CENTRIC FINANCIAL CORPORATION ANNUAL REPORT 2020

CFCX

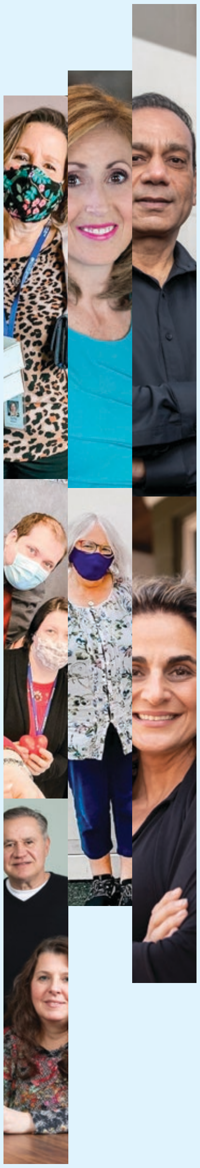
A LOCAL STORYLINE | A FINANCIAL LIFELINE

"I received exceptional and extremely responsive service from Centric Bank during the pandemic, particularly from **Jackie Fahey** and **Sue Csira**. Jackie is a rock star! My practice has banked with another large, well-known bank for years, and never once did I experience this level of personal service. On the first day of the first round of the PPP, I applied with my bank of record. I never heard back from them–not even a status update following my many phone calls. Receiving my PPP loan from Centric Bank was a lifesaver for my 18 employees whose families depend on their salaries. Another local business told me they also received their PPP loan from 'a small but mighty bank in the area called Centric Bank.' Since I received my loan, I have referred several other businesses to Centric. These efforts take a village and the work was done by people I may never meet. Thank you to the Centric Bank village; I never realized working with a community bank could be this different. I am moving my full banking relationship to you."

PAUL ANGOTTI, DPM, FACFAS
Foot and Ankle Specialty Center
Willow Grove, PA

Centric Financial Corporation Annual Report 2020

Centric Financial Corporation: Financial Report 2020



To Our Shareholders, Customers, and Friends:

We cannot help but look back and think how little we understood one year ago what 2020 would bring for our country, our communities, and our financial institution. COVID-19 presented an incalculable perfect storm, but in my 30-year banking career, I have never been prouder of our profession.

Blindsided by the global health pandemic in March 2020, our economy crashed. In less than two weeks, over 80% of our Centric Bank team moved to remote work, something we would never have considered possible just a few weeks prior. Thanks to recent technology upgrades and robust security infrastructure, we were able to protect both the bank and customer data in every work environment.

As businesses closed due to government orders, our team reached out to our customers offering assistance and loan deferments. Loan modifications peaked in the second quarter totaling $220 million of our loan portfolio, or over 30%. We waived fees and provided skip payments to our consumer loan customers in need. As businesses opened later in the year (with reduced capacities), these loan deferments decreased to $22.2 million, or 2.3% of our outstanding loans.

We Revolve Around You became a call to action on behalf of our community. For our customers, we are the first line of defense–the oxygen to more than 1,700 small businesses and counting. The impact? Together, we deployed Small Business Administration Paycheck Protection Program (PPP) funds to save more than 25,000 jobs.

Every person on our 137-member team rolled up their sleeves to rescue Main Street. Within a week, our team created an online portal and a system to reach out and inform customers and non-customers how to apply for a PPP loan. While mindful that we were an essential service, we prioritized employee and customer safety. We installed and provided protective equipment, enhanced security, and cross-trained teams to collect data and process PPP applications. And we did it all while continuing normal bank operations in an abnormal world. Our team lived the Centric Bank Way fundamentals, especially #4 Do Whatever It Takes and #9 Show Grit!

Against headwinds of uncertainty, confusion, and chaos, we met our strategic goals to grow core deposits, grow lending to operating companies, increase the amount of deposits per relationship, and lead in corporate citizenship while strengthening the communities where we conduct business.

FINANCIAL PERFORMANCE

For the year ended December 31, 2020, Centric Financial Corporation reported annual results of $9.1 million in net income, an increase of $1.8 million, or 24%, over the prior year end results. Earnings per share for 2020 was $1.05, both basic and diluted, and increased $0.21 per share over 2019. Return on assets remained consistent with the prior year, delivering solid results at 0.94%, while return on equity increased 13% due to improved net income and the impact of the share buyback program implemented in the year. Tangible book value ended the year at $9.94, increasing $1.15 per share.

We ended the year by surpassing a new asset milestone, cresting the billion-dollar level at $1.1 billion, up $286 million from 2019. The 34% growth in total assets was the result of our team's robust participation in the PPP and organic commercial loan growth.

Compared to year end 2019, loans increased $261 million, or 37%, with $195 million in PPP loans outstanding. Commercial real estate loans were the primary driver to the core loan growth of $66 million, or 10% for 2020.

Total deposits ended the year at $926 million, an increase of $244 million, or 36% over the same period in 2019. Our non-interest-bearing deposits increased $87 million, or 79% year-over-year due to PPP funding and increases in existing core deposit relationships. Interest-bearing checking and certificates of deposits increased $97 million and $50 million, respectively, due to opportunities to onboard low-cost wholesale deposits, as well as deepening existing customer relationships. We made an intentional decision to leverage wholesale funding strategies to support PPP lending versus fully utilizing the Paycheck Protection Program Lending Facility (PPPLF) due to significant savings in funding costs which amounted to over $450 thousand in the year.

The year was a continuation of the economic cycle with the prime interest rate declining 225 basis points from July 2019 to 3.25% in April 2020. Although our net interest margin declined by 15 basis points in 2020, we ended the year strong at 3.65%. Our commitment to pricing discipline with loans, fees earned from the PPP loans, and a continued focus on increasing the deposit composition to lower-cost products were the drivers to maintaining a strong margin. We strive to remain a high-performing financial institution, and we are proud to report that Centric's net interest margin ranked #1 among our peer banks in central PA and the Philadelphia region for 2020.

The residential mortgage area had a strong uptick in new home lending, construction, and refinancing of loans with mortgage rates at historic low levels. During 2020, our team also closed on 144 mortgages for over $39.2 million, a strong increase of $13.4 million, or 52% over the volume of mortgages that our team produced the prior year.

We made significant strides in the Philadelphia market. Total loans in the Philadelphia region at year end were $405 million, a growth of 71%, now comprising 42% of our total loan portfolio. Total deposits grew 80% to $89 million from prior year end. Non-interest-bearing deposits comprise 60% of our total deposits in this market.

In 2021, our team will remain active in providing a financial lifeline for small businesses with the latest round of PPP funding. We will launch our new online banking and mobile app which provides enhanced information and capabilities, as well as an intuitive user experience consistent on every device. Our strategic goals are focused on continuing to drive double-digit organic growth in both loans and deposits, and create efficiencies within our organization by delving into data analytics, transforming processes, and investing in new technologies.

Our banking wins were especially meaningful this year. Standing above all recognitions is *American Banker*'s Best Banks to Work For. This is our third consecutive win and speaks to our extraordinary culture, team spirit, and purposeful work.

Service to others begins in our community, and we are grateful for the opportunity to strengthen, support, and uplift you with resources and lifelines. As always, *We Revolve Around You!*

Sincerely,

Donald E. Enders, Jr.

Donald E. Enders, Jr.
Chairman of the Board

Patricia A. Husic

Patricia A. Husic
President & CEO

Donald E. Enders, Jr.
Chairman of the Board

Patricia A. Husic
President & CEO

RELATIONSHIP BANKING WINS

"As a proud SBA loan provider, Centric Bank has been a lifeline for small business. You can't put a price on people's livelihoods," says CEO Patti Husic. "We go beyond providing financial mechanisms for business growth. We develop lasting partnerships with our customers."

In a world of data and life behind screens, Centric Bank's customers' biggest relief package was the value of a personal relationship with their banker. A few of them shared how much they treasured that connection.

"The service of your team members, especially Tim Merrill and Chris Bickel, was above and beyond," says Dan Hinckley, president of IntePros Consulting, Plymouth Meeting, PA.

"Centric Bank has been amazing! We just became a customer, and they made the process so incredibly easy," says Christine Kondra, co-owner of Cornerstone Restaurant, Wayne, PA.

"One of my favorite Centric Bank Way principles is 'Do the right thing always,'" says Leslie Meck, EVP, Chief Retail Officer. "Never is this posture more critical than in a crisis like COVID-19. I was inspired by the teamwork, selflessness, and commitment shown by our financial center employees during such an uncertain time. As essential, frontline workers, our 24-person retail team's service and compassion kept our doors open and ensured every customer had access to funds. My team increased customer messaging by 70% through thousands of phone calls about COVID restrictions, Skip-A-Payment, lobbies reopening, PPP updates, the Loan Forgiveness Portal, and PPP Round 2. Our managers and business development officers jumped in with the lending team to help customers and non-customers navigate our online portal. The team opened more than 1,400 new checking accounts in two months–more than we typically open in an entire year!"

"My head is spinning right now. I cannot believe my PPP loan was approved and in my account in a week. You guys rock! **Jessica McCullen** was amazing, **Mary Anne Bayer** was patient, kind, and understanding, and **Peggy Elder** called with the great news. The Centric team is fantastic! Every step of the way, they held my hand and helped me with the process. And to think I didn't even have to leave my home or go to a branch.

A great team starts with a great leader, so kudos to you, **Patti Husic,** for leading a remarkable team. I am speechless and humbled. My gratitude to you, Jessica, Mary Anne, and Peggy for this tremendous customer service."

FLORA POSTERARO, *Talent/Senior Multi-Media Specialist*
PennWatch
Harrisburg, PA

> Diaz Transcription Services and LBG Rentals have been clients of Centric Bank for over 10 years. There are challenges as a small, woman- and minority-owned business, but Centric Bank has stood with us to ensure our growth won't be hindered by a lack of financial support. The recent PPP and EIDL federal programs for small businesses have proven once again that Centric Bank will go above and beyond by processing these loans for us seamlessly and expeditiously. They are responsive, customer-service oriented, and a genuine partner to small businesses.
>
> **JENINE DIAZ,** *President*
> *Diaz Transcription Services*
> *Harrisburg, PA*

COMMUNITY UPLIFT

Giving back to the community is deeply embedded in the Centric culture, and in a year of great need, the bank doubled its Community Reinvestment Act (CRA) donations to $89,000 for organizations that serve low-to-moderate income communities. The Central Pennsylvania Food Bank, Daily Bread Community Food Pantry, Chester County Food Bank, and Bucks County Housing Group received a collective $46,500. In addition, our team delivered 550 meals to frontline hospital workers and volunteered at The Salvation Army Harrisburg Capital City Region and the Central Pennsylvania Food Bank. While working through the pandemic, the Centric team donated 565 hours to many organizations dedicated to low-income families like the Chester County Family Academy Foundation and Habitat for Humanity of Greater Harrisburg.

"During COVID-19, Centric Bank provided extraordinary financial support for Central Pennsylvania Food Bank's Crisis Response. As a result of their 2020 contributions, which totaled $40,000, our food bank was able to provide 250,000 healthy meals to central Pennsylvanians struggling with hunger," says Joe Arthur, Executive Director.

"We increased by 10 times the number and volume of loans made to businesses in low-income neighborhoods in 2020," says Kimberly Turner, EVP, Chief Risk Officer. "We were proud to secure 271 loans totaling $28 million. Many of these were PPP loans to help mom-and-pop businesses survive."

Affordable housing continues to be a strategic focus. "We financed the addition of 62 housing units with affordable rents for low-to-moderate income people with 12 loans totaling $3.3 million," says Turner. "One of our bright spots of 2020 was creating a new position, Senior Compliance Analyst and Assistant CRA Officer. Stacey Cammack brings insights, experience, and fresh opportunities to the risk conversation."

