090	34,913
Net increase (decrease) in short-term borrowings	(2,500)	15,500
Proceeds from long-term debt	-	6,000
Payments on long-term debt	(1,829)	(2,727)
Dividends paid - preferred stock	-	(75)
Stock options and warrants exercised	146	-
Net proceeds from issuance of common stock	5	12,922
Net payments from redemption of preferred stock	-	(7,492)
Net cash provided by financing activities	104,912	59,041
Net increase in cash and cash equivalents	4,414	6,718
Cash and cash equivalents at beginning of period	20,313	13,595
Cash and cash equivalents at end of period	**$ 24,727**	**$ 20,313**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (*cont.*)

(in thousands)	Years Ended December 31, 2016	2015
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 2,815	$ 2,210
Income taxes	1,680	825
Supplemental schedule of noncash investing and financing activities:		
Other real estate acquired in settlement of loans	100	212
Other real estate transferred to other assets	635	-

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 which includes its wholly owned subsidiary, Centric Bank (the "Bank").

The Bank comprises most of Centric's ongoing operations. The Bank offers customers a range of deposit, loan, and other services typical of community banks through four full service offices in south central Pennsylvania, and two loan production offices in Bucks and Lancaster County, as well as online banking channels. The Bank's principal source of revenue is interest income generated from the portfolio of commercial and residential real estate loans, commercial loans and consumer loans, income from the generation and subsequent sale of loans, as well as interest income generated from the investment portfolio.

Centric is subject to regulation and supervision of the Pennsylvania Department of Banking and the Federal Deposit Insurance Corporation ("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 impaired loans, allowances for loan and other credit losses, other-than-temporary impairment evaluations of securities, evaluation of goodwill impairment, deferred tax valuation, and fair value of financial instruments.

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 with original maturities of 90 days or less include cash, balances due from banks, interest-bearing demand deposits in other banks, and federal funds sold. Federal funds sold are generally for one day periods. The Bank has been required to maintain average balances with the Federal Reserve Bank. The Bank is engaged in a deposit reclassification program that evaluates the unused balance of transaction accounts. The unused portion is then reclassified as a non-transaction account for regulatory reporting only. This allows the Bank to reclaim the balances held at the Federal Reserve Bank for investment or operating use. The Federal Reserve Bank of Philadelphia approved the use of this program for Centric Bank. The required minimum balance was $508,000 and $268,000 at December 31, 2016 and 2015, respectively.

Credit Risk Concentrations
As a community bank, most of the Bank's loans and credit commitments are comprised of Pennsylvania customers, primarily individuals and entities situated in Dauphin, Cumberland and Bucks counties. During April 2016 the Bank opened a loan production office in Lancaster, Pennsylvania, linking the Bank's previous market areas. Because of the Bank's concentration of business in these market areas, the Company's financial condition and results of operations depend on the general economic conditions in its immediate geographic region.

Note 1 | Significant Accounting Policies (*continued*)

Securities
Investment securities are 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 Income.

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.

The Bank engages in lease financing for commercial customers to purchase equipment or vehicles. Leases are stated at their outstanding unpaid principal balances, net of any deferred costs, residual receivable and unearned income. 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.

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

Note 1 | Significant Accounting Policies (*continued*)

Allowance for Loan Losses

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

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

The allowance consists of specific and general components. The specific component relates to loans that are classified as Substandard or Special Mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the original 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 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 a valuation allowance 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 letter of credit, is included in other liabilities.

Regulatory Stock

Under membership agreement, the Bank is required to own stock issued by Atlantic Community Bankers Bank. Because ownership and disposition is restricted, the shares lack a market for measuring fair value and are recorded at cost.

Note 1 | Significant Accounting Policies (*continued*)

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, which varies with the level of advances and letters of credit 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 to 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. Management evaluated the stock and concluded that the stock was not impaired for the periods presented herein.

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. The Company utilizes a two-step process for testing the impairment of goodwill on at least an annual basis. For federal tax purposes, goodwill is amortized on a straight-line basis over 15 years. There was no impairment of goodwill as of December 31, 2016 or 2015.

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 amortized using an accelerated method with an estimated useful life of ten years. Amortization expense of $2,000 and $4,000 was recognized in 2016 and 2015, respectively. The unamortized balance was $2,000 at December 31, 2015 and fully amortized at December 31, 2016.

Mortgage Servicing Rights and Credit Enhancement Fees

The Bank previously 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 continues to service 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. 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. Servicing rights for the MPF loans were fully amortized in 2014. MPF portfolio fees earned amounted to $9,000 and $13,000 during 2016 and 2015. The MPF portfolio balance was $2,115,000 and $2,948,000 at December 31, 2016 and 2015, respectively. The FHLB maintains a first-loss position for the MPF portfolio that totals $312,000. Should the FHLB exhaust its first-loss position, recourse to the Bank's credit enhancement would cover the next $21,000 of losses. The Bank has not experienced any losses for the MPF portfolio. There were no credit enhancement fees receivable, net of an estimated liability, at December 31, 2016 or 2015.

The Bank sells the guaranteed portion of Small Business Administration (SBA) approved loans. The loans are serviced by the Bank and generate corresponding mortgage servicing rights. The portfolio balance of loans generating mortgage servicing rights was $43,249,000 and $15,717,000 at December 31, 2016 and 2015, respectively. The mortgage servicing rights balance at December 31, 2016 and 2015 and the activity that occurred during the year consisted of the following:

(in thousands)	2016	2015
Beginning balance	$ 391	$ -
New mortgage servicing rights	667	391
Amortization of mortgage servicing rights	(63)	-
Ending balance	$ 995	$ 391

Note 1 | Significant Accounting Policies (*continued*)

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 and Marketing Costs

The Bank charges advertising costs to expense as incurred.

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by Centric relate to outstanding stock options and warrants and non-vested restricted stock.

Options and warrants to purchase 5,958 and 72,335 shares of common stock, at a weighted-average price of $9.00 and $5.70, outstanding at December 31, 2016 and 2015, respectively; and unvested restricted shares of 3,688 and 556 at December 31, 2016 and 2015, at a weighted-average price of $7.61 and $6.00, respectively, were not included in dilutive earnings per share because the result would be anti-dilutive.

(in thousands, except per share data)		2016		2015
Net income	$	3,042	$	1,837
Preferred stock dividends		-		(75)
Net income available to common shareholders	$	3,042	$	1,762
Weighted average number of shares outstanding (basic)		6,300,705		4,232,733
Effect of dilutive securities		30,611		11,422
Weighted average number of shares outstanding (diluted)		6,331,316		4,244,155
Per share information:				
Basic earnings per share	$	0.48	$	0.42
Diluted earnings per share	$	0.48	$	0.42

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) as an increase or deduction from income tax expense. During 2016, $15,000 in stock options with a tax benefit of $5,000, and $131,000 in warrants with a $3,000 tax benefit, were exercised, respectively. No stock options or warrants were exercised in 2015.

Note 1 | Significant Accounting Policies (*continued*)

Accumulated Other Comprehensive Loss

Centric recognizes revenue, expenses, gains, and losses in net income. 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 Consolidated Balance Sheet.

Such items are included as components of accumulated other comprehensive loss, as follows, net of taxes:

(in thousands)	2016			2015		
	Unrealized Gains and Losses on Available-for-Sale Securities	Unrealized Gains and Losses on Held-to-Maturity Securities	Total	Unrealized Gains and Losses on Available-for-Sale Securities	Unrealized Gains and Losses on Held-to-Maturity Securities	Total
Beginning balance	$ (144)	$ (143)	$ (287)	$ (269)	$ (180)	$ (449)
Other comprehensive income before reclassifications	41	14	55	124	37	161
Amounts reclassified from accumulated other comprehensive loss	-	26	26	1	-	1
Net current-period other comprehensive income	41	40	81	125	37	162
Ending balance	$ (103)	$ (103)	$ (206)	$ (144)	$ (143)	$ (287)

The following illustrates amounts reclassified out of each component of accumulated other comprehensive loss.

(in thousands) Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss 2016	2015	Affected Line Item in the Consolidated Statement of Income
Sale of available for sale securities	$ -	$ (1)	Net (loss) on sale of securities
Tax effect	-	-	Income tax expense
	-	(1)	
Other-than-temporary impairment losses on held to maturity securities	(39)	-	Net OTTI losses recognized in earnings
Tax effect	13	-	Income tax expense
	(26)	-	
Total reclassification for the period	$ (26)	$ (1)	

The Consolidated Balance Sheet presents "available-for-sale" securities at fair value. Corresponding unrealized gains and losses do not affect net income but are recorded in accumulated other comprehensive loss, net of related deferred income taxes.

Note 2 | Investment Securities

A summary of securities available for sale is as follows:

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	December 31, 2016			
U.S. government agency securities	$ 3,000	$ 1	$ (15)	$ 2,986
Government sponsored mortgage-backed securities	6,772	8	(151)	6,629
Total	$ 9,772	$ 9	$ (166)	$ 9,615
	December 31, 2015			
U.S. government agency securities	$ 7,671	$ -	$ (90)	$ 7,581
Government sponsored mortgage-backed securities	8,263	14	(143)	8,134
Total	$ 15,934	$ 14	$ (233)	$ 15,715

A summary of securities held to maturity is as follows:

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	December 31, 2016			
Municipal securities	$ 2,487	$ 94	$ (6)	$ 2,581
Other debt securities	3,000	641	-	3,641
Private collateralized mortgage obligations	552	-	-	552
	$ 6,039	$ 735	$ (6)	$ 6,774
	December 31, 2015			
Municipal securities	$ 2,755	$ 113	$ -	$ 2,868
Other debt securities	3,000	781	-	3,781
Private collateralized mortgage obligations	664	4	(16)	652
	$ 6,419	$ 898	$ (16)	$ 7,301

Securities with a fair value of $9,596,000 and $15,711,000 were pledged to collateralize bank deposits by Pennsylvania local governments, FHLB advances, and the discount window as of December 31, 2016 and 2015, respectively.

No securities were sold during 2016. During 2015, the Bank sold seven securities totaling $3,492,000 resulting in gross gains of $3,000 and gross losses of $4,000.

The amortized cost and fair value of debt securities owned at December 31, 2016, 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	$ 500	$ 501	$ -	$ -
Due after one year through five years	2,500	2,485	240	240
Due after five years through ten years	3,630	3,562	4,332	4,991
Due after ten years	3,142	3,067	1,467	1,543
Total investment securities	$ 9,772	$ 9,615	$ 6,039	$ 6,774

Note 2 | Investment Securities (*continued*)

A summary of securities which were in an unrealized loss position is as follows:

	Less than 12 Months		12 Months or Greater		Total	
(in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			December 31, 2016			
U.S. government agency securities	$ 2,485	$ (15)	$ -	$ -	$ 2,485	$ (15)
Government sponsored mortgage-backed securities	4,731	(111)	1,121	(40)	5,852	(151)
Municipal securities	413	(6)	-	-	413	(6)
Total temporarily impaired securities	$ 7,629	$ (132)	$ 1,121	$ (40)	$ 8,750	$ (172)
			December 31, 2015			
U.S. government agency securities	$ 2,160	$ (12)	$ 5,421	$ (78)	$ 7,581	$ (90)
Government sponsored mortgage-backed securities	2,286	(24)	4,706	(119)	6,992	(143)
Private collateralized mortgage obligations	-	-	358	(16)	358	(16)
Total temporarily impaired securities	$ 4,446	$ (36)	$ 10,485	$ (213)	$ 14,931	$ (249)

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 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. Centric recorded credit-related impairment of $39,000 on two private collateralized mortgage obligations through earnings as of December 31, 2016. For the years ended December 31, 2015, Centric did not record any credit-related impairment. There were 32 securities that were temporarily impaired at December 31, 2016.

Note 2 | Investment Securities (*continued*)

Changes in credit losses during 2016 and 2015 associated with investment securities for which other-than temporary impairment losses have been previously recognized in both earnings and other comprehensive income follows:

	Year Ended December 31,	
(in thousands)	2016	2015
Estimated credit losses - beginning balance	$ 413	$ 413
Additions for credit losses not previously recognized	39	-
Reductions for increases in cash flows	-	-
Reductions for realized losses	-	-
Estimated credit losses - ending balance	$ 452	$ 413

Note 3 | Loans

The composition of loans, net of unamortized loan origination fees of $1,722,000 and $642,000 at December 31, 2016 and 2015, respectively, are as follows:

	December 31,	
(in thousands)	2016	2015
Commercial	$ 127,374	$ 78,913
Real estate - construction	26,389	13,938
Real estate - residential owner occupied	45,512	41,433
Real estate - residential non-owner occupied	30,341	26,087
Real estate - commercial	196,384	153,110
Consumer	545	763
Total loans	426,545	314,244
Allowance for loan losses	(4,512)	(3,274)
Net loans	$ 422,033	$ 310,970

Note 4 | Allowance for Loan Losses

Management has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance for loan losses, the Bank has grouped certain loans in the portfolio into the following segments: commercial; real estate - construction; real estate - residential owner occupied; real estate - residential non-owner occupied; real estate - commercial; and consumer. Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations. These historical loss percentages are calculated over a three-year period for all portfolio segments. Certain qualitative factors are then added to the historical allocation percentage to get the adjusted factor to be applied to non-classified loans. The following qualitative factors are analyzed for each portfolio segment:

- Levels of and trends in delinquencies and nonaccruals
- Trends in volume and terms
- Changes in lending policies and procedures
- Volatility of losses within each risk category
- Economic trends
- Concentrations of credit
- Experience, depth and ability of management

Note 4 | Allowance for Loan Losses (*continued*)

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. The Bank considers the allowance for loan losses of approximately $4,512,000 adequate to cover loan losses inherent in the loan portfolio, as of and for the year ending December 31, 2016.

Allowance for loan losses activity during 2016 is as follows:

(in thousands)	Balance at December 31, 2015	Charged-off Loans	Recoveries	Provision	Balance at December 31, 2016
Commercial	$ 1,016	$ (195)	$ -	$ 593	$ 1,414
Real estate - construction	136	-	-	109	245
Real estate - residential owner occupied	487	(149)	-	117	455
Real estate - residential non-owner occupied	395	(78)	4	164	485
Real estate - commercial	1,193	-	-	434	1,627
Consumer	5	-	6	14	25
Unallocated	42	-	-	219	261
Total	$ 3,274	$ (422)	$ 10	$ 1,650	$ 4,512

During 2016 the allowance for commercial loans was increased due to an increase in the factors for trends in volume and terms of loans and concentrations of credit, however, this increase was offset by a decrease in the level of reserves for impaired loans. The reserves for real estate – residential owner occupied was decreased during the year for both decreases in the amount of specific reserves for impaired loans as well as declines in the historical loss rate on that portfolio segment and a slight decrease in the qualitative factor for concentrations of credit. The reserves for real estate – commercial increased primarily due to an increase in the qualitative factor for trends in volume and terms of loans. The changes in the reserve for the remaining portfolio segments were primarily due to changes in the volume of loans within that portfolio segment.