As a leader in corporate citizenship, Centric Bank sponsored over 50 events and organizations and contributed more than $125,000 in 2020. Partners included Rotary Club of the West Shore Flags for Heroes, African-American Chamber of Commerce of Central PA, American Heart Association, community libraries, Susquehanna SCORE, YWCA of Greater Harrisburg, Friends Association of West Chester, High Hopes for Haiti, Feel Your Boobies Foundation, Fair Housing Council of Harrisburg, SACA (Spanish American Civic Association), and many more.

"As a fourth-generation meat processor, Agostino Foods had a longstanding dream of moving from a strictly raw processor to producing high quality, fully cooked meats and entrées. Partnering with Centric Bank allowed us to follow that dream. Our loan officer was truly knowledgeable and took the time to understand our unique business. Unlike our experiences with larger banks, which made us feel like we needed to fit their lending models like a puzzle piece, Centric Bank treated us as a partner. We needed a bank with lending products and vision that would support our family owned company for future generations. Thanks to Centric Bank, we proudly opened a new facility in Fallsington, PA, only five miles from our raw facility in Bristol."

JOHN PASSANANTE, *President*
Agostino Foods
Bristol, PA

ADVOCACY TOUR WITH THE SBA

On June 19, 2020, Patti Husic hosted former SBA Administrator Jovita Carranza in Camp Hill, PA, for a Women-Owned Small Business Roundtable. In an advocacy tour on behalf of America's 30 million small businesses, Administrator Carranza, joined by former U.S. Secretary of Labor Eugene Scalia, discussed the impact of the PPP on local small businesses and met with four Centric Bank women-owned businesses that received these funds.

"As one of the largest PPP providers in our region, it was a privilege for us to welcome Administrator Carranza. In a time when local small business owners are collectively facing the greatest challenge in a generation–the health and economic crisis of coronavirus–the roundtable focused on our business owners' triumphs and goals, and how the SBA lending program has helped them sustain their businesses and keep their people employed," says Husic.

Former SBA Administrator Jovita Carranza (right) visits Sweet Confections Cakes Owner Darmayne Robertson (left) on a Centric Bank PPP Tour.

Darmayne Robertson, founder of minority-owned, women-owned, and veteran-owned Sweet Confections Cakes, echoed every business owner: "It was pretty much a lifesaver." Jessica Meyers, owner of JEM Group, says, "We are grateful to have a partner like the SBA to help us through this challenging time. Centric was the #1 reason we could bring our people back."

BANKING FROM THE HEART

The Centric Bank team finished strong in 2020 and delivered core organic growth of 10%, exclusive of the $195 million in PPP loans at year end. With net income growth of 24% over 2019, COVID-19 accelerated change in every department–technology, remote work, cross-training, commercial lending, retail, and new account growth. "Our 137-person team became a solutions center for problems that never existed in our lifetime," says Husic. "Every team member shifted energy and focus to align our mission to our true north: saving jobs and businesses."

With enormous challenges facing every employee, Christine Pavlakovich, EVP, Chief Human Resources Officer, surveyed the team regularly to gauge how they felt about their work environment, their own health and wellness, and general feelings about the pandemic. From those interviews, Pavlakovich provided continuous access to resources and information to help associates balance the new work-from-home space. Senior leadership began hosting quarterly Town Hall meetings to keep relationships strong. "We sent care packages home to all employees with snacks and office supplies. We celebrated winning the 50 Fastest Growing Companies award with a thank you card and a $50 gift card for every employee. Continuous outreach helps us feel a sense of belonging and connection. HR and Marketing created a weekly newsletter, *The Centric Globe,* which features policy updates, highlights on team members, birthdays and anniversaries, and wellness tips. Each week, different departments share what the Centric Bank Way fundamentals mean to them through articles and videos. *We Revolve Around You* begins at home–our bank home," says Pavlakovich.

Centric Bank's digital transformation was key to the PPP success. "Every goal of our IT department was accelerated to meet the overwhelming demands of COVID-19," says Clair Finkenbinder III, EVP, Chief Information Officer and Director of Operations. "We expanded and invested in our mobile workforce efforts enabling Centric to provide

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"I absolutely love my home. I always wanted a home of my own but believed I was too old for my dream to come true. After over 40 years of renting, I was frustrated with the rent increases, the noise, and new neighbors moving in and out of my life. Then my daughter told me about Fair Housing Council of Harrisburg's First Time Homebuyer Program, sponsored by Centric Bank. The program teaches first-time buyers the ins and outs of homeownership, and I met **Chris Conrad** from Centric Bank. He was very honest and answered my questions. At first, I was nervous I didn't have what it takes to own a home. But **Getty Wilson** kept me calm through the stress, helped me improve my credit, and was kind and thoughtful. The Centric Bank team is the best, and they do whatever it takes to get you into your dream home."

TRACI CARTER, *Homeowner*
Harrisburg, PA

STRENGTHENING THE COMMUNITIES

We Call Home

"BRING IT" EVERY DAY.

KEEP THINGS FUN.

CONTRIBUTE TO THE COMMUNITY.

LIFTING UP MAIN STREET

Our PPP Story

"I want to commend Patrick Snyder for his efforts on the PPP program. Patrick's customer service and communication were exceptional. As a former bank director and CEO, I can be critical of bank customer service. Patrick did a great job. In fact, we are moving our entire relationship to Centric. We don't borrow money, and this is the first time in 15 years since starting the business that we have a loan. We will keep Centric Bank at the top of our referral list. Congratulations to your entire Centric team on the great work!"
ROBERT J. McCORMACK, Managing Partner
Murphy McCormack Capital Advisors
Lewisburg, PA

71% LOANS TO NEW CUSTOMERS

1,400 NEW CHECKING ACCOUNTS IN TWO MONTHS

1,700+ LOANS PROCESSED

25,000 JOBS SAVED

$220 MILLION TOTAL LOANS

31% PPP CUSTOMERS ONBOARDED

"Your team opened my new account electronically, and we will be moving our business banking to Centric. They treated me with respect, and I felt as if I was your #1 client. I cannot express how grateful I am for this relationship."
KIM KENAWELL-HOFFECKER, Owner
Avantra Family Wealth
Mechanicsburg, PA

17 STATES | **101** COUNTIES | **321** CITIES

"Centric Bank was there from the beginning for me and still is today. Without Centric and these loans, I'm not sure how we would have survived as a business. I will never forget what Centric Bank continues to do for me. 50 jobs saved!"
ADAM STURGES, Owner
Sturges Speakeasy
Harrisburg, PA

"Just wanted to let you know how exceptional your bank has been during this time, especially with getting the PPP loans processed and funded. Paul Zwally, Shannon Deatrich, and Joe Rebarchak have all been unbelievable in both their responsiveness and efficiency. Great job!"
DARRIN DINELLO, Owner
Dinello Law, William Penn Settlement and North Mountain Settlement
Harrisburg, PA

70% INCREASED CUSTOMER MESSAGING

86% NEW CUSTOMERS FROM PHILADELPHIA REGION

1,253 NEW CUSTOMERS

"I was with a bank for at least 30 years and never had customer service even close to what was provided to me by Centric Bank. I am not a computer person, so a PPP application was a challenge for me. Spencer Beck walked me through the application. When I had problems getting the right numbers, he took the extra time to work with my accountant. Spencer went above all my expectations and had my application completed in a day! After working with my bank for three weeks, I still hadn't received the application from them. Amber Spotts called me and helped me set up my account. This took all day because of my lack of knowledge. Not once did Amber get short with me. She was polite and patient, and even offered to help me with setting up online banking. Centric Bank accomplished in two days what my bank couldn't do in three weeks. I will be switching accounts to Centric Bank because customer service is a huge part of business. Thank you, Spencer and Amber! Your service was incredible!"
CURTIS SHENK, Principal
CLS Auctioneering, Inc.
Manheim, PA

"I missed the initial PPP loan with my bank. When I heard they were getting additional funds, I emailed the application to my banker. She said there was no more money, but a conversation with a friend revealed that there was. I called Centric Bank and left a message. Kevin Boland called me back. I emailed him my application, and he had it in the system in no time. This was well after 5 p.m. I am leaving my bank and calling Amber Spotts tomorrow to switch banks! Kudos to Kevin!"
MATTHEW GOKEY, Owner
Matthew Gokey Auctioneers, Inc. and Bering Real Estate
Landisville, PA

58% CURRENT CUSTOMERS FROM HARRISBURG REGION

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uninterrupted service to our customers while maintaining the highest level of security and integrity to our customers' data. Our employees adjusted quickly to their new work-from-home environment and were encouraged to innovate, collaborate, and be the solution for our customers," says Finkenbinder.

With productivity rising and customer engagement robust on new channels, many employees have welcomed the virtual shift. "My father is 85 and lives in Pittsburgh. With us working remotely, I can visit him more frequently, monitor his health, and still do my work." Another team member drives 67 miles to work one way. She has two young children in first and third grades who need help with virtual learning. "With my children so young, it was essential for me to be home to help them with their online learning and to ensure they are thriving. This was all possible with remote work."

The Centric team added two new positions, welcomed five interns, and promoted nine employees. With a 60% female executive leadership team and a 70% female workforce, the bank sends a clear message that all voices are welcome, and diversity, equity, and inclusion are drivers for Centric Bank's success.

To ensure equitable access to capital and PPP funding across non-customers and minority-owned businesses, Patti Husic provided news interviews, answered questions on social media forums, and shared precise steps for small businesses to participate. As an outgrowth of "Black-Owned Businesses: Stories of Struggle & Success," an interview with Joyce M. Davis, Opinion Page Editor for PennLive, Centric Bank created free resource guides to help minority small businesses through the pandemic and beyond. "If we are not more intentional in our outreach efforts, our customers will remain the same," says Husic. "At Centric Bank, we're constantly looking to expand the landscape of who we're lending to. There must be deliberate and sustained efforts to help BIPOC businesses succeed."

"With 2020 being a year of uncertainty, we had a sense of comfort knowing that Centric Bank was right by our side. The team at Centric Bank, specifically **Christopher Bickel** and **William Farina,** provided exceptional support in securing a loan for a new hotel and acquiring PPP funding for our other businesses. Unlike many other banks, they took the time to get to know us to help us achieve our goals!"

KIRAN PATEL, *President, and* ANIL PATEL, *Vice President*
Motel 6 and Pooja Hospitality
Maple Shade, NJ

> Working with **Patti Husic** and Centric Bank has been one of the best decisions for my practice. From my initial land purchase, through my building process and opening six years ago, and most recently through two rounds of PPP applications and funding, Centric supported me with expertise and commitment. Listening to the troubles of my colleagues dealing with less responsive banks made me especially relieved to have the Centric Bank team on my side. I'm looking forward to continuing our partnership for many years to come.
>
> SARAH LOREI, DMD, Owner
> Millennium Way Dental Studio
> Enola, PA

"Patti is determined to do her part to dismantle any vestiges of racism in banking," says Davis.

As an industry voice, Husic was named to American Bankers Association's 15-person inaugural Diversity, Equity, and Inclusion Advisory Group formed in 2020. The group is charged with bringing solutions to national challenges of advancing women and people of color to key banking roles and creating a more diverse customer base.

DOCTOR CENTRIC BANK: DEDICATED TO THE HELPERS

While COVID-19 delivered a crushing blow to health care practices and professionals both physically and financially, Doctor Centric Bank, a division of Centric Bank, remained on call. Providing concierge service and guidance on PPP funding, 100% practice financing, cash flow management, leasing for equipment and technology, and personal and business banking, the Doctor Centric team is more than a financial lifeline; they are a trusted and loyal partner. "We protect the protectors," says Jeff Myers, SEVP, Chief Lending Officer. "Community health was the most important concern in 2020, and our dedicated team of health care bankers met every unforeseen medical practice challenge COVID-19 unleashed. We really see our value in protecting the health care ecosystem so doctors can remain singularly focused on health and wellness in a post-COVID world," says Myers.