Allowance for loan losses activity during 2015 is as follows:

(in thousands)	Balance at December 31, 2014	Charged-off Loans	Recoveries	Provision	Balance at December 31, 2015
Commercial	$ 734	$ -	$ -	$ 282	$ 1,016
Real estate - construction	133	-	-	3	136
Real estate - residential owner occupied	366	-	-	121	487
Real estate - residential non-owner occupied	540	(399)	5	249	395
Real estate - commercial	1,069	-	-	124	1,193
Consumer	8	-	2	(5)	5
Unallocated	140	-	-	(98)	42
Total	$ 2,990	$ (399)	$ 7	$ 676	$ 3,274

The changes in the allowance for loan losses over the prior period related to the commercial portfolio increased due to the significant increase in portfolio balances, a decrease in the loss history that influences the allocation of provision and a significant decrease in adversely classified assets. The allowance for loan loss related to real estate - owner occupied and real estate – commercial both increased over prior period due to the increase in their respective portfolio balances. The change in allowance for loan losses related to real estate – non-owner occupied decreased due to the decrease in loss history influencing provision and a decrease in adversely classified assets.

Note 4 | Allowance for Loan Losses (*continued*)

The following tables present, by portfolio segment, the allowance for loan losses broken down between loans individually evaluated for impairment and loans collectively evaluated for impairment, as well as the recorded investment in those loans:

(in thousands)	December 31, 2016		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Allowance for loan losses:			
Commercial	$ 228	$ 1,186	$ 1,414
Real estate - construction	-	245	245
Real estate - residential owner occupied	50	405	455
Real estate - residential non-owner occupied	98	387	485
Real estate - commercial	-	1,627	1,627
Consumer	25	-	25
Unallocated	-	261	261
Total	$ 401	$ 4,111	$ 4,512
Loans, ending balance:			
Commercial	$ 228	$ 127,146	$ 127,374
Real estate - construction	-	26,389	26,389
Real estate - residential owner occupied	1,219	44,293	45,512
Real estate - residential non-owner occupied	464	29,877	30,341
Real estate - commercial	54	196,330	196,384
Consumer	35	510	545
Total	$ 2,000	$ 424,545	$ 426,545

(in thousands)	December 31, 2015		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Allowance for loan losses:			
Commercial	$ 380	$ 636	$ 1,016
Real estate - construction	-	136	136
Real estate - residential owner occupied	106	381	487
Real estate - residential non-owner occupied	105	290	395
Real estate - commercial	-	1,193	1,193
Consumer	1	4	5
Unallocated	-	42	42
Total	$ 592	$ 2,682	$ 3,274
Loans, ending balance:			
Commercial	$ 428	$ 78,485	$ 78,913
Real estate - construction	-	13,938	13,938
Real estate - residential owner occupied	808	40,625	41,433
Real estate - residential non-owner occupied	604	25,483	26,087
Real estate - commercial	88	153,022	153,110
Consumer	17	746	763
Total	$ 1,945	$ 312,299	$ 314,244

Note 4 | Allowance for Loan Losses (*continued*)

Credit Quality and Aging

The following tables represent credit exposures for the Bank's commercial loan classes by internally assigned grades for the period end December 31, 2016 and 2015. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Bank's internal credit risk grading system is based on experiences with similarly graded loans.

The Bank's internally assigned grades are as follows:

- **Pass** – loans which are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral.
- **Special Mentio**n – loans where a potential weakness or risk exists, which could cause a more serious problem if not corrected.
- **Substandard** – loans that have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.
- **Doubtful** – Loans classified as "Doubtful" have all the weaknesses inherent in a Substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.
- **Loss** – loans classified as a loss are considered uncollectible, or of such value that continuance as an asset is not warranted.

(in thousands)	December 31, 2016				
	Commercial	Real Estate - Construction	Real Estate - Residential Non-owner Occupied	Real Estate - Commercial	Total
Pass	$ 125,973	$ 26,389	$ 29,787	$ 194,713	$ 376,862
Special mention	1,128	-	31	1,537	2,696
Substandard	273	-	523	134	930
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total	$ 127,374	$ 26,389	$ 30,341	$ 196,384	$ 380,488

(in thousands)	December 31, 2015				
	Commercial	Real Estate - Construction	Real Estate - Residential Non-owner Occupied	Real Estate - Commercial	Total
Pass	$ 76,169	$ 13,938	$ 25,236	$ 151,976	$ 267,319
Special mention	2,315	-	61	1,035	3,411
Substandard	408	-	765	99	1,272
Doubtful	21	-	25	-	46
Loss	-	-	-	-	-
Total	$ 78,913	$ 13,938	$ 26,087	$ 153,110	$ 272,048

Note 4 | Allowance for Loan Losses (*continued*)

Payment activity for the noncommercial portfolio is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered nonperforming when they become 90 days past due or the Bank is in possession of other information that would deem the loan nonperforming.

The following tables present performing and nonperforming loans based on payment activity for the period ended:

(in thousands)	At December 31, 2016		At December 31, 2015	
	Real Estate - Residential Owner Occupied	Consumer	Real Estate - Residential Owner Occupied	Consumer
Performing	$ 44,352	$ 510	$ 41,364	$ 746
Nonperforming	1,160	35	69	17
	$ 45,512	$ 545	$ 41,433	$ 763

Past-Due and Nonaccrual Loans

Generally, loans are considered nonaccrual upon reaching 90 days of delinquency, although the Bank may be receiving partial payments of interest and partial repayments of principal on such loans. When a loan is placed in nonaccrual status, previously accrued but unpaid interest is deducted from interest income.

The following table presents an aging analysis of the recorded investment of past-due financing receivables, broken down by segment and sub-segment, based on payment activity for the years ended December 31, 2016 and 2015. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are generally considered to be nonperforming when they become 90 days past due.

(in thousands)	December 31, 2016					
	30-89 Days Past Due	90 + Days Past Due	Total Past Due	Current	Total Loans	Non-Accrual
Commercial	$ -	$ -	$ -	$ 127,374	$ 127,374	$ -
Real estate - construction	-	-	-	26,389	26,389	-
Real estate - residential owner occupied	24	637	661	44,851	45,512	1,160
Real estate - residential non-owner occupied	20	56	76	30,265	30,341	56
Real estate - commercial	80	-	80	196,304	196,384	80
Consumer	-	35	35	510	545	35
Total	$ 124	$ 728	$ 852	$ 425,693	$ 426,545	$ 1,331

(in thousands)	December 31, 2015					
	30-89 Days Past Due	90 + Days Past Due	Total Past Due	Current	Total Loans	Non-Accrual
Commercial	$ 234	$ 20	$ 254	$ 78,659	$ 78,913	$ 194
Real estate - construction	-	-	-	13,938	13,938	-
Real estate - residential owner occupied	588	69	657	40,776	41,433	64
Real estate - residential non-owner occupied	50	164	214	25,873	26,087	164
Real estate - commercial	585	88	673	152,437	153,110	-
Consumer	45	17	62	701	763	17
Total	$ 1,502	$ 358	$ 1,860	$ 312,384	$ 314,244	$ 439

Note 4 | Allowance for Loan Losses (*continued*)

There were no loans 90 days past due or greater still accruing interest at December 31, 2016. At December 31, 2015, there were $93,000 of loans 90 days past due or greater still accruing interest.

Impaired Loans

Management analyzes commercial and commercial real estate loans which are 90 days or more past due for impairment to determine if it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. Additionally, any loan modified in a troubled debt restructuring is impaired regardless of the loan class. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs, and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance.

Loans acquired with deteriorated credit quality had outstanding contractual balances of $91,000 and $76,000 and carrying amounts of $56,000 and $41,000 as of December 31, 2016 and 2015, respectively.

The following tables include the recorded investment and unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable, as of and for the periods ended December 31, 2016 and 2015.

(in thousands)	December 31, 2016				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ -	$ -	$ -	$ 82	$ -
Real estate - construction	-	-	-	-	-
Real estate - residential owner occupied	612	612	-	404	35
Real estate - residential non-owner occupied	321	411	-	396	14
Real estate - commercial	54	54	-	28	1
Consumer	10	10	-	13	-
With an allowance recorded:					
Commercial	228	228	228	231	13
Real estate - construction	-	-	-	-	-
Real estate - residential owner occupied	607	607	50	607	-
Real estate - residential non-owner occupied	143	143	98	169	7
Real estate - commercial	-	-	-	-	-
Consumer	25	25	25	20	-
Total	$ 2,000	$ 2,090	$ 401	$ 1,950	$ 70

Note 4 | Allowance for Loan Losses (*continued*)

(in thousands)	December 31, 2015				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Real estate - construction	-	-	-	-	-
Real estate - residential owner occupied	702	702	-	569	36
Real estate - residential non-owner occupied	316	406	-	499	15
Real estate - commercial	88	88	-	91	5
Consumer	-	-	-	-	-
With an allowance recorded:					
Commercial	428	428	380	438	11
Real estate - construction	-	-	-	-	-
Real estate - residential owner occupied	106	106	106	86	9
Real estate - residential non-owner occupied	288	288	105	275	10
Real estate - commercial	-	-	-	-	-
Consumer	17	17	1	3	-
Total	$ 1,945	$ 2,035	$ 592	$ 1,961	$ 86

Loan Modifications

Situations may arise that would cause the Bank to grant a concession for other-than-temporary purpose to a borrower experiencing financial difficulty that the Bank would not otherwise consider. The loan receiving the concession would then be classified as a troubled debt restructuring ("TDR"). The situations leading to the concession may be economic or legal in nature and affect the borrower's ability to meet the contractual obligation to the Bank. Management actively attempts to identify borrowers having financial difficulty early, and work with them to modify terms prior to the loan becoming nonaccrual. Modifications may include rate reductions, payment forbearance, principal reduction, or other actions with the intent to minimize the loss and/or avoid foreclosure or repossession of collateral. In cases where a restructure occurs, management measures impairment based on collateral to support the revised terms of the loan. If the loan is not collateral dependent, impairment is calculated using the present value of the revised loan terms compared to the recorded investment in the loan at the measurement date. TDRs are individually evaluated and provided for in the allowance for loan losses and are therefore excluded from pooled portfolio allocations. Management continually evaluates loans that are considered TDRs under the modified loan terms, including payment history and the borrower's ability to continue to repay the loan based on continued evaluations of their results of operation and cash flow from operations.

Note 4 | Allowance for Loan Losses (*continued*)

Loan modifications that are considered TDRs completed during the periods ended December 31, 2016 and 2015, are as follows:

(in thousands)	December 31, 2016			December 31, 2015		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial	-	$ -	$ -	-	$ -	$ -
Real estate - construction	-	-	-	-	-	-
Real estate - residential owner occupied	-	-	-	-	-	-
Real estate - residential non-owner occupied	-	-	-	1	62	61
Real estate - commercial	1	54	54	-	-	-
Consumer	2	40	42	-	-	-
Total troubled debt restructurings	3	$ 94	$ 96	1	$ 62	$ 61

Modifications determined to be concessions granted by management were in the form of extension of terms and rate reductions.

Amounts within the allowance for loan losses allocated to TDRs are $351,000 and $352,000 at December 31, 2016 and 2015, respectively. No loans previously modified and considered TDRs that were made during the 12 month period previous to December 31, 2016 or 2015, have defaulted in the current reporting period.

Foreclosed Assets

Foreclosed assets acquired in settlement of loans are carried at fair value, less estimated costs to sell, and are included in other assets on the Consolidated Balance Sheet. As of December 31, 2016 and 2015, included with other assets are $183,000 and $1,179,000, respectively, of foreclosed assets. As of December 31, 2016 and 2015, included within the foreclosed assets, is $183,000 and $302,000 of consumer residential mortgages that were foreclosed, or received via a deed in lieu transaction prior to the period end. As of December 31, 2016, the Company has initiated formal foreclosure proceedings on $693,000 of consumer residential mortgages, which have not yet been transferred into foreclosed assets.

Note 5 | Premises and Equipment

Ongoing additions to premises and equipment are recorded at cost. Occupancy and equipment expense includes depreciation expense of $480,000 and $461,000 for the years ended December 31, 2016 and 2015, respectively. Depreciation expense is calculated on the straight-line method over estimated economic lives: buildings and improvements, 15 to 40 years; leasehold improvements, 10 years; furniture, fixtures, and equipment, 3 to 10 years.

Premises and equipment were comprised of the following:

(in thousands)	2016	2015
Land	$ 3,256	$ 3,256
Buildings and improvements	2,713	2,676
Leasehold improvements	1,592	1,574
Furniture, fixtures, and equipment	2,233	2,336
Subtotal	9,794	9,842
Less: accumulated depreciation	(2,988)	(2,728)
Premises and equipment - net	$ 6,806	$ 7,114

Note 5 | Premises and Equipment (*continued*)

Lease expense amounted to $429,000 and $327,000 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments as of December 31, 2016 are as follows:

(in thousands)		
2017	$	365
2018		126
2019		75
2020		51
2021		-
Thereafter		-
	$	617

Note 6 | Deposits

Centric's deposits were comprised of the following:

(in thousands)		2016		2015
Demand, non-interest-bearing	$	59,277	$	53,628
Demand, interest-bearing		149,870		109,615
Savings		7,519		6,980
Money market		49,335		30,600
Time deposits		154,007		110,095
Total deposits	$	420,008	$	310,918

Scheduled maturities of time deposits are as follows:

(in thousands)		2016
2017	$	110,344
2018		35,756
2019		7,797
2020		2
2021		108
Total time deposits	$	154,007

Time deposits in denominations of $250,000 or greater totaled $35,206,000 and $18,371,000 for December 31, 2016 and 2015, respectively.

Note 7 | Short-Term Borrowings

Short-term borrowings, which consist of federal funds purchased and other short-term borrowings are summarized as follows:

	At December 31,	
(in thousands)	2016	2015
Balance	$ 13,000	$ 15,500
Maximum indebtedness at any month end	29,000	15,500
Average balance during year	20,955	48
Average rate paid for the year	0.66%	0.68%
Interest rate on year-end balance	0.73%	0.67%

Average amounts outstanding during the year represent daily averages. Average interest rates represent interest expense divided by the related average balances. These borrowing transactions can range from overnight to one year in maturity. The average maturity was 70 days for the year ended December 31, 2016. The average maturity was 89 days for the year ended December 31, 2015.

Note 8 | Long-Term Debt

As one avenue for funding growth, the Bank is approved by the FHLB for borrowings of up to $193,440,000 at December 31, 2016. At year end, $13,873,000, which includes $13,000,000 of short term borrowings, was outstanding and $61,375,000 was held as letters of credit to secure specific deposit balances, resulting in a remaining borrowing capacity for FHLB borrowings of $118,192,000.

As of December 31, 2016 the Company retained the junior subordinated debenture issued during December 2015 for the principal amount of $6,000,000 to another financial institution. The debt bears interest at a fixed rate of 4.85 percent until December 2020, at which time the interest rate converts to a floating rate equal to Prime Rate plus one percent with a floor of 4.25 percent. The Company maintains the ability to redeem the debenture on or after December 2020.

The Company also has borrowings at another institution totaling $2,500,000 at a rate of 4.50 percent at December 31, 2016 and December 31, 2015, respectively. This borrowing matures in March 2017.