Among the 1,700+ PPP loans the team provided, 17% or $37.6 million was in health care lending. Acknowledging the pandemic's immense strain on time and resources, Dr. Sarah Lorei, owner of Millennium Way Dental Studio, says, "It's not often that a bank president and CEO personally checks in with you to see if you need anything during a pandemic. Centric Bank's service never lets us down!"

No words of praise speak more to the heart of the Centric team than *American Banker*'s Best Banks to Work For Award. "I am deeply grateful for every member of the Centric family," says Husic. "The skills and commitment required for an all-bank transition to a fully virtual model almost overnight was extraordinary. Because of this team, more than 25,000 jobs were saved. Working tirelessly through PPP applications, they sacrificed family time to ensure every small business owner was served, invented workarounds to fluid federal guidelines, and kept local businesses open. That's banking from the heart!"

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 subsidiary, which comprise the consolidated balance sheet as of December 31, 2020 and 2019; 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 subsidiary as of December 31, 2020 and 2019, 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
March 16, 2021

Consolidated Balance Sheet

(in thousands, except share data)	December 31, 2020		December 31, 2019	
ASSETS				
Cash and due from banks	$	51,464	$	44,736
Interest-bearing deposits in other banks		579		1,980
Federal funds sold		30,057		20,153
Cash and cash equivalents		82,100		66,869
Investments in certificates of deposits		-		2,747
Securities available for sale		12,599		29,865
Securities held to maturity, fair value of $28,685 and $4,068		28,282		4,009
Equity securities		2,118		-
Loans held for sale		2,166		1,687
Loans		964,214		703,143
Less: allowance for loan losses		10,487		8,293
Net loans		953,727		694,850
Premises and equipment, net		13,880		14,053
Accrued interest receivable		6,016		2,304
Regulatory stock		3,653		2,460
Cash surrender value life insurance		4,296		4,193
Mortgage servicing rights		1,124		1,337
Other assets		8,051		7,830
TOTAL ASSETS	**$**	**1,118,012**	**$**	**832,204**
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Deposits - noninterest-bearing	$	196,367	$	109,799
Deposits - interest-bearing		730,108		572,261
Total deposits		926,475		682,060
Operating lease liability		3,224		3,849
Finance lease liability		5,519		5,631
Short-term borrowings		20,000		-
Long-term debt		74,678		60,955
Total borrowed funds		103,421		70,435
Other liabilities		3,613		2,220
Total Liabilities		**1,033,509**		**754,715**
STOCKHOLDERS' EQUITY				
Common stock, $1.00 par; 12,000,000 shares authorized; 8,790,907 shares issued and 8,448,903 outstanding at December 31, 2020; 8,758,646 shares issued and outstanding at December 31, 2019		8,791		8,759
Additional paid-in capital		46,505		46,205
Retained earnings		31,561		22,504
Accumulated other comprehensive income		71		21
Treasury stock - at cost, 342,004 shares at December 31, 2020		(2,425)		-
Total Stockholders' Equity		**84,503**		**77,489**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$**	**1,118,012**	**$**	**832,204**

See notes to consolidated financial statements.

Consolidated Statement of Income

(in thousands, except share and per share data)	Year Ended December 31, 2020	2019
INTEREST INCOME		
Interest and fees on loans	$ 39,981	$ 37,222
Interest and dividends on securities	1,097	1,095
Interest-bearing deposits in other banks	36	105
Federal funds sold	202	987
Total interest income	41,316	39,409
INTEREST EXPENSE		
Interest on deposits	5,281	9,493
Interest on borrowings	2,255	1,797
Total interest expense	7,536	11,290
Net interest income	33,780	28,119
Provision for loan losses	3,100	2,129
Net interest income after provision for loan losses	30,680	25,990
NONINTEREST INCOME		
Service charges on deposit accounts	215	296
Other loan fees and servicing income	1,273	1,345
Net gain on sale of loans	943	1,220
Customer swap referral fees	140	533
Earnings on cash surrender value of life insurance	103	108
Unrealized gain on equity securities	108	-
Net gain on sale of securities	209	-
Other income	593	593
Total noninterest income	3,584	4,095
NONINTEREST EXPENSE		
Salaries and employee benefits	13,593	11,935
Occupancy and equipment	2,223	2,032
Legal and professional fees	747	741
Data processing	1,124	1,131
Advertising and marketing	454	691
Shares tax	795	835
Directors expense	502	359
Federal deposit insurance	467	186
Other expenses	2,931	3,002
Total noninterest expense	22,836	20,912
Income before income tax expense	11,428	9,173
Income tax expense	2,371	1,888
NET INCOME	**$ 9,057**	**$ 7,285**
PER SHARE DATA		
Basic earnings per share	$ 1.05	$ 0.84
Diluted earnings per share	$ 1.05	$ 0.83
Average shares outstanding (basic)	8,647,020	8,723,449
Average shares outstanding (diluted)	8,665,253	8,755,337

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

(in thousands)	December 31, 2020	December 31, 2019
NET INCOME	$ 9,057	$ 7,285
Other comprehensive income:		
Unrealized holding gains on available-for-sale securities	207	118
Accretion of discount on securities transferred to held to maturity	2	2
Reclassification adjustment for gains recognized in income	(209)	-
Accretion of non-credit OTTI on held-to-maturity securities	45	10
Non-credit portion of OTTI recognized in other comprehensive income	18	-
Net unrealized gains	63	130
Tax effect	(13)	(27)
Total other comprehensive income, net of tax	50	103
COMPREHENSIVE INCOME	**$ 9,107**	**$ 7,388**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Stockholders' Equity

(in thousands, except share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2019	$ 8,715	$ 45,921	$ 15,219	$ (82)	$ -	$ 69,773
Net income			7,285			7,285
Other comprehensive income				103		103
Stock-based compensation plans:						
Issuance of restricted stock (21,260 shares)	21	(21)				-
Forfeiture of restricted stock (1,968 shares)	(2)	2				-
Restricted stock - compensation expense		123				123
Stock options - compensation expense		31				31
Stock options exercised (16,936 shares)	17	81				98
Issuance of Employee Stock Purchase Plan (7,443 shares)	8	68				76
Balance, December 31, 2019	8,759	46,205	22,504	21	-	77,489
Net income			9,057			9,057
Other comprehensive income				50		50
Stock-based compensation plans:						
Issuance of restricted stock (21,782 shares)	22	(22)				-
Forfeiture of restricted stock (650 shares)	(1)	1				-
Restricted stock - compensation expense		136				136
Stock options - compensation expense		143				143
Stock options exercised (19,379 shares)	9	29			72	110
Issuance of Employee Stock Purchase Plan (4,246 shares)	2	13			16	31
Treasury shares acquired (354,500 shares)					(2,513)	(2,513)
Balance, December 31, 2020	**$ 8,791**	**$ 46,505**	**$ 31,561**	**$ 71**	**$ (2,425)**	**$ 84,503**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(in thousands)	Years Ended December 31, 2020	2019
Cash flows from operating activities		
Net income	$ 9,057	$ 7,285
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	3,100	2,129
Depreciation and amortization	2,119	2,539
Amortization of operating lease right-of-use asset	(20)	15
Stock-based compensation	279	154
Deferred income tax benefit	(546)	(372)
Loans originated for sale	(38,101)	(31,966)
Proceeds from sale of loans	38,565	32,347
Net gain on sale of loans	(943)	(1,220)
Increase in accrued interest receivable	(3,712)	(311)
Decrease in accrued interest payable	(140)	(112)
Earnings on cash surrender value of life insurance	(103)	(108)
Unrealized gain on equity securities	(108)	-
Net gain on sale of securities	(209)	-
Net OTTI losses recognized in earnings	18	-
Net gain on sale of other real estate owned	(35)	(13)
Other, net	(404)	(269)
Net cash provided by operating activities	8,817	10,098
Cash flows from investing activities		
Net (increase) decrease of investment certificates of deposits	2,747	(1,259)
Investment securities available-for-sale		
Proceeds from sales, payments and maturities	21,742	17,841
Purchases	(4,467)	(26,676)
Investment securities held-to-maturity		
Proceeds from sales, payments and maturities	1,071	2,254
Purchases	(23,701)	(250)
Equity securities purchases	(2,010)	-
Regulatory stock		
Purchases	(5,812)	(2,607)
Redemption	4,619	2,096
Net increase in loans	(262,839)	(79,397)
Purchases of bank premises and equipment	(681)	(2,516)
Proceeds from disposal of other real estate owned	56	24
Net cash used for investing activities	(269,275)	(90,490)
Cash flows from financing activities		
Net increase in deposits	244,415	95,875
Net increase (decrease) in short-term borrowings	20,000	(15,500)
Proceeds from long-term debt	29,723	35,955
Payments on long-term debt	(16,000)	(5,500)
Payments on finance lease obligations	(77)	(51)
Stock options exercised	110	98
Net proceeds from issuance of common stock	31	76
Treasury shares acquired	(2,513)	-
Net cash provided by financing activities	275,689	110,953
Net increase in cash and cash equivalents	15,231	30,561
Cash and cash equivalents at beginning of period	66,869	36,308
Cash and cash equivalents at end of period	**$ 82,100**	**$ 66,869**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows (Continued)

(in thousands)	Years Ended December 31, 2020	2019
Supplemental information		
Cash paid for interest	$ 7,676	$ 11,402
Cash paid for income taxes	2,975	2,250
Non-cash investing and financing activities:		
Other real estate acquired in settlement of loans	-	31
Initial recognition of lease right-of-use assets	-	9,653
Initial recognition of lease liabilities	-	9,635
Securities purchased not settled	1,599	-

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 seven full-service offices in Dauphin, Cumberland, Lancaster, Bucks and Chester Counties, as well as a loan production office in Chester County. The Bank also provides online banking channels. Centric's principal sources of revenue is interest income generated from the portfolio of real estate loans, commercial loans and consumer loans, interest income generated from the investment portfolio, as well as noninterest income from the generation and subsequent sale of loans.

Centric is subject to regulation and supervision of the Pennsylvania Department of Banking and the Federal Deposit Insurance Corporation ("FDIC"). The Bank is a member of the Federal Reserve System and the Federal Home Loan Bank System, and its deposits are insured by the FDIC, up to applicable limits, through its Deposit Insurance Fund ("DIF").

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 significant 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 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, mortgage servicing rights, 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. Effective March 26, 2020 the board of Governors of the Federal Reserve System ("FRS Board") adopted revisions to reduce report burdens by discontinuing the data collection from the FR 2900Q used to administer reserve requirements. The FRS Board also set the reserve requirements ratios to zero percent at that time. Accordingly, the Bank was not required to maintain average balances with the Federal Reserve bank at December 31, 2020. The Bank maintained an average balance with the Federal Reserve Bank of $1,130,000 for the reserve period ending December 31, 2019. 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.

Credit Risk Concentrations

As a community bank, most of Centric's loan and credit commitments are comprised of customers, primarily individuals and small to medium-sized businesses, based in Dauphin, Cumberland, Lancaster, Bucks and Chester counties of Pennsylvania, as well as into New Jersey. 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 the aforementioned immediate geographic regions.

Notes to Consolidated Financial Statements

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.

Centric purchased Equity securities during 2020. Equity securities are held at fair value. Unrealized holding gains and losses are recorded in income. Dividends on equity securities are recognized as income when earned.