The following table presents borrowings that mature at various dates through 2025 with weighted-average rates as follows:

	Principal Amount		Weighted Average Rate	
(in thousands)	2016	2015	2016	2015
FHLB advances - amortizing	$ 873	$ 2,702	1.15%	1.08%
Subordinated debt	6,000	6,000	4.85%	4.85%
Other borrowings	2,500	2,500	4.50%	4.50%
Total Long-term debt	$ 9,373	$ 11,202	4.41%	3.86%

The aggregate amount of future principal payments required on these borrowing at December 31, 2016, is as follows:

(in thousands)	
2017	$ 3,203
2018	170
2019	-
2020	-
2021	-
Thereafter	6,000
	$ 9,373

Note 9 | Stock Plans and 401(K)

401(k) Plan

The Bank has a 401(k) plan whereby all employees are eligible to participate after 90 days of employment. Employees may make contributions to the plan, subject to certain limitations based on federal tax laws. From January 2016 through June 2016, the Bank made matching contributions of 50 percent of employees' contributions, subject to a maximum contribution of 4 percent of an employee's compensation. Starting on July 1, 2016, the Bank increased the maximum contribution to match 6 percent of an employee's compensation, while continuing the 50 percent matching of employees' contributions. Matching contributions vest to the employee on a graded percentage and are fully vested in five years. For the years ended December 31, 2016 and 2015, expense attributable to the plan amounted to $71,000 and $50,000, respectively. These expenses are included in salaries and employee benefits on the Consolidated Statement of Income.

Stock Options and Warrants

The Company has a Stock Incentive Plan (the "Plan") that enables the Company to grant stock options, warrants, or restricted stock to directors and other designated employees. The Plan covers 240,000 shares of common stock. The number of shares available for grant at December 31, 2016 was 40,377.

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. At December 31, 2016 there were no warrants outstanding to officers and directors.

Options and warrants of the Plan outstanding at December 31, 2016, and the activity that occurred during the year consisted of the following:

	Options and Warrants	Weighted-Average Exercise Price
Outstanding at the beginning of the year	154,408	$ 5.43
Granted	8,620	8.02
Exercised	(29,228)	4.99
Forfeited	-	-
Outstanding at the end of the year	133,800	$ 5.70
Exercisable at December 31, 2016	131,800	$ 5.71

At December 31, 2016, the aggregate intrinsic value of all options and warrants, both outstanding and exercisable was approximately $31,000. The weighted-average remaining life of both the outstanding and exercisable options and warrants at December 31, 2016 is 4.11 years. During 2016, 2,648 shares of non-employee director stock options were exercised at a weighted average price of $5.79. No options were exercised during 2015.

For the years ended December 31, 2016 and 2015, stock option compensation expense of $7,000 and $4,000 was recognized in connection with the option plan, respectively. A tax benefit of $2,000 and $1,000 was recognized relative to these stock options at December 31, 2016 and 2015, respectively. As of December 31, 2016, related future compensation expense is less than $1,000 for each of the next three years.

Common stock warrants were issued in 2006 to certain directors to purchase an aggregate share of common stock pursuant to the warrant grant. During 2016, the remaining 26,580 shares related to these warrants were exercised at a weighted-average exercise price of $4.91. There were no warrants exercised during 2015.

Note 9 | Stock Plans and 401(K) (*continued*)

In addition to the options and warrants included in the Plan above, during 2010, the Company also granted one warrant to each of the directors of the Company, which are not part of the Plan. Each warrant represents the right to purchase 31,500 shares for a total of 315,000 shares at December 31, 2016 and 2015. These warrants would vest only upon a change in control of the Company and have an exercise price of $5.44. A warrant was issued to the President and Chief Executive Officer in July 2013 also for 31,500 shares at an exercise price of $5.50 and will vest only upon a change in control of the Company. During 2016 and 2015, no warrants vested and the Company recorded no compensation expense associated with these grants.

The fair value of the options granted for the years ended December 31, 2016 and 2015, was 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
Nonemployee director stock options						
2016	**$8.90**	**0.00%**	**9.31%**	**5**	**1.19%**	**$1.00**
2015	5.00	0.00%	9.00%	5	1.54%	0.60
Employee stock options						
2016	**$5.13**	**0.00%**	**9.20%**	**6.5**	**1.45%**	**$0.72**

No employee stock options were granted during 2015.

Restricted Stock

At December 31, 2016, over the life of the Plan, the Company has awarded 41,188 of restricted shares to nonemployee directors and officers subject to vesting and other provisions. Shares granted to the Plan participants of 2,000 and 2,300 had vested and been distributed during 2016 and 2015, respectively.

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	4,350	$ 5.46
Granted	15,500	6.48
Vested	(2,000)	6.00
Forfeited	(2,000)	9.00
Non-vested shares at the end of the year	15,850	$ 5.94

For the years ended December 31, 2016 and 2015, compensation expense of $31,000 and $8,000 was recognized in connection with the vesting of restricted stock, respectively. Tax benefits of $11,000 and $3,000 were recognized relative to these shares at December 31, 2016 and 2015, respectively. Future compensation expense related to nonvested restricted stock at December 31, 2016 is $31,000, $31,000 and $4,000 in 2017, 2018 and 2019, respectively.

As of January 1, 2015 the Company approved and implemented an Employee Stock Purchase Plan. This plan is intended to provide employees of Centric Financial Corporation and its subsidiary with an opportunity to acquire an interest in the Company through the purchase of common stock. Under the plan, eligible employees may purchase shares at fair market value, with no restrictions on the amount of shares they can purchase, up to a 5% ownership of combined voting power or value of all classes of stock of the Company. The Company reserved 200,000 shares of its common stock subject to adjustment of shares and price due to any recapitalization, reorganization, reclassification, stock dividends, combination of shares, or similar event in which the number or kind of shares is changed. Over the life of the plan, 4,117 shares have been issued.

Note 10 | Federal Income Taxes

The provision for income taxes consists of the following for the period ended:

(in thousands)	2016	2015
Currently payable	$ 1,859	$ 1,049
Deferred taxes	(468)	(227)
Total income tax expense	$ 1,391	$ 822

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

(in thousands)	2016	2015
Deferred tax assets:		
Allowance for loan losses	$ 1,534	$ 1,113
Impairment losses on securities	12	12
Stock incentive expense	37	29
Uncollected interest	10	18
Unrealized losses on securities available-for-sale	53	75
Unrealized losses on securities held-to-maturity	53	73
Other	140	134
Total deferred tax assets	1,839	1,454
Deferred tax liabilities:		
Goodwill and core deposit intangible	98	85
Prepaid expenses	125	80
Loan origination costs	23	156
Premises and equipment	80	46
Other	8	8
Total deferred tax liabilities	334	375
Net deferred tax assets	$ 1,505	$ 1,079

The total provision 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)	2016	2015
Computed statutory tax expense	$ 1,507	$ 904
Other, net	(116)	(82)
	$ 1,391	$ 822

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 examination by tax authorities for years before 2013.

Note 11 | 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 management's opinion, 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, 2016, loans to related parties were $13,661,000 and deposits by related parties totaled $6,684,000. At December 31, 2015, loans to related parties were $13,165,000 and deposits by related parties totaled $5,409,000.

Related-party loan activity is summarized as follows:

(in thousands)		2016		2015
Balance at the beginning of the period	$	13,165	$	18,051
Additions		1,716		8,360
Reductions		1,220		13,246
Balance at the end of the period	$	13,661	$	13,165

All of Centric's directors are customers of the Bank. As of December 31, 2016, Centric's shareholders number 328, many of which 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. For the years ended December 31, 2016 and 2015, related-party transactions include $192,000 and $52,000 of purchases, respectively. There was no revenue generated on related-party transactions for any of the periods listed.

Note 12 | 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)		2016		2015
Commitment to grant loans	$	1,935	$	3,775
Unfunded commitments under lines of credit		65,940		49,903
Standby letters of credit		7,804		2,662
Total unfunded lending commitments	$	75,679	$	56,340

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.

Note 12 | Unfunded Credit Commitments (*continued*)

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 and are reviewed annually. 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.

Note 13 | Regulatory Matters

Effective January 1, 2015, the Company and the Bank became subject to the final rules issued by the Federal Reserve and the OCC and subsequently adopted by the FDIC, establishing a new comprehensive capital frame work for banking organizations. The new capital framework substantially revised the risk-based capital requirements in comparison to the prior rules, which were in effect through December 31, 2014. The Basel III Capital Rules introduced a new capital measure, "Common Equity Tier 1"; increased the minimum requirements for Tier 1 Capital ratio as well as the minimum to be considered well capitalized under prompt corrective action; and introduce the "capital conservation buffer", which will be phased in over a four-year period. Failure to meet minimum capital requirements can initiate certain mandatory- and possibly additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under U.S. GAAP, regulatory reporting requirements, and regulatory capital standards. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital to risk-weighted assets, common equity Tier 1 capital to total risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2016 and December 31, 2015, that the Bank met all capital adequacy requirements to which it was subject.

As of December 31, 2016, the Bank is categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based capital, Tier 1 risk-based capital, common equity Tier 1 risk-based capital, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

Note 13 | Regulatory Matters (*continued*)

The Company and the Bank's capital ratios as of December 31, 2016 and 2015, under the Basel III Capital Rules, are presented below:

(in thousands)	December 31, 2016					
	Actual		For Capital Adequacy Purposes		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Company	$ 48,096	10.99%	$ 35,011	8.00%	$ N/A	N/A
Bank	49,326	11.26%	35,045	8.00%	43,806	10.00%
Tier 1 capital (to risk-weighted assets)						
Company	37,495	8.56%	26,282	6.00%	N/A	N/A
Bank	44,725	10.21%	26,283	6.00%	35,044	8.00%
Common equity tier 1 capital (to risk-weighted assets)						
Company	37,495	8.56%	19,711	4.50%	N/A	N/A
Bank	44,725	10.21%	19,712	4.50%	28,473	6.50%
Tier 1 capital (to average assets)						
Company	37,495	7.86%	19,081	4.00%	N/A	N/A
Bank	44,725	9.40%	19,032	4.00%	23,790	5.00%

(in thousands)	December 31, 2015					
	Actual		For Capital Adequacy Purposes		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Company	$ 37,598	11.77%	$ 25,555	8.00%	$ N/A	N/A
Bank	44,036	13.78%	25,565	8.00%	31,956	10.00%
Tier 1 capital (to risk-weighted assets)						
Company	34,251	10.72%	19,170	6.00%	N/A	N/A
Bank	40,689	12.73%	19,178	6.00%	25,570	8.00%
Common equity tier 1 capital (to risk-weighted assets)						
Company	34,251	10.72%	14,378	4.50%	N/A	N/A
Bank	40,689	12.73%	14,383	4.50%	20,776	6.50%
Tier 1 capital (to average assets)						
Company	34,251	9.61%	14,256	4.00%	N/A	N/A
Bank	40,689	11.43%	14,239	4.00%	17,799	5.00%

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

Note 14 | 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 are defined as follows:

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

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

Level III: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

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

The following tables present the assets reported on the Consolidated Balance Sheet at their fair value as of December 31, 2016 and 2015, 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, 2016			
	Level I	Level II	Level III	Total
Assets:				
Fair value measured on a recurring basis:				
U.S. government agency securities	$ -	$ 2,986	$ -	$ 2,986
Government sponsored mortgage-backed securities	-	6,629	-	6,629
Fair value measured on a non-recurring basis:				
Other real estate owned	-	-	19	19
Impaired loans	-	-	543	543
Securities held to maturity	-	-	552	552

(in thousands)	December 31, 2015			
	Level I	Level II	Level III	Total
Assets:				
Fair value measured on a recurring basis:				
U.S. government agency securities	$ -	$ 7,581	$ -	$ 7,581
Government sponsored mortgage-backed securities	-	8,134	-	8,134
Fair value measured on a non-recurring basis:				
Other real estate owned	-	-	635	635
Impaired loans	-	-	222	222

Impaired Loans

The Company has measured impairment on loans generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties. In some cases, management may adjust the appraised value due to the age of the appraisal, changes in market conditions, or observable deterioration of the property since the appraisal was completed. Additionally, management makes estimates about expected costs to sell the property which are also included in the net realizable value. If the fair value of the collateral dependent loan is less than the carrying amount of the loan, a specific reserve for the loan is made in the allowance for loan losses, or a charge-off is taken to reduce the loan to the fair value of the collateral (less estimated selling costs) and the loan is included in the table above

Note 14 | Fair Value Measurements (*continued*)

as a level III measurement. If the fair value of the collateral exceeds the carrying amount of the loan, then the loan is not included in the table above as it is not currently being carried at its fair value. At December 31, 2016 and 2015, the fair values shown above exclude estimated selling costs of $60,000 and $25,000.

Other Real Estate Owned

OREO is carried at the lower of cost or fair value, which is measured at the date foreclosure. If the fair value of the collateral exceeds the carrying amount of the loan, no charge-off or adjustment is necessary, the loan is not considered to be carried at fair value, and is therefore not included in the table above. If the fair value of the collateral is less than the carrying amount of the loan, management will charge the loan down to its estimated realizable value. The fair value of OREO is based on the appraised value of the property, which is generally unadjusted by management and is based on comparable sales for similar properties in the same geographic region as the subject property, and is included in the above table as a Level II measurement. In some cases, management may adjust the appraised value due to the age of the appraisal, changes in market conditions, or observable deterioration of the property since the appraisal was completed. In these cases, the loans are categorized in the above table as level III measurement since these adjustments are considered to be unobservable inputs. Income and expenses from operations and further declines in the fair value of the collateral subsequent to foreclosure are included in net expenses from OREO. For the years ended December 31, 2016 and 2015, write-downs of four and two properties, respectively, were required and therefore are considered to be carried at fair value.

Securities Held to Maturity

Securities held to maturity were evaluated for impairment at December 31, 2016. They were subsequently written down to fair market value as of December 31, 2016, as a result of impairment that was determined to be OTTI. Management separates OTTI into two categories: (a) the amount of total OTTI related to a decrease in expected cash flows to be collected (credit loss) which is recognized in 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. During 2016, the Bank recorded credit related impairment of $39,000 on two private label mortgage-backed securities through earnings. The remaining difference between the fair value and amortized cost of $56,000 (the difference defined as the noncredit portion) was recognized in other comprehensive income, net of applicable taxes. No impairment was necessary for securities held to maturity evaluated at December 31, 2015.

The following tables present quantitative information about the Level III significant unobservable inputs for assets and liabilities measured at fair value on a non-recurring basis at December 31, 2016 and 2015.