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 Bank participated in the Paycheck Protection Program (“PPP”), administered directly by the U.S. SBA. The fees associated with processing PPP loans were deferred and will be amortized over the life of the loan as an adjustment to yield, or as determined by the SBA, taken into income upon forgiveness of the loans.

The accrual of interest is discontinued through an analysis by management when there are serious doubts about further collectability of principal or interest, even if 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 that was 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

Notes to Consolidated Financial Statements

Note 1 | Significant Accounting Policies *(Continued)*

principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Allowance for Loan Losses

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

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

See Note 5 Allowance for Loan Losses, for additional information.

Unfunded Credit Commitments

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

Regulatory Stock

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

The Bank is also a member of the Federal Home Loan Bank ("FHLB") of Pittsburgh and as such is required to maintain a minimum investment in stock of the FHLB, 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 of $492,000 at December 31, 2020 and 2019 is included in Other assets on the balance sheet, and 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, 2020 or 2019.

Notes to Consolidated Financial Statements

Note 1 | Significant Accounting Policies *(Continued)*

Mortgage Servicing Rights

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 SBA loans generating mortgage servicing rights was $58,058,000 and $69,544,000 at December 31, 2020 and 2019, respectively. Additionally, MSRs are subject to an impairment analysis based on their fair value in future periods performed by a third party. In 2019, the Bank recorded an impairment of $27,000 to mortgage servicing assets, no impairment was recorded in 2020. The mortgage servicing rights balance at December 31, 2020 and 2019 and the activity that occurred during the year consisted of the following:

(in thousands)	2020	2019
Beginning balance	$ 1,337	$ 1,719
New mortgage servicing rights	24	213
Valuation adjustment to the carrying value of servicing assets	-	(27)
Amortization of mortgage servicing rights	(237)	(568)
Ending balance	$ 1,124	$ 1,337

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. There were no credit enhancement fees receivable, net of an estimated liability, at December 31, 2020 or 2019.

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.

Notes to Consolidated Financial Statements

Note 1 | Significant Accounting Policies *(Continued)*

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, 149,607 and 20,556 shares of common stock, at a weighted-average price of $6.57 and $10.65, outstanding at December 31, 2020 and 2019, respectively; and unvested restricted shares of 9,652 and 20,178 at December 31, 2020 and 2019, at a weighted-average price of $10.03 and $9.73, respectively, were not included in dilutive earnings per share as the exercise price exceeded market value at year end.

(in thousands, except shares and per share data)	2020	2019
Net income	$ 9,057	$ 7,285
Weighted average number of shares outstanding (basic)	8,647,020	8,723,449
Effect of dilutive securities	18,233	31,888
Weighted average number of shares outstanding (diluted)	8,665,253	8,755,337
Per share information:		
Basic earnings per share	$ 1.05	$ 0.84
Diluted earnings per share	$ 1.05	$ 0.83

Treasury Stock

Repurchases of shares of Centric's common stock are recorded at cost as a reduction of stockholders' equity. Reissuances of shares of treasury stock are recorded at average cost.

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 2020 and 2019, $102,000 and $98,000 in stock options were exercised, with a tax benefit of $6,000 and $9,000, respectively and $8,000 in warrants were exercised during 2020, with no tax benefit.

Accumulated Other Comprehensive Income

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, net of tax.

Notes to Consolidated Financial Statements

Note 1 | Significant Accounting Policies *(Continued)*

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

(in thousands)	2020			2019		
	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	$ 49	$ (28)	$ 21	$ (44)	$ (38)	$ (82)
Other comprehensive income before reclassifications	164	38	202	93	10	103
Amounts reclassified from accumulated other comprehensive income	(136)	(16)	(152)	-	-	-
Net current-period other comprehensive income	28	22	50	93	10	103
Ending balance	$ 77	$ (6)	$ 71	$ 49	$ (28)	$ 21

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

(in thousands) Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income 2020	Affected Line Item in the Consolidated Statement of Income
Sale of available for sale securities	$ 172	Net gain on sale of securities
Tax effect	(36)	Income tax expense
	136	
Sale of held to maturity securities	$ 37	Net gain on sale of securities
Tax effect	(7)	Income tax expense
	30	
Other-than-temporary impairment losses on held to maturity securities	(18)	Non-credit portion of OTTI recognized in other comprehensive income
Tax effect	4	Income tax expense
	(14)	
Total reclassification for the period	$ 152	

During 2020, two securities held-to-maturity were sold and their amounts were reclassified out of components of accumulated other comprehensive income (loss). There were no components reclassified during 2019. 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 | Revenue Recognition

Accounting Standards Update ASU 2014-09 *Revenue from Contracts with Customers – Topic 606,* and all subsequent ASUs that modified ASC 606, requires management to determine the primary sources of revenue. The Company’s primary source of revenue emanates from interest income on loans and investments along with noninterest revenue resulting from net gain on sale of loans, other loan fees and servicing income, and earnings of cash surrender value

Notes to Consolidated Financial Statements

Note 2 | Revenue Recognition *(Continued)*

of life insurance are not within the scope of ASC 606. The main types of noninterest income within the scope of the standard are as follows:

Service charges on deposit accounts
The Company has contracts with its deposit customers where fees are charged if certain parameters are not met. These agreements can be cancelled at any time by either the Company or the deposit customer. Revenue from these transactions is recognized on a monthly basis as the Company has an unconditional right to the fee consideration. The Company also has transaction fees related to specific transactions or activities resulting from a customer request or activity that include overdraft fees, cycle service fees, online banking fees, interchange fees, ATM fees and other transaction fees. All of these fees are attributable to specific performance obligations of the Company where the revenue is recognized at a defined point in time upon the completion of the requested service/transaction.

Gain (loss) on sale of other real estate owned and other assets
Gains and losses are recognized at the completion of the sale when the buyer obtains control of the real estate and all of the performance obligations of the Company have been satisfied. Evidence of the buyer obtaining control of the asset include transfer of the property title, physical possession of the asset, and the buyer obtaining control of the risks and rewards related to the asset. In situations where the Company agrees to provide financing to facilitate the sale, additional analysis is performed to ensure that the contract for sale identifies the buyer and seller, the asset to be transferred, payment terms, and that the contract has a true commercial substance and that collection of amounts due from the buyer are reasonable. In situations where financing terms are not reflective of current market terms, the transaction price is discounted impacting the gain/loss and the carrying value of the asset.

Customer swap referral fees
The Bank utilizes Pacific Coast Bankers' Bank (PCBB) Borrower's Loan Protection Program (BLP). Centric's loan customers may choose to enter the program to create a fixed rate loan swap between PCBB and the customer. Centric maintains 100% of the floating rate loan with a predefined principal amortization schedule. On the date the customer's loan enters the BLP program, Centric may receive a referral fee. Fees received are recognized as other income immediately and are limited to a maximum of 25 basis points per loan.

The Company determined that the level of disaggregation of revenue as reported on the Consolidated Statement of Income provided a sufficient level of detail in order to properly analyze the significant revenue streams of the Company and therefore no further disaggregation of any revenue streams within the scope of ASC 606 was considered to be necessary.

Note 3 | Investment Securities

A summary of securities available for sale is as follows:

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	December 31, 2020			
U.S. government agency securities	$ 2,265	$ 31	$ -	$ 2,296
Government sponsored mortgage-backed securities	10,237	104	(38)	10,303
Total	$ 12,502	$ 135	$ (38)	$ 12,599
	December 31, 2019			
U.S. government agency securities	$ 8,034	$ 23	$ (19)	$ 8,038
Government sponsored mortgage-backed securities	21,766	161	(100)	21,827
Total	$ 29,800	$ 184	$ (119)	$ 29,865

Notes to Consolidated Financial Statements

Note 3 | Investment Securities *(Continued)*

A summary of securities held to maturity is as follows:

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		December 31, 2020		
Municipal securities	$ 16,852	$ 6	$ (15)	$ 16,843
Other debt securities	11,430	413	(1)	11,842
	$ 28,282	$ 419	$ (16)	$ 28,685
		December 31, 2019		
Municipal securities	$ 1,460	$ 12	$ -	$ 1,472
Other debt securities	2,250	2	-	2,252
Private collateralized mortgage obligations	299	45	-	344
	$ 4,009	$ 59	$ -	$ 4,068

Unrealized holding gains and losses on equity securities are recorded in noninterest income. At December 31, 2020, the bank recorded $108,000 in unrealized gains from changes in the fair value of equities held of $2,118,000.

Securities with a fair value of $21,975,000 and $23,353,000 were pledged to collateralize bank deposits by Pennsylvania local governments and the discount window as of December 31, 2020 and 2019, respectively.

During 2020, the Bank sold twenty-eight securities totaling $7,704,000 resulting in gross gains of $174,000 and gross losses of $2,000. During 2019, the Bank sold thirteen securities totaling $7,717,000 resulting in gross gains of $39,000 and gross losses of $39,000. During 2020, Centric was able to sell two held to maturity securities that had impairments taken several times in previous years, they were sold at a net gain of $37,000, as well as impacting Comprehensive Income by $18,000.

The amortized cost and fair value of debt securities owned at December 31, 2020, 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	$ -	$ -	$ 240	$ 241
Due after one year through five years	4	4	1,497	1,498
Due after five years through ten years	2,156	2,149	10,430	10,842
Due after ten years	10,342	10,446	16,115	16,104
Total investment securities	$ 12,502	$ 12,599	$ 28,282	$ 28,685

Notes to Consolidated Financial Statements

Note 3 | Investment Securities *(Continued)*

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

(in thousands)	Less than 12 Months Fair Value	Less than 12 Months Gross Unrealized Losses	12 Months or Greater Fair Value	12 Months or Greater Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
			December 31, 2020			
Government sponsored mortgage-backed securities	$ 1,676	$ (18)	$ 2,000	$ (20)	$ 3,676	$ (38)
Municipal securities	3,144	(15)	-	-	3,144	(15)
Other debt securities	249	(1)	-	-	249	(1)
Total temporarily impaired securities	$ 5,069	$ (34)	$ 2,000	$ (20)	$ 7,069	$ (54)
			December 31, 2019			
U.S. government agency securities	$ 3,731	$ (19)	$ -	$ -	$ 3,731	$ (19)
Government sponsored mortgage-backed securities	10,417	(66)	2,459	(34)	12,876	(100)
Total temporarily impaired securities	$ 14,148	$ (85)	$ 2,459	$ (34)	$ 16,607	$ (119)

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 non-credit portion) is recognized in other comprehensive income, net of applicable taxes. Otherwise, the entire difference between fair value and amortized cost is charged to earnings.

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. For the year ended December 31, 2020 and 2019, Centric did not record any credit-related impairment. There were 13 securities that were temporarily impaired at December 31, 2020.

Changes in credit losses during 2020 and 2019 associated with investment securities for which other-than-temporary impairment losses have been previously recognized in both earnings and other comprehensive income follows:

(in thousands)	Year Ended December 31, 2020	Year Ended December 31, 2019
Estimated credit losses - beginning balance	$ 452	$ 452
Reduction of credit losses for sold securities	(18)	-
Reductions for increases in cash flows	-	-
Reductions for realized payment losses on sold securities	(434)	-
Estimated credit losses - ending balance	$ -	$ 452

Notes to Consolidated Financial Statements

Note 4 | Loans

The Company's loan portfolio is grouped into classes to allow management to monitor the performance by the segments, as well as monitoring the performance of yields on the portfolio. The composition of loans, net of unamortized loan origination fees of $7,212,000 and $3,299,000 at December 31, 2020 and 2019, respectively, are as follows:

	December 31,	
(in thousands)	2020	2019
Commercial	$ 396,982	$ 206,207
Real estate - construction	52,024	48,311
Real estate - residential owner occupied	47,963	51,203
Real estate - residential non-owner occupied	45,229	52,350
Real estate - commercial	420,995	344,085
Consumer	1,021	987
Total loans	964,214	703,143
Allowance for loan losses	(10,487)	(8,293)
Net loans	$ 953,727	$ 694,850

During 2020 the Company participated in the Paycheck Protection Program ("PPP"), administered directly by the U.S. SBA. The PPP provides loans to small businesses who were affected by economic conditions as a result of COVID-19 to provide cash-flow assistance to employers who maintain their payroll (including healthcare and certain related expenses), mortgage interest, rent, leases, utilities and interest on existing debt during the COVID-19 emergency. As of December 31, 2020, the Company had outstanding principal balances of $195.4 million. The PPP loans are fully guaranteed by the SBA and may be eligible for forgiveness by the SBA to the extent that the proceeds are used to cover eligible payroll costs, interest costs, rent, and utility costs over a period of up to 24 weeks after the loan is made as long as certain conditions are met regarding employee retention and compensation levels. PPP loans deemed eligible for forgiveness by the SBA will be repaid by the SBA to the Company. PPP loans are included in the Commercial loan category.

In accordance with the SBA terms and conditions on these PPP loans, the Company received approximately $6.9 million in fees associated with the processing of these loans. Upon funding of the loan, these fees were deferred and will be amortized over the life of the loan as an adjustment to yield in accordance with FASB ASC 310-20-25-2. During 2020, the Bank recognized $2.8 million of PPP service fees in Interest and fees on loans.

Note 5 | 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, nonaccruals and classified loans
- Trends in volume and terms of loans
- Changes in lending policies, underwriting and procedures
- Volatility of losses within each risk category
- Trends in underlying collateral values
- Economic factors

Notes to Consolidated Financial Statements

Note 5 | Allowance for Loan Losses *(Continued)*

- Concentrations of credit
- Experience, depth and ability of management and lending personnel

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.

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 $10,487,000 adequate to cover loan losses inherent in the loan portfolio, as of December 31, 2020.

Allowance for loan losses activity during 2020 is as follows:

(in thousands)	Balance at December 31, 2019	Charged-off Loans	Recoveries	Provision	Balance at December 31, 2020
Commercial	$ 3,988	$ (807)	$ -	$ 1,755	$ 4,936
Real estate - construction	484	-	-	68	552
Real estate - residential owner occupied	445	-	-	11	456
Real estate - residential non-owner occupied	452	(100)	-	24	376
Real estate - commercial	2,907	-	1	1,034	3,942
Consumer	16	-	-	(8)	8
Unallocated	1	-	-	216	217
Total	$ 8,293	$ (907)	$ 1	$ 3,100	$ 10,487

As a result of the issuance of $219 million of PPP loans during 2020, the commercial loan portfolio increased $191 million over last year end, the addition of the PPP loans, secured by the SBA, did not increase provision. The economic conditions related to the pandemic had a significant impact on the overall reserve. Specific reserves accounted for $810,000 in additional provision in the commercial portfolio, as well as reduced by loans charged off and increased due to factor changes in levels and trends of delinquent, nonaccrual and classified loans and also by increases in economic factors. Real estate – commercial increased by $77 million in regular portfolio loans, increasing the related reserve for changes in volume as well as increases in the economic factors during 2020. The majority of $39 million in SBA loans outstanding (not including PPP loans) fall into the commercial and real estate-commercial portfolios. From the prior year, the unsecured SBA balances decreased $14 million, reducing allowance needed. The unallocated portion of the provision increased in the second quarter as business closures, due to the pandemic, remained in place without a clear end to the restrictions.

Allowance for loan losses activity during 2019 is as follows:

(in thousands)	Balance at December 31, 2018	Charged-off Loans	Recoveries	Provision	Balance at December 31, 2019
Commercial	$ 2,700	$ (761)	$ 86	$ 1,963	$ 3,988
Real estate - construction	479	(12)	-	17	484
Real estate - residential owner occupied	499	-	-	(54)	445
Real estate - residential non-owner occupied	354	(9)	-	107	452
Real estate - commercial	2,521	(53)	-	439	2,907
Consumer	14	-	-	2	16
Unallocated	346	-	-	(345)	1
Total	$ 6,913	$ (835)	$ 86	$ 2,129	$ 8,293

Notes to Consolidated Financial Statements

Note 5 | Allowance for Loan Losses *(Continued)*

During 2019, the commercial loan portfolio increased $16 million over last year end. Although the historical loss factor has declined over last year, the overall allocation of provision for commercial loans has the highest percentage of estimated losses allocated to the portfolio. This is due to a larger volume of SBA loans in this category. The SBA portfolio also had an increase in the factor for levels of delinquent and nonaccrual loans, as these make up a significant percentage of balances in those categories, as well as an increase in specific reserves for impaired loans. The real estate – commercial allowance is also provided for at a higher rate due to volume and growth of $52 million in the portfolio, as well as an increase in the historical loss factor for multifamily loans. The increase in allowance for real estate - residential non-owner occupied was due to volume increases of $13 million along with an increase in substandard loans. The changes in the reserve for the remaining portfolio segments were primarily due to changes in volume. The decline in the unallocated was a result of growth in the entire loan portfolio.

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, 2020		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Allowance for loan losses:			
Commercial	$ 2,526	$ 2,410	$ 4,936
Real estate - construction	-	552	552
Real estate - residential owner occupied	71	385	456
Real estate - residential non-owner occupied	15	361	376
Real estate - commercial	168	3,774	3,942
Consumer	-	8	8
Unallocated	-	217	217
Total	$ 2,780	$ 7,707	$ 10,487
Loans, ending balance:			
Commercial	$ 9,382	$ 387,600	$ 396,982
Real estate - construction	-	52,024	52,024
Real estate - residential owner occupied	555	47,408	47,963
Real estate - residential non-owner occupied	625	44,604	45,229
Real estate - commercial	849	420,146	420,995
Consumer	9	1,012	1,021
Total	$ 11,420	$ 952,794	$ 964,214

Notes to Consolidated Financial Statements

Note 5 | Allowance for Loan Losses *(Continued)*

(in thousands)	December 31, 2019		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Allowance for loan losses:			
Commercial	$ 1,716	$ 2,272	$ 3,988
Real estate - construction	-	484	484
Real estate - residential owner occupied	14	431	445
Real estate - residential non-owner occupied	50	402	452
Real estate - commercial	-	2,907	2,907
Consumer	6	10	16
Unallocated	-	1	1
Total	$ 1,786	$ 6,507	$ 8,293
Loans, ending balance:			
Commercial	$ 5,793	$ 200,414	$ 206,207
Real estate - construction	-	48,311	48,311
Real estate - residential owner occupied	576	50,627	51,203
Real estate - residential non-owner occupied	968	51,382	52,350
Real estate - commercial	614	343,471	344,085
Consumer	6	981	987
Total	$ 7,957	$ 695,186	$ 703,143

Credit Quality and Aging

The following tables represent credit exposures for the Bank's commercial loan classes by internally assigned grades for the periods ended December 31, 2020 and 2019. 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 Mention** – 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.

Notes to Consolidated Financial Statements

Note 5 | Allowance for Loan Losses *(Continued)*

(in thousands)	December 31, 2020				
	Commercial	Real Estate - Construction	Real Estate - Residential Non-owner Occupied	Real Estate - Commercial	Total
Pass	$ 369,532	$ 52,024	$ 44,550	$ 409,051	$ 875,157
Special mention	8,049	-	42	11,095	19,186
Substandard	19,401	-	637	849	20,887
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total	$ 396,982	$ 52,024	$ 45,229	$ 420,995	$ 915,230

(in thousands)	December 31, 2019				
	Commercial	Real Estate - Construction	Real Estate - Residential Non-owner Occupied	Real Estate - Commercial	Total
Pass	$ 200,092	$ 48,311	$ 50,840	$ 342,006	$ 641,249
Special mention	227	-	220	1,464	1,911
Substandard	5,879	-	1,290	615	7,784
Doubtful	9	-	-	-	9
Loss	-	-	-	-	-
Total	$ 206,207	$ 48,311	$ 52,350	$ 344,085	$ 650,953

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, 2020		At December 31, 2019	
	Real Estate - Residential Owner Occupied	Consumer	Real Estate - Residential Owner Occupied	Consumer
Performing	$ 47,202	$ 1,012	$ 50,654	$ 981
Nonperforming	761	9	549	6
	$ 47,963	$ 1,021	$ 51,203	$ 987

Past-Due and Nonaccrual Loans

Although the Bank may be receiving partial payments of interest and/or partial repayments of principal on loans over 90 days delinquent they are reviewed for downgrades to nonaccrual status. When a loan is placed in nonaccrual status, previously accrued but unpaid interest is deducted from interest income. 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.

Notes to Consolidated Financial Statements

Note 5 | Allowance for Loan Losses *(Continued)*

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, 2020 and 2019.

(in thousands)	December 31, 2020					
	30-89 Days Past Due	90 + Days Past Due	Total Past Due	Current	Total Loans	Non-Accrual
Commercial	$ 831	$ 10,303	$ 11,134	$ 385,848	$ 396,982	$ 9,113
Real estate - construction	-	-	-	52,024	52,024	-
Real estate - residential owner occupied	631	501	1,132	46,831	47,963	555
Real estate - residential non-owner occupied	-	499	499	44,730	45,229	625
Real estate - commercial	598	684	1,282	419,713	420,995	510
Consumer	-	-	-	1,021	1,021	9
Total	$ 2,060	$ 11,987	$ 14,047	$ 950,167	$ 964,214	$ 10,812

(in thousands)	December 31, 2019					
	30-89 Days Past Due	90 + Days Past Due	Total Past Due	Current	Total Loans	Non-Accrual
Commercial	$ 1,325	$ 7,256	$ 8,581	$ 197,626	$ 206,207	$ 3,346
Real estate - construction	121	-	121	48,190	48,311	-
Real estate - residential owner occupied	20	564	584	50,619	51,203	576
Real estate - residential non-owner occupied	208	776	984	51,366	52,350	968
Real estate - commercial	3,993	248	4,241	339,844	344,085	275
Consumer	11	6	17	970	987	6
Total	$ 5,678	$ 8,850	$ 14,528	$ 688,615	$ 703,143	$ 5,171

There were $1,423,000 and $4,078,000 of loans 90 days past due or greater still accruing interest at December 31, 2020 and 2019, respectively.

Notes to Consolidated Financial Statements

Note 5 | Allowance for Loan Losses *(Continued)*

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. 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. 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.

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, 2020 and 2019.

(in thousands)	December 31, 2020				
	Recorded Investment	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
With no related allowance recorded:					
Commercial	$ 3,205	$ 3,419	$ -	$ 1,724	$ 154
Real estate - construction	-	-	-	-	-
Real estate - residential owner occupied	431	431	-	506	22
Real estate - residential non-owner occupied	376	376	-	584	72
Real estate - commercial	525	525	-	498	78
Consumer	9	9	-	2	1
With an allowance recorded:					
Commercial	6,177	6,518	2,526	5,398	125
Real estate - construction	-	-	-	-	-
Real estate - residential owner occupied	124	124	71	127	9
Real estate - residential non-owner occupied	249	249	15	50	14
Real estate - commercial	324	324	168	65	4
Consumer	-	-	-	3	-
Total	$ 11,420	$ 11,975	$ 2,780	$ 8,957	$ 479

Notes to Consolidated Financial Statements

Note 5 | Allowance for Loan Losses *(Continued)*

(in thousands)	December 31, 2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 2,280	$ 2,381	$ -	$ 2,467	$ 178
Real estate - construction	-	-	-	-	-
Real estate - residential owner occupied	445	445	-	497	46
Real estate - residential non-owner occupied	868	868	-	671	52
Real estate - commercial	614	614	-	1,223	119
Consumer	-	-	-	-	-
With an allowance recorded:					
Commercial	3,513	3,513	1,716	4,292	26
Real estate - construction	-	-	-	-	-
Real estate - residential owner occupied	131	131	14	52	3
Real estate - residential non-owner occupied	100	100	50	20	3
Real estate - commercial	-	-	-	-	-
Consumer	6	6	6	9	-
Total	$ 7,957	$ 8,058	$ 1,786	$ 9,231	$ 427

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.