December 31, 2016

Quantitative Information about Level 3 Fair Value Measurements

(in thousands)

	Fair Value Estimate	Valuation Technique	Unobservable Input	Range	Weighted Average
Impaired loans	$ 543	Appraisal of collateral	Appraisal adjustments	0% - 20%	17.00%
			Liquidation expenses	0% - 25%	7.40%
			Holding period	0 - 12 months	
Other real estate owned	19	Appraisal of collateral	Appraisal adjustments	0% - 20%	15.00%
			Liquidation expenses	0% - 15%	7.00%
Securities held to maturity	552	Discounted cash flow	Constant prepayment rate (CPR)	8.00% - 9.00%	8.50%
			Constant default rate (CDR)	2.30% - 2.70%	2.50%
			Discount rate	4.69% - 4.71%	4.70%

Note 14 | Fair Value Measurements (*continued*)

(in thousands)	December 31, 2015 Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value Estimate	Valuation Technique	Unobservable Input	Range	Weighted Average
Impaired loans	$ 222	Appraisal of collateral	Appraisal adjustments	0% - 50%	19.47%
			Liquidation expenses	0% - 15%	6.37%
			Holding period	0 - 12 months	
Other real estate owned	635	Appraisal of collateral	Appraisal adjustments	0% - 20%	15.00%
			Liquidation expenses	0% - 15%	7.00%

Note 15 | Fair Value of Financial Instruments

The fair value of the Company's financial instruments is as follows:

(in thousands)	December 31, 2016				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Cash and cash equivalents	$ 24,727	$ 24,727	$ 24,727	$ -	$ -
Investments in certificates of deposits	999	999	999	-	-
Securities available for sale	9,615	9,615	-	9,615	-
Securities held to maturity	6,039	6,774	-	6,222	552
Net loans	422,033	420,866	-	-	420,866
Loans held for sale	693	693	693	-	-
Regulatory stock	1,230	1,230	1,230	-	-
Cash surrender value life insurance	3,856	3,856	3,856	-	-
Mortgage servicing rights and credit enhancement fees	995	1,207	-	-	1,207
Accrued interest receivable	1,152	1,152	1,152	-	-
Financial liabilities:					
Non-maturity deposits	$ 266,001	$ 266,001	$ 266,001	$ -	$ -
Time deposits	154,007	154,255	-	-	154,255
Short-term borrowings	13,000	13,000	13,000	-	-
Long-term borrowings	9,373	10,247	-	-	10,247
Accrued interest payable	138	138	138	-	-

Note 15 | Fair Value of Financial Instruments (*continued*)

(in thousands)	December 31, 2015				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Cash and cash equivalents	$ 20,313	$ 20,313	$ 20,313	$ -	$ -
Investments in certificates of deposits	2,999	2,999	2,999	-	-
Securities available for sale	15,715	15,715	-	15,715	-
Securities held to maturity	6,419	7,301	-	6,649	652
Net loans	310,970	309,703	-	-	309,703
Loans held for sale	896	896	896	-	-
Regulatory stock	1,162	1,162	1,162	-	-
Cash surrender value life insurance	3,141	3,141	3,141	-	-
Mortgage servicing rights and credit enhancement fees	391	492	-	-	492
Accrued interest receivable	842	842	842	-	-
Financial liabilities:					
Non-maturity deposits	$ 200,823	$ 200,823	$ 200,823	$ -	$ -
Time deposits	110,095	110,500	-	-	110,500
Short-term borrowings	15,500	15,500	15,500	-	-
Long-term borrowings	11,202	10,193	-	-	10,193
Accrued interest payable	105	105	105	-	-

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

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

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

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

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

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

Cash and Cash Equivalents, Investments in Certificates of Deposits, Regulatory Stock, Cash Surrender Value Life Insurance, Accrued Interest Receivable, and Accrued Interest Payable
The fair value is equal to the current carrying value.

Note 15 | Fair Value of Financial Instruments (*continued*)

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. Fair value for certain held-to-maturity securities were determined utilizing discounted cash flow models, due to the absence of a current market to provide reliable market quotes for the instruments.

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.

Loans Held for Sale
Loans held for sale are individual loans for which the Company has a firm sales commitment; therefore, the carrying value is a reasonable estimate of the 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 future prepay speeds. Discount rates are based upon rates generally charged for such loans with similar characteristics.

Deposits and Long-Term Debt
The fair values of certificates of deposits and long-term debt 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 is represented by the net deferred fees arising from the unrecognized commitment or letter of credit. The fair value is 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. Neither the carrying value nor the fair value is considered material for disclosure. The contractual amounts of unfunded commitments and letters of credit are presented in Note 12.

Note 16 | Participation in U.S. Treasury Program

Centric participated in the U.S. Treasury's Small Business Lending Fund ("SBLF") program. With the execution of this Securities Purchase Agreement with the Secretary of the Treasury, the Company paid back the monies from its participation in Capital Purchase Program. Pursuant to the agreement, Centric sold to the Treasury 7,492 shares of senior non-cumulative perpetual preferred stock, Series C at $1,000 liquidation value per share, for the price of $7,492,000. Centric, with approval from its regulators, repaid the U.S. Treasury for the full amount of SBLF funds and final dividend on December 31, 2015.

Note 17 | Stock Offerings

On July 17, 2014, the Company began a private placement offering to “accredited investors” (as defined in Regulation D promulgated under the Securities Act of 1922, as amended) offering up to 1,600,000 shares of common stock at a purchase price of $5.00 per share. The offering was subsequently closed on January 30, 2015. For the duration of the offering, the Company issued a total of 1,009,191 shares and received total proceeds of $5,046,000. Total direct expenses of the offering were $81,000, which were netted against the proceeds.

On October 9, 2015, the Company commenced a private placement offering to “accredited investors” (as defined in Regulation D promulgated under the Securities Act of 1922, as amended) offering up to $10,000,000 worth of common stock at a purchase price of $5.25 per share. Authorization was given by the Board to sell and additional $2,000,000 of common stock at the same price of $5.25 per share. The private placement offering for 2015 was fully subscribed at 2,285,715 shares at the offering price of $5.25 per share, resulting in total proceeds of $12,000,000 at the close of the offering on November 30, 2015. The direct costs of the offering through December 31, 2015 totaled $685,000, resulting in net proceeds of $11,315,000.

Note 18 | Subsequent Events

Management has reviewed events occurring through February 23, 2017, the date the financial statements were issued, and no subsequent events have occurred requiring accrual or disclosure.

BOARD OF DIRECTORS

Front row (*left to right*): Jeffrey W. Keiser, DDS, Partner & President, Forest Hills Dental Associates; Donald E. Enders, Jr., Chairman of the Board, President & CEO, Colonial Park Realty Company, t/a Enders Insurance Associates; Patricia A. Husic, President & CEO, Centric Financial Corporation and Centric Bank; and Frank A. Conte, CLU, ChFC, Founding Partner, Conte Wealth Advisors, LLC.

Back row (*left to right*): Ambrish K. Gupta, MD, FACP, President, Medical Associates of Northern Virginia; Nicole S. Kaylor, Of Counsel, McNees Wallace & Nurick LLC; Thomas H. Flowers, CPA, Managing Partner, Flowers & Flowers CPAs; John A. Maher, CPA, Vice Chairman of the Board, Member, Pennsylvania House of Representatives; Kerry A. Pae, Secretary for Centric Financial Corporation, President & Owner, Kerry Pae Auctioneers, Inc.; Steven P. Dayton, Business Development, RVG Management & Development Company; and Fred M. Essis, President & CEO, Essis & Sons Carpet One.

Not pictured: Robert V. Gothier, Sr., Director Emeritus, CEO, RVG Management & Development Company.

SENIOR LEADERSHIP TEAM

Patricia A. Husic
President & CEO

Jeffrey W. Myers, EVP
Chief Lending Officer

Sandra J. Schultz, EVP
Chief Financial Officer

Terrence M. Monteverde, EVP
Chief Credit Officer

Leslie A. Meck, SVP
Chief Retail Officer

Front row (*left to right*): Leslie A. Meck, SVP Chief Retail Officer; Jeffrey W. Myers, EVP Chief Lending Officer; Patricia A. Husic, President & CEO; Sandra J. Schultz, EVP Chief Financial Officer; and Terrence M. Monteverde, EVP Chief Credit Officer.