No loan modifications considered TDRs were completed during the twelve-month period ended December 31, 2020.

Notes to Consolidated Financial Statements

Note 5 | Allowance for Loan Losses *(Continued)*

Loan modifications that were considered TDRs completed during the twelve-month period ended December 31, 2019, are as follows:

(in thousands)	December 31, 2019				
	Number of Contracts		Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment
Commercial	4	$	2,275	$	2,275
Real estate - construction	-		-		-
Real estate - residential owner occupied	-		-		-
Real estate - residential non-owner occupied	-		-		-
Real estate - commercial	2		339		339
Consumer	-		-		-
Total troubled debt restructurings	6	$	2,614	$	2,614

Modifications determined to be concessions granted by management were in the form of interest only loan payments until maturity and re-amortization, and extension of terms with rate adjustments.

Amounts within the allowance for loan losses allocated to TDRs are $691,000 and $206,000 at December 31, 2020 and 2019, respectively.

Loan Forbearance Program Under the CARES Act

Section 4013 of the CARES Act provides that banks may elect not to categorize a loan modification as a TDR if the loan modification is (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date on which the national emergency concerning COVID–19 declared on March 13, 2020 terminates, or (B) December 31, 2020.

Short-term loan modifications, not otherwise eligible under Section 4013, that are made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant.

During 2020, Centric's loan customers requested deferrals on 428 loans with outstanding principal balances of $240 million. Loan deferrals were in the form of interest only payments, full principle and interest payments or temporary line increases. During the year, some borrowers requested and were granted extensions on their deferrals. As of December 31, 2020, 37 loans remained in a deferral position with outstanding balances of $21 million. In accordance with Section 4013 of the CARES Act and the interagency guidance issued on April 7, 2020. These short-term deferrals are not considered troubled debt restructurings.

In addition, the risk-rating on COVID-19 modified loans did not change, and these loans will not be considered past due until after the deferral period is over and scheduled payments resume. The credit quality of these loans will be reevaluated after the deferral period ends.

Notes to Consolidated Financial Statements

Note 5 | Allowance for Loan Losses *(Continued)*

Foreclosed Assets

Foreclosed assets acquired in settlement of loans, or received via a deed in lieu transaction, prior to the period end, are carried at fair value, less estimated costs to sell, and are included in other assets on the Consolidated Balance Sheet. There were no foreclosed assets remaining as of December 31, 2020. Foreclosed assets were $21,000 at December 31, 2019. As of December 31, 2020, the Company has initiated formal foreclosure proceedings on $374,000 of consumer residential mortgages, which have not yet been transferred into foreclosed assets.

Note 6 | Premises and Equipment

Ongoing additions to premises and equipment are recorded at cost. Occupancy and equipment expense includes depreciation expense of $590,000 and $389,000 for the years ended December 31, 2020 and 2019, 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. No fixed assets were disposed during 2020. Disposals made during 2019 amounted to $49,000 and resulted in a net gain on disposal of $15,000.

Premises and equipment were comprised of the following:

(in thousands)	2020	2019
Land	$ 3,256	$ 3,256
Buildings and improvements	4,215	2,723
Leasehold improvements	1,765	1,765
Furniture, fixtures, and equipment	4,193	3,485
Finance lease right-of-use asset	5,208	5,472
Construction in process	12	1,531
Subtotal	18,649	18,232
Less: accumulated depreciation	(4,769)	(4,179)
Premises and equipment - net	$ 13,880	$ 14,053

Note 7 | Leases

A lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. Substantially all of the leases in which the Company is the lessee are comprised of real estate property for branch buildings, land, an operations building, and loan production offices with terms extending through 2044. With the adoption of Topic 842, operating lease agreements are required to be recognized on the Consolidated Balance Sheet as a right-of-use ("ROU") asset and a corresponding lease liability. The Company has two finance leases, a branch building and a land lease on which the Bank just completed building a branch.

Notes to Consolidated Financial Statements

Note 7 | Leases *(Continued)*

The Company elected not to include short-term leases (i.e., leases with initial terms of twelve months or less), or equipment leases (deemed immaterial) on the Consolidated Balance Sheet. The following table represents the Consolidated Balance Sheet classification of the Company's ROU assets and lease liabilities at December 31, 2020 and 2019.

(in thousands)	Classification	2020	2019
Lease right-of-use assets			
Operating lease right-of-use assets	Other assets	$ 3,229	$ 3,834
Finance lease right-of-use assets	Premises and equipment, net	5,208	5,472
Total lease right-of-use assets		$ 8,437	$ 9,306
Lease liabilities			
Operating lease liabilities	Long-term debt	$ 3,224	$ 3,849
Finance lease liabilities	Long-term debt	5,519	5,631
Total lease liabilities		$ 8,743	$ 9,480

The calculated amount of the ROU assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term. For operating leases existing prior to January 1, 2019, the rate for the remaining lease term as of January 1, 2019 was used. For the Company's finance leases, the Company utilized its incremental borrowing rate at lease inception.

	2020	2019
Weighted-average remaining lease term		
Operating lease	5.9 years	6.6 years
Finance lease	20.2 years	21.2 years
Weighted-average discount rate		
Operating lease	5.22%	5.21%
Finance lease	5.84%	5.84%

The following table represents lease costs and other lease information for the periods ended:

(in thousands)	2020	2019
Lease costs		
Finance lease cost		
Amortization of right-of-use asset	$ 264	$ 219
Interest expense	327	264
Operating lease cost	791	660
Short-term lease cost	15	13
Variable lease cost	6	4
	$ 1,403	$ 1,160

The variable lease cost primarily represents variable payments such as common area maintenance and utilities.

Notes to Consolidated Financial Statements

Note 7 | Leases *(Continued)*

Future minimum payments for finance leases and operating leases with initial or remaining terms of one year or more as of December 31, 2020 are as follows:

(in thousands)	Finance Leases	Operating Leases
2021	$ 373	$ 710
2022	413	778
2023	420	739
2024	431	701
2025	442	131
Thereafter	7,691	734
Total future minimum lease payments	$ 9,770	$ 3,793
Amounts representing interest	(4,251)	(569)
Present value of net future minimum lease payments	$ 5,519	$ 3,224

Note 8 | Deposits

Centric's deposits were comprised of the following:

(in thousands)	2020	2019
Demand, non-interest-bearing	$ 196,367	$ 109,799
Demand, interest-bearing	269,182	172,538
Savings	9,777	7,058
Money market	155,621	147,130
Time deposits	295,528	245,535
Total deposits	$ 926,475	$ 682,060

Scheduled maturities of time deposits are as follows:

(in thousands)	2020
2021	$ 282,545
2022	12,240
2023	425
2024	286
2025	32
Total time deposits	$ 295,528

Time deposits in denominations greater than $250,000 totaled $92,441,000 and $115,251,000 for December 31, 2020 and 2019, respectively.

Notes to Consolidated Financial Statements

Note 9 | Short-Term Borrowing

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

(in thousands)	At December 31, 2020	2019
Balance	$ 20,000	$ -
Maximum indebtedness at any month end	30,000	18,000
Average balance during year	21,328	3,516
Average rate paid for the year	0.69%	2.41%
Interest rate on year-end balance	0.61%	0.00%

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 59 and 174 days for the years ended December 31, 2020 and 2019, respectively.

Note 10 | Long-Term Debt

As one avenue for funding, the Bank is approved by the FHLB for borrowings of up to $316,135,000 of which $73,956,000 was outstanding in the form of advances and $34,000,000 was outstanding in the form of letters of credit at December 31, 2020. Advances from the FHLB are secured by qualifying assets of the Bank.

During 2015, the Company issued $6,000,000 in junior subordinated debentures held by a financial institution maturing in December 2025. 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. During 2017, the Company issued $4,000,000 in additional subordinated debentures to four institutions all with the following terms: fixed rate of 5.50 percent for five years, then converts to a floating rate of WSJ prime + 1.00 percent, each maturing in June 2027. The Company maintains the ability to redeem these debentures on or after June 2022. Subordinated debentures issued by the company are unsecured.

A $6,000,000 borrowing, issued by the Company, was outstanding at December 31, 2020 and 2019, with a rate of 4.85 percent, maturing in April 2022.

During December 2020, the Company entered into the Federal Reserve Banks' Paycheck Protection Program Liquidity Facility ("PPPLF") with advances secured by pledges of loans originated or purchased by the SBA 7(a) program titled the Paycheck Protection Program ("PPP"). Collateral is equal to the principal amount of the PPP loan or loan pool outstanding at the time it is pledged as PPPLF collateral. Centric borrowed $4,723,000 at 35 basis points using three loan pools that mature in 2025. Payments are made on the borrowing as loan balances are paid or as SBA forgiveness reimbursement is made.

The following table presents borrowings that mature at various dates through 2027 with weighted-average rates as follows:

(in thousands)	Principal Amount 2020	Principal Amount 2019	Weighted Average Rate 2020	Weighted Average Rate 2019
FHLB advances - fixed	$ 53,955	$ 44,955	1.55%	2.21%
Subordinated debt	10,000	10,000	5.11%	5.11%
Other borrowings	6,000	6,000	4.85%	4.85%
Paycheck Protection Program Liquidity Facility	4,723	-	0.35%	-
Total Long-term debt	$ 74,678	$ 60,955	2.22%	2.94%

Notes to Consolidated Financial Statements

Note 10 | Long-Term Debt *(Continued)*

The aggregate amount of future principal payments required on these borrowings at December 31, 2020, is as follows:

(in thousands)		
2021	$	18,000
2022		41,955
2023		-
2024		-
2025		10,723
Thereafter		4,000
	$	74,678

Note 11 | Stock Plans and Other Employee Benefits

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. The Bank makes matching contributions of 50 percent of employees' contributions, subject to a maximum contribution of 6 percent of an employee's compensation. Matching contributions vest to the employee on a graded percentage and are fully vested in five years. For the years ended December 31, 2020 and 2019, expense attributable to the plan amounted to $196,000 and $166,000, respectively. These expenses are included in salaries and employee benefits on the Consolidated Statement of Income.

Supplemental Executive Retirement Plan

The Company maintains deferred compensation agreements with certain members of executive management which provide benefits payable beginning at age sixty-seven, or upon subsequent retirement from the Company, or if the executive(s) becomes totally disabled. Under certain circumstances, benefits are payable to designated beneficiaries. The present value of the estimated liability under the agreement is being accrued using a discount rate of 4.0% ratably over the remaining years to the date when the executives are first eligible for benefits. The deferred compensation charged to expense totaled $128,000 and $123,000 for the year ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the total accrued liability is $321,000 and $193,000, respectively.

Stock Incentive Plans

The Company's Stock Incentive Plan of 2007 (the "2007 Plan") enabled the Company to grant stock options, warrants, or restricted stock awards to directors and other designated employees. Grants under the 2007 Plan were issued from 2007 through 2017. The Stock Incentive Plan of 2017 (the "2017 Plan") expires in 2027 and covers up to 250,000 shares of common stock of which 102,959 remain available for grant at year end. Under both the 2007 and 2017 plans, issuances have a grant price at least equal to the fair market value of the common stock on the date of the grant and 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.