Back row (*left to right*): Donald J. Bonafede, SVP Senior Commercial Lending Officer; Michael J. Watson, SVP Senior Commercial Lender; Dragan Dodik, SVP Market Leader; Paul B. Zwally, SVP Director of Mortgage Services and Commercial Lender; Michele E. Light, SVP Market Leader; Shane E. McNaughton, SVP Management Information Systems; and Michelle L. Carrasquillo, SPHR, SCP, VP Human Resources.

BRANCH MANAGEMENT, BUSINESS DEVELOPMENT, AND LENDING TEAMS

BRANCH MANAGEMENT TEAM

- Joseph M. Rebarchak, VP
  Lower Paxton Financial Center Mgr.
  Derry Township Financial Center Mgr.
- Mary Anne E. Bayer, VP
  Silver Spring Financial Center Mgr.
- Vickie L. Broughton, VP
  Camp Hill Financial Center Mgr.
- Wendy S. Durenleau
  Lower Paxton Assistant Mgr.
- Shelley A. George
  Derry Township Assistant Mgr.
- Lori L. Moyer
  Camp Hill Assistant Mgr.

COMMERCIAL LENDING TEAM

TEAM LEADERS

- Donald J. Bonafede, SVP
  Senior Commercial Lending Officer
- Dragan Dodik, SVP
  Lancaster Market Leader
- Michele E. Light, SVP
  Suburban Philadelphia
  Market Leader
- Michael J. Watson, SVP
  Senior Commercial Lending Officer

COMMERCIAL LENDERS

- Christopher J. Bickel, SVP
  Commercial Lending Officer
- Tania J. Fleming, SVP
  Commercial Lending Officer
- Christopher E. McDermott, SVP
  Commercial Lending Officer
- Andrea R. Ahern, VP
  Commercial Lending Officer
- Cheryl C. Sakalosky, VP
  Commercial Lending Officer
- Cory G. Bishop, AVP
  SBA and Commercial Lending
  Officer
- Gary M. Kline, AVP
  Government Services Banking
- Sean P. Burns
  Commercial Lending Officer

MORTGAGE LENDING TEAM

- Paul B. Zwally, SVP
  Director of Mortgage Services &
  Commercial Lender
- Gethan K. Wilson, VP
  Mortgage Department Team Leader
- Chris Conrad
  Mortgage Lending Officer
- Jody L. Hatt
  Mortgage Lending Officer
- Anthony Panto
  Mortgage Lending Officer

BUSINESS DEVELOPMENT TEAM

- Timothy C. Mayersky, VP
  Corporate Services Officer
- Terence J. McGlinchey, VP
  Business Development Officer
- Molly R. O'Keefe, AVP
  Business Development Officer
- David K. Nikoloff
  Client Relationship Manager
- Bruce E. Straub
  Business Development Officer

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  Hematology & Oncology
  Managing Partner, Greater Washington
  Oncology Associates, Chairman of
  Doctor Centric Advisory Board
- Nitin Jaluria, MD, FACC, FASNC, FASE
  Cardiology/Cardiovascular Disease,
  PinnacleHealth, Vice Chairman of
  Doctor Centric Advisory Board
- Donald E. Enders. Jr.
  President & CEO, Colonial Park Realty
  Company, t/a Enders Insurance
  Associates
- Mark Guise, VMD
  Lockwillow Avenue Animal Clinic
- Ambrish Gupta, MD, FACP
  President, Medical Associates of
  Northern Virginia
- Jeffrey W. Keiser, DDS
  Partner & President, Forest Hills
  Dental Associates, PC

Experience

Wisdom

FINANCIAL CENTERS AND COMMERCIAL LENDING OFFICES

CAMP HILL FINANCIAL CENTER

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

Lobby & Drive-Thru Hours
M-Th 8:30 a.m. to 5:00 p.m.
F 8:30 a.m. to 6:00 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

Lobby & Drive-Thru Hours
M-Th 8:30 a.m. to 5:00 p.m.
F 8:30 a.m. to 6:00 p.m.
Sat 8:30 a.m. to 12 noon

LOWER PAXTON FINANCIAL CENTER

4320 Linglestown Road
Harrisburg, PA 17112
(717) 657-7727
Fax (717) 657-5036

Lobby & Drive-Thru Hours
M-Th 8:30 a.m. to 5:00 p.m.
F 8:30 a.m. to 6:00 p.m.
Sat 8:30 a.m. to 12 noon

DERRY TOWNSHIP FINANCIAL CENTER

1201 West Governor Road
Hummelstown, PA 17036
(717) 533-7626
Fax (717) 533-7670

Lobby & Drive-Thru Hours
M-Th 8:30 a.m. to 5:00 p.m.
F 8:30 a.m. to 6:00 p.m.
Sat 8:30 a.m. to 12 noon

SUBURBAN PHILADELPHIA LENDING OFFICE

2003 S. Easton Road, Suite 205
Doylestown, PA 18901
(267) 880-4250
Fax (215) 489-2705

Office Hours
M-F 8:30 a.m. to 5:00 p.m.

LANCASTER LENDING OFFICE

350 Highland Drive, Suite 170
Mountville, PA 17554
(717) 562-1679
Fax (717) 522-5287

Office Hours
M-F 8:30 a.m. to 5:00 p.m.


2016 MILLENNIAL ADVISORY BOARD

HYP Members: Ariel Jones, Director of Development, The Children's Home of York; Ruth Ritchie, Operations & Leasing Associate, WCI Partners, LP; Trevin Shirey, Senior Business Development Manager, WebpageFX (co-chair); Heather Thomas, Happiness Manager, WebpageFX; Gabriella Vreeland, Project Coordinator & Marketing Assistant, JEM Group; Cody Wanner, Partner/Owner, Cap Collective; Derek Whitesel, Executive Director, HYP.

Centric Bank Members: Cory Bishop, AVP, SBA & Commercial Lending Officer; Sean Burns, Commercial Lending Officer; Annie Clementoni, Loan Documentation Specialist; Nicole Cooper, Teller Manager (co-chair); Nicole Fitting, Commercial Lending Assistant; Flow Lynch, AVP, Branch Operations Manager & Security Officer; Mike St. Hilaire, Credit Analyst; Kristin Takoch, Mortgage Loan Processor.

INVESTOR RELATIONS

Common Stock Transactions

Centric Financial Corporation's Common Stock is traded for investors as OTC Pink: CFCX. Centric Financial Corporation uses the following registered market makers for their Common Stock.

- Boenning & Scattergood, Inc.
  4 Tower Bridge
  200 Barr Harbor Dr., Suite 300
  West Conshohocken, PA 19428
- Wedbush Securities, Inc.
  One SW Columbia St., Suite 1000
  Portland, OR 97258
- Monroe Financial Partners, Inc.
  100 N. Riverside Plaza, Suite 1620
  Chicago, IL 60606

Registrar & Transfer Agent

Centric Bank
4320 Linglestown Rd.
Harrisburg, PA 17112
(717) 657-7727

American Stock Transfer &
Trust Company, LLC
ATTN: Centric Financial Corporation
6201 15th Ave., Brooklyn, NY 11219
(800) 937-5449 | info@amstock.com

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.

If past is prologue, then our future is bright indeed. Focused on our stakeholders and customers, we are reimagining community banking with a long-run emphasis on small business resources and assets. To compete in a global marketplace, small business requires access to capital, social engagement, community ambassadors, knowledge to anticipate disruptions, and the strength of continuous connection – these are competitive advantages for a thriving economic ecosystem and markers of community prosperity.

Together with our team, shareholders, and customers, Centric Bank is shattering expectations. That's the power of breakthrough banking.

CFCX

CENTRIC BANK®
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