Notes to Consolidated Financial Statements

Note 11 | Stock Plans and Other Employee Benefits *(Continued)*

Options of the Plans outstanding at December 31, 2020, and the activity that occurred during the year consisted of the following:

	Stock Incentive Plan		
	Options	Weighted-Average Exercise Price	
Outstanding at the beginning of the year	120,018	$	7.19
Granted	53,859		6.91
Exercised	(17,879)		5.72
Forfeited	(7,066)		6.69
Outstanding at the end of the year	148,932	$	7.29
Exercisable at December 31, 2020	109,072	$	7.33

At December 31, 2020, the aggregate intrinsic value of all outstanding and exercisable options is $231,000 and $174,000, respectively. The weighted-average remaining life of outstanding options is 6.88 years and exercisable options is 5.95 years. Stock options of 17,879 and 16,936 were exercised at a weighted average price of $5.72 and $5.76 during 2020 and 2019, respectively.

For the years ended December 31, 2020 and 2019, stock option compensation expense of $58,000 and $31,000 was recognized in connection with the option plan, respectively. A tax benefit of $8,000 and $6,000 was recognized relative to these stock options at December 31, 2020 and 2019, respectively. As of December 31, 2020, related future compensation expense is approximately $89,000 expensed over 2.45 years.

The fair value of the options granted for the years ended December 31, 2020 and 2019, 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						
2020	**$7.08**	**0.00%**	**32.89%**	**5**	**0.33%**	**$2.07**
2019	10.40	0.00%	9.86%	5	2.26%	1.53
Employee stock options						
2020	**$6.84**	**0.00%**	**39.96%**	**6.5**	**0.38%**	**$2.72**

Restricted Stock

Under the 2007 Plan, all awards have been fully vested and no restricted award shares remain outstanding in that plan. As of December 31, 2020, over the life of the 2017 Plan, the Company has awarded 59,239 restricted shares to the Bank's employees subject to vesting and other provisions.

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	41,989	$	8.95
Granted	21,782		7.03
Vested	(12,574)		6.25
Forfeited	(650)		7.93
Non-vested shares at the end of the year	50,547	$	8.80

Notes to Consolidated Financial Statements

Note 11 | Stock Plans and Other Employee Benefits *(Continued)*

For the years ended December 31, 2020 and 2019, compensation expense of $136,000 and $123,000 was recognized in connection with the vesting of restricted stock, with corresponding tax benefits of $28,000 and $26,000, respectively. Future compensation expense related to non-vested restricted stock at December 31, 2020 is expected to total $209,000 expensed over 1.89 years.

Warrants

During 2010, the Company granted one warrant to each founding director with continuing service. Each of these ten warrants, which are not part of the 2007 or 2017 plans, were granted with terms including: the right to purchase 31,500 shares; an exercise price of $5.44; vesting upon a change in control; and, expiration in 2025. In 2013, a warrant was granted to the President and CEO with the same terms, other than an exercise price of $5.50.

During 2020, five of these warrants were exchanged for warrants with all the original terms other than an expiration date in 2035.

Another five of these warrants were amended in 2020 with all of the original terms other than vesting over two years. During 2020, rights to purchase 45,940 shares vested with a corresponding expense of $85,000 and tax benefit of $14,000. Rights to purchase 78,750 shares will vest in 2021 and vesting ends in 2022 with the rights to purchase 32,810 shares with corresponding expense fixed at $193,000 in total for the two years, to be amortized ratably.

The total of all outstanding warrants, vested and unvested, decreased to 345,000 at year end due to the exercised purchase of 1,500 shares at $5.50 during 2020. The average exercise price for both vested and unvested warrants outstanding is $5.45.

Employee Stock Purchase Plan

The Company implemented an Employee Stock Purchase Plan (ESPP) in 2015 that provides employees an opportunity to acquire common stock in the Company at fair market value. The Company reserved 200,000 shares of its common stock for the ESPP, of which 26,912 shares have been issued. The number of shares issued during 2020 and 2019 was 4,246 and 7,443, respectively.

Note 12 | Federal Income Taxes

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

(in thousands)	2020	2019
Currently payable	$ 2,917	$ 2,260
Deferred taxes	(546)	(372)
Total income tax expense	$ 2,371	$ 1,888

Notes to Consolidated Financial Statements

Note 12 | Federal Income Taxes *(Continued)*

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

(in thousands)	2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 2,202	$ 1,742
Stock incentive expense	84	52
Uncollected interest	52	25
Unrealized losses on securities held-to-maturity	2	8
Loan origination fees, net	350	318
Lease liability	1,836	1,990
Supplemental retirement	67	40
Other	111	97
Total deferred tax assets	4,704	4,272
Deferred tax liabilities:		
Goodwill and core deposit intangible	94	86
Prepaid expenses	22	44
Unrealized gains on securities available-for-sale	20	13
Premises and equipment	230	163
Right-of-use asset	1,772	1,954
Other	28	7
Total deferred tax liabilities	2,166	2,267
Net deferred tax assets	$ 2,538	$ 2,005

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)	2020	2019
Computed statutory tax expense	$ 2,400	$ 1,926
Other, net	(29)	(38)
	$ 2,371	$ 1,888

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 2017.

Notes to Consolidated Financial Statements

Note 13 | 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, 2020, loans to related parties were $3,073,000 and deposits by related parties totaled $5,844,000. At December 31, 2019, loans to related parties were $2,680,000 and deposits by related parties totaled $5,429,000.

Related-party loan activity is summarized as follows:

	December 31,	
(in thousands)	2020	2019
Balance at the beginning of the period	$ 2,680	$ 3,182
Additions	1,009	282
Reductions	(616)	(784)
Balance at the end of the period	$ 3,073	$ 2,680

None of the loans to related parties are past due, on nonaccrual status or have been restructured, nor were there any loans to a related party that were considered classified loans at December 31, 2020 or 2019.

All of Centric's directors are customers of the Bank. Conversely, the Bank is a customer of some stockholder-related entities in the ordinary course of business. For the years ended December 31, 2020 and 2019, related-party transactions include $252,000 and $45,000 of expense, respectively, for payments made to an insurance firm and law firm.

Note 14 | 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 the Bank. 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)	2020	2019
Commitment to grant loans	$ 5,337	$ 4,185
Unfunded commitments under lines of credit	142,281	123,947
Standby letters of credit	14,196	10,769
Total unfunded lending commitments	$ 161,814	$ 138,901

Notes to Consolidated Financial Statements

Note 14 | Unfunded Credit Commitments *(Continued)*

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

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

Outstanding letters of credit are conditional commitments issued by the Bank to guarantee performance of a customer to a third-party 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 15 | Regulatory Matters

The Company and the Bank are subject to the Basel III Capital Rules. These rules introduced the "capital conservation buffer". 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. Failure to meet minimum capital requirements can initiate certain mandatory-and possible additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. 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 that the Bank 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, 2020 and 2019, that the Bank met all capital adequacy requirements to which it was subject.

As of December 31, 2020, 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.

Notes to Consolidated Financial Statements

Note 15 | Regulatory Matters *(Continued)*

The Company and the Bank's capital ratios as of December 31, 2020 and 2019, are presented below:

(in thousands)	December 31, 2020					
	Actual		For Capital Adequacy Purposes (including capital conservation buffers)		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Company	$ 103,485	12.01%	$ 90,474	10.50%	$ N/A	N/A
Bank	109,539	12.72%	90,421	10.50%	86,116	10.00%
Tier 1 capital (to risk-weighted assets)						
Company	84,036	9.76%	73,187	8.50%	N/A	N/A
Bank	98,890	11.48%	73,220	8.50%	68,913	8.00%
Common equity tier 1 capital (to risk-weighted assets)						
Company	84,036	9.76%	60,272	7.00%	N/A	N/A
Bank	98,890	11.48%	60,299	7.00%	55,992	6.50%
Tier 1 capital (to average assets)						
Company	84,036	7.91%	42,496	4.00%	N/A	N/A
Bank	98,890	9.31%	42,488	4.00%	53,110	5.00%

(in thousands)	December 31, 2019					
	Actual		For Capital Adequacy Purposes (including capital conservation buffers)		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Company	$ 95,539	13.17%	$ 76,170	10.50%	$ N/A	N/A
Bank	98,902	13.63%	76,190	10.50%	72,562	10.00%
Tier 1 capital (to risk-weighted assets)						
Company	77,064	10.62%	61,680	8.50%	N/A	N/A
Bank	90,427	12.47%	61,638	8.50%	58,013	8.00%
Common equity tier 1 capital (to risk-weighted assets)						
Company	77,064	10.62%	50,795	7.00%	N/A	N/A
Bank	90,427	12.47%	50,761	7.00%	47,135	6.50%
Tier 1 capital (to average assets)						
Company	77,064	9.71%	31,746	4.00%	N/A	N/A
Bank	90,427	11.41%	31,701	4.00%	39,626	5.00%

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

Notes to Consolidated Financial Statements

Note 16 | Fair Value Measurements

The following shows 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, 2020 and 2019, 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, 2020			
	Level I	Level II	Level III	Total
Fair value measured on a recurring basis:				
U.S. government agency securities	$ -	$ 2,296	$ -	$ 2,296
Government sponsored mortgage-backed securities	-	10,303	-	10,303
Equity securities	2,118	-	-	2,118
Fair value measured on a non-recurring basis:				
Impaired loans	-	-	3,699	3,699

(in thousands)	December 31, 2019			
	Level I	Level II	Level III	Total
Fair value measured on a recurring basis:				
U.S. government agency securities	$ -	$ 8,038	$ -	$ 8,038
Government sponsored mortgage-backed securities	-	21,827	-	21,827
Fair value measured on a non-recurring basis:				
Other real estate owned	-	-	21	21
Impaired loans	-	-	1,882	1,882

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.

Equity Securities
These investments are with actively traded equity securities and, therefore, have been classified as Level 1 valuations.

Notes to Consolidated Financial Statements

Note 16 | Fair Value Measurements *(Continued)*

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 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, 2020 and 2019, the fair values shown above exclude estimated selling costs of $49,000 for each year listed.

Other Real Estate Owned
OREO is carried at the lower of cost or fair value measured at the date of 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 this case, the property is categorized in the above table as level III measurement, because the adjustment is considered to be an "unobservable" input. 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. At December 31, 2020 no properties remained in OREO. For the year ended December 31, 2019, one property was included in OREO and was written down at the time of foreclosure, therefore, it is considered to be carried at fair value.

The following tables presents 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, 2020 and 2019.

December 31, 2020

(in thousands) **Quantitative Information about Level 3 Fair Value Measurements**

	Fair Value Estimate	Valuation Technique	Unobservable Input	Range	Weighted Average
Impaired loans	$ 3,699	Appraisal of collateral	Appraisal adjustments	0% - 100%	9.97%
			Liquidation expenses	0% - 15%	0.97%

December 31, 2019

(in thousands) **Quantitative Information about Level 3 Fair Value Measurements**

	Fair Value Estimate	Valuation Technique	Unobservable Input	Range	Weighted Average
Impaired loans	$ 1,882	Appraisal of collateral	Appraisal adjustments	0% - 60%	13.44%
			Liquidation expenses	0% - 20%	3.74%
Other real estate owned	21	Appraisal of collateral	Appraisal adjustments		20.00%
			Liquidation expenses		15.15%

Notes to Consolidated Financial Statements

Note 17 | Fair Value of Financial Instruments

The fair value of the Company's financial instruments that are not carried at fair value on the Consolidated Balance Sheet is as follows:

	December 31, 2020				
	Carrying Value	Fair Value	Level I	Level II	Level III
Securities held to maturity	$ 28,282	$ 28,685	$ -	$ 28,685	$ -
Net loans	953,727	957,470	-	-	957,470
Loans held for sale	2,166	2,166	2,166	-	-
Mortgage servicing rights and credit enhancement fees	1,124	1,055	-	-	1,055
Time deposits	$ 295,528	$ 296,472	$ -	$ -	$ 296,472
Finance lease liability	5,519	6,935	-	-	6,935
Long-term debt	74,678	75,393	-	-	75,393

(in thousands)	December 31, 2019				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Securities held to maturity	$ 4,009	$ 4,068	$ -	$ 3,724	$ 344
Net loans	694,850	694,989	-	-	694,989
Loans held for sale	1,687	1,687	1,687	-	-
Mortgage servicing rights and credit enhancement fees	1,337	1,346	-	-	1,346
Financial liabilities:					
Time deposits	$ 245,535	$ 246,227	$ -	$ -	$ 246,227
Finance lease liability	5,631	7,030	-	-	7,030
Long-term debt	60,955	61,152	-	-	61,152

Cash and Cash Equivalents, Investments in Certificates of Deposits, Regulatory Stock, Cash Surrender Value Life Insurance, Accrued Interest Receivable, Non-maturity deposits, Short-term borrowings, and Accrued Interest Payable

The fair value is equal to the current carrying value.

Notes to Consolidated Financial Statements

Note 18 | Adoption of Accounting Policies

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. This Update is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the Update is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be affected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. With certain exceptions, transition to the new requirements will be through a cumulative-effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance is adopted. This Update is effective for SEC filers that are eligible to be smaller reporting companies, non-SEC filers, and all other companies, to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We expect to recognize a one-time cumulative-effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective but cannot yet determine the magnitude of any such one-time adjustment or the overall impact of the new guidance on the consolidated financial statements.

In January 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, March 2020*, to provide temporary optional expedients and exceptions on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls "reference rate reform" if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Entities could make a onetime election to sell and/or reclassify held-to-maturity debt securities that reference an interest rate affected by reference rate reform. Adoption of the ASU is expected to have an immaterial impact on the Company's financial statements.

Note 19 | Risk Factors

Centric and its subsidiary could be adversely impacted by a number of risks and uncertainties that are difficult to predict. As a financial institution certain risk elements are inherent in the ordinary course of the Company's business activities and adverse experience with those risks could have a material impact on the Company's business, financial condition and results of operations, as well as on the value of the Company's common stock. The Company strives to identify, understand, and mitigate its exposure to significant risks. The following risk factors set forth some of the risks that could materially and adversely impact the Company, although there may be additional risks that are not presently material or known that may adversely affect the Company.

Changes in current or future market conditions; the effects of the Covid-19 pandemic limitations on business and how it will impact the economy: liquidity risks; the effects of competition, development of competing financial products and services; changes in laws and regulations, the interest rate environment; changes in credit quality; inability to raise capital, if necessary, under favorable conditions; volatilities in the securities markets; other changes to economic conditions; and other risks and uncertainties.

Note 20 | Subsequent Events

Management has reviewed events occurring through March 16, 2021, 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): Nicole S. Kaylor, Member, McNees Wallace & Nurick, LLC; Patricia A. Husic, President & CEO, Centric Financial Corporation and Centric Bank; Donald E. Enders, Jr., Chairman of the Board, President & CEO, Colonial Park Realty Company, t/a Enders Insurance Associates; and Jeffrey W. Keiser, DDS, Dental Consultant.

Back row (left to right): Kerry A. Pae, Secretary, Centric Financial Corporation, President & Owner, Kerry Pae Auctioneers, Inc.; John A. Maher, CPA, Vice Chairman of the Board, Fellow, Cambridge University; Thomas H. Flowers, CPA, Managing Partner, Flowers & Flowers CPAs; Frank A. Conte, CLU, ChFC, Founding Partner, Conte Wealth Advisors, LLC; and Steven P. Dayton, Business Development, RVG Management & Development Company, P.C.

“A crisis reveals the true character of people, and our executive leadership continues to be inspired by the selflessness, collaboration, innovation, compassion, and commitment of our team.”

PATTI HUSIC, *President and CEO*
Centric Bank

Executive Leadership Team

Patricia A. Husic
President and CEO

Jeffrey W. Myers, SEVP
Chief Lending Officer

Sandra J. Schultz, SEVP
Chief Financial Officer

Clair M. Finkenbinder, III, EVP
Chief Information Officer and
Director of Operations

Leslie A. Meck, EVP
Chief Retail Officer

William T. McGrath, EVP
Chief Credit Officer

Kimberly L. Turner, EVP
Chief Risk Officer

Christine Pavlakovich, EVP
Chief Human Resources Officer

Senior Lending Team

Left to right: Jacqueline M. Fahey, SVP, Bucks County Market Leader; Kevin M. Boland, SVP, Lancaster Market Leader; Christopher J. Bickel, SVP, Main Line Market Leader; Donald J. Bonafede, SVP, Senior Commercial Lending Officer; and Michael J. Watson, SVP, Senior Commercial Lending Officer.

Branch Management, Treasury Management, Lending, and Business Development

BRANCH MANAGEMENT

Mary Anne E. Bayer, VP
Silver Spring Financial Center Manager

Greg S. Carter, VP
Lower Paxton Financial Center Manager

Julie M. Conway, VP
Doylestown Financial Center Manager

Martin L. Haenn, VP
Devon Financial Center Manager

Timothy C. Mayersky, VP
Derry Township Financial Center Senior Manager

Joseph M. Rebarchak, VP
Capital Region Retail Market Manager

Paulette M. Rovito, VP
Camp Hill Financial Center Manager

Joanne F. Cicino
Devon Financial Center Assistant Manager

Silvia L. Foley
Derry Township Financial Center Assistant Manager

Patricia A. Kuhn
Silver Spring Financial Center Assistant Manager

Lori L. Moyer
Lower Paxton Financial Center Assistant Manager

Nicole M. Thompson
Camp Hill Financial Center Assistant Manager

TREASURY MANAGEMENT

Timothy J. Merrell, SVP
Director of Cash Management and Treasury Services

Mark A. Holst, AVP
Cash Management Customer Care Officer

COMMERCIAL LENDING

Capital Region

Donald J. Bonafede, SVP
Commercial Lending Team Leader

Michael J. Watson, SVP
Commercial Lending Team Leader

Cory G. Bishop, VP
Commercial Lending Officer

Sean P. Burns, VP
Commercial Lending Officer

Cheryl C. Sakalosky, VP
Commercial Lending Officer

Lancaster

Kevin M. Boland, SVP
Commercial Lending Team Leader

Spencer T. Beck, VP
Commercial Lending Officer

Doylestown

Jacqueline A. Fahey, SVP
Bucks County Market Leader

Christopher E. McDermott, SVP
Commercial Lending Officer

Kim L. Arnold, VP
Commercial Lending Officer

John H. Dean, VP
Portfolio Manager

Devon

Christopher J. Bickel, SVP
Main Line Market Leader

Joseph N. Desiderio, VP
Commercial Lending Officer

William J. Farina, VP
Commercial Lending Officer

Kevin P. Guns, VP
Commercial Lending Officer

MORTGAGE LENDING

Paul B. Zwally, SVP
Director of Mortgage Services & Commercial Lender

Gethan (Getty) K. Wilson, VP
Mortgage Department Team Leader

Brian S. Connor
Mortgage Lending Officer

Robert J. Ryan
Mortgage Lending Officer

BUSINESS DEVELOPMENT

Patrick N. Snyder, VP
Senior Business Development Officer

Molly R. O'Keefe, VP
Business Development Officer

Bruce E. Straub
Business Development Officer

Centric Bank Financial Centers and Commercial Lending Offices

HEADQUARTERS AND LOWER PAXTON FINANCIAL CENTER
4320 Linglestown Road
Harrisburg, PA 17112
717.657.7727 | ATM Open 24/7

CORPORATE, EXECUTIVE, OPERATIONS, AND MORTGAGE CENTER
1826 Good Hope Road
Enola, PA 17025
717.657.7727

CAMP HILL FINANCIAL CENTER
1625 Market Street
Camp Hill, PA 17011
717.730.2816 | ATM Open 24/7

DERRY TOWNSHIP FINANCIAL CENTER
1201 West Governor Road
Hummelstown, PA 17036
717.533.7626 | ATM Open 24/7

SILVER SPRING FINANCIAL CENTER
6480 Carlisle Pike
Mechanicsburg, PA 17050
717.591.1360 | ATM Open 24/7

LANCASTER COMMERCIAL LENDING OFFICE AND CONCIERGE FINANCIAL CENTER
22 E. Roseville Road, Unit D
Lancaster, PA 17601
717.614.6855

DOYLESTOWN COMMERCIAL LENDING OFFICE AND CONCIERGE FINANCIAL CENTER
2003 S. Easton Road, Suite 205
Doylestown, PA 18901
267.880.4333

DEVON FINANCIAL CENTER
105 Lancaster Avenue
Devon, PA 19333
610.710.4222 | ATM Open 24/7

DEVON COMMERCIAL LENDING OFFICE
80 W. Lancaster Avenue, Suite 200
Devon, PA 19333
610.710.4800

Team Victories in 2020

- 3X *American Banker* Best Banks to Work For 2020
- 6X *American Banker* Most Powerful Women in Banking recognizes Patti Husic
- 3X *American Banker* Most Powerful Women in Banking Top Team
- 2X *American Banker* Top 200 Community Banks
- 7X *Central Penn Business Journal* Top 50 Fastest Growing Companies
- 2X *Independent Banker*'s Top Lenders
- Opened New Devon Financial Center in Chester County
- Transitioned Lancaster Lending Office into a full-service Lancaster Concierge Financial Center
- Launched *The Centric Globe* newsletter for Centric employees

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-sized businesses, professionals, and individuals in 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.*

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
- Janney Montgomery Scott LLC
  1475 Peachtree St. NE
  Suite 800
  Atlanta, GA 30309
- Keefe, Bruyette & Woods
  787 Seventh Avenue
  New York, NY 10019
- Raymond James & Associates, Inc.
  222 South Riverside Plaza
  Seventh Floor
  Chicago, IL 60606
- JWTT, Inc.
  1231 NW Hoyt Street
  Suite 206 Portland, OR 97209

Registrar and Transfer Agent

AST Financial
ATTN: Centric Financial Corporation
6201 15th Ave.
Brooklyn, NY 11219
800.937.5449
info@amstock.com

CFCX

The 26 Centric Bank Way Fundamentals capture the spirit of our team:

1 Be a brand ambassador.
2 Do the right thing, *always*.
3 Deliver legendary service.
4 Do whatever it takes.
5 Listen generously.
6 Speak straight.
7 Be a fanatic about response time.
8 Honor commitments.
9 Show grit.
10 Invest in relationships.
11 Focus on solutions.
12 Make quality personal.
13 Be positive.
14 Pay attention to the details.
15 Create a great impression.
16 Do what's best for the client.
17 Be relentless about improvement.
18 Collaborate.
19 "Bring It" every day.
20 Make healthy choices.
21 Show meaningful appreciation.
22 Fix the problem–not the blame.
23 Assume positive intent.
24 Embrace change.
25 Keep things fun.
26 Contribute to the community.


Personal relationships are our business.
We Revolve Around You means
more than technology, transactions, or
data! When you need a bank that values
the moments as much as the milestones,
and Main Street as much as Wall Street,
Centric Bank is your champion.
CFCX
CENTRIC FINANCIAL CORPORATION
Corporate Headquarters: 4320 Linglestown Road, Harrisburg, PA 17112
717.657.7727 | Fax 717.657.7748 | www.CentricBank.com | www.DrCentricBank.com
NMLS #690920
Member FDIC