

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20429

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

CLARION COUNTY COMMUNITY BANK

(Name of registrant in its charter)

Pennsylvania
(State or other jurisdiction
of incorporation or organization)

20-0081432
(I.R.S. Employer
Identification No.)

333 W. Main Street
Clarion, PA
(Address of principal executive offices)

16214
(Zip Code)

Registrant's telephone number, including area code (814) 226-6000

Securities registered pursuant to Section 12(b) of the Act: None

**Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$1.00 Par Value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period as the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The aggregate market value of Common Stock held by non-affiliates of the registrant, based on the last sale price of the registrant's Common Stock on June 30, 2010, was \$8,497,992 (\$6.00 per share based on 1,661,255 shares of Common Stock outstanding on that date).

As of March 1, 2010, there were 1,661,255 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be distributed to shareholders for the 2011 Annual Meeting of Shareholders scheduled to be held on May 18, 2011 are incorporated by reference in Part III of this report.

TABLE OF CONTENTS

PART I

	<u>Page</u>
ITEM 1. BUSINESS	4
ITEM 1A. RISK FACTORS	18
ITEM 1B. UNRESOLVED STAFF COMMENTS	18
ITEM 2. PROPERTIES	18
ITEM 3. LEGAL PROCEEDINGS	18
ITEM 4. RESERVED	19

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	20
ITEM 6. SELECTED FINANCIAL DATA	21
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	22
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	40
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	43
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	43
ITEM 9A. CONTROLS AND PROCEDURES	43
ITEM 9B. OTHER INFORMATION	46

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE	47
ITEM 11. EXECUTIVE COMPENSATION	47
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	47
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	47
ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES	47
ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	48
SIGNATURES	49

PART I

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Some discussions in this Report may contain statements concerning potential future events. We caution you to be aware of the speculative nature of these “forward-looking statements.” Statements that are not historical in nature, including the words “anticipate,” “estimate,” “should,” “expect,” “believe,” “intend,” “could”, “may”, and similar expressions are intended to identify forward-looking statements. Although these statements reflect the good faith belief of the Bank’s management based on current expectations, estimates and projections about (among other things) the banking industry and the markets in which the Bank operates, they are not guarantees of future performance. Whether actual results will conform to our expectations and predictions is subject to a number of known and unknown risks and uncertainties, including but not limited to the risks and uncertainties discussed in this Report; general economic, market, or business conditions, including the effects of the subprime mortgage crisis on banks and the financial industry in general, changes in interest rates, deposit flow, and the cost of funds, and demand for loan products and financial services; changes in the Bank’s competitive position; changes in the quality or composition of loan and investment portfolios; the Bank’s ability to manage growth; the opportunities that may be presented to, and pursued by, the Bank; competitive actions by other entities; changes in laws or regulations; changes in the policies of federal or state regulators and agencies; and other circumstances, many of which are beyond the Bank’s control. Consequently, all of the forward-looking statements made in this Report are qualified by these cautionary statements and there can be no assurance that the actual results anticipated by the Bank will be realized, or that they will have the expected consequences to, or effects on, the Bank or the Bank’s business or operations. Except as required by applicable law, the Bank does not intend to publish updates or revisions of any forward-looking statements it makes to reflect new information, future events or otherwise.

ITEM 1. BUSINESS

As used in this Report, the terms “we”, “us”, “our”, and “Bank” mean Clarion County Community Bank (unless the context indicates another meaning), and the term “common stock” means our common stock, par value \$1.00 per share.

General

Clarion County Community Bank is a Pennsylvania state-chartered commercial bank headquartered in Clarion, Clarion County, Pennsylvania. We were incorporated and began operations as a de novo commercial bank in January 2004.

The Bank’s principal sources of income are interest and fees collected on loans and interest collected on other investments. The Bank’s principal expenses in 2010 were interest paid on deposits, employee compensation, office expenses, professional fees, and other overhead expenses.

At December 31, 2010, we had total assets, loans, deposits and shareholders' equity of \$117.5 million, \$91.6 million, \$106.6 million and \$10.4 million, respectively.

The Bank engages in the business of commercial banking in Clarion and Northern Armstrong Counties in western Pennsylvania. The Bank was organized to operate as an independent community bank to offer a broad range of deposit and loan products and services to the general public and, in particular, to small and medium-sized businesses, local professionals and individuals residing, working and shopping in the Bank's trade area.

Our deposit product offerings include checking, savings and money market accounts, as well as time deposits. We also offer consumer and commercial credit products. The commercial credit products include loans secured by real estate and other assets, working capital lines, and other commercial loans. The consumer credit products include first mortgage loans, home equity loans and lines of credit, auto loans, and personal loans. We also offer internet banking services, automated teller services, drive-through banking services, night depository services and safe deposit box services.

Management believes that in a market dominated by large and regional banks, the Bank can offer an alternative as a small, independent, community-based bank. With an emphasis on serving all of the financial needs of the individuals and businesses located within its primary market area, the Bank endeavors to compete for business by providing customized financial solutions to individual customer's needs through high quality, personal service, customer access to Bank decision-makers and competitive interest rates and fees.

The Federal Deposit Insurance Corporation ("FDIC") insures our deposits to the fullest extent provided by law. We are not a member of the Federal Reserve System.

The Bank's executive office is located at 333 W. Main Street, Clarion, Pennsylvania 16214, and its telephone number is (814) 226-6000. We opened an additional branch office location during our first year of operations. The branch office is located at 308 Broad Street, New Bethlehem, Pennsylvania 16242. Our third branch office was opened in October 2008 and is located at 592 Main Street, Rimersburg, Pennsylvania.

At December 31, 2010, the Bank had 28 full-time equivalent employees. The employees are not represented by a union or any collective bargaining agreement. The Bank believes its relationship with its employees is satisfactory.

Business Strategy

We will continue to capitalize on the opportunities created by the consolidation that has taken place in the banking industry in western Pennsylvania in recent years, particularly in Clarion County. The national and regional financial institutions currently operating in our target markets have increasingly focused on large corporate customers, standardized loan and deposit products and other services. Many of these institutions have also centralized their loan approval practices for smaller customers. Prior to our decision to open the Bank, the most frequent banking complaints that we heard from small to mid-size businesses and consumers in our target markets concerned the lack of personalized service and high turnover rates, which limit the

customer's ability to develop a relationship with his or her banker. As a result of these factors, we believe there currently exists a significant opportunity to attract and retain customers who are dissatisfied with their current banking relationships.

We operate the Bank with an emphasis on local leadership and local decision-making. Due to the strength of our board of directors and management team, we develop business through their extensive contacts in the local business, real estate development, legal, farming, educational, and medical professional communities.

Banking Services

Commercial Banking. The Bank focuses its commercial lending activity on small and mid-sized business (generally not exceeding \$5 million in annual revenue) and professional services providers. The loan products include commercial mortgage loans, investment property loans, construction mortgage loans, lines of credit, business term loans, equipment financing and standby letters of credit. The Bank also offers a full range of deposit products to its commercial customers, including internet banking, wire transfer service and access to the Automated Clearing House for direct deposit and direct debit activity.

Consumer Banking. An extensive range of such services is offered by the Bank to meet the varied and changing banking needs of individuals and households in the Bank's trade area. The Bank's consumer deposit activities emphasize consumer checking accounts, interest-bearing checking, money market accounts and various savings products. Retail lending products include residential mortgage loans, home equity loans and lines of credit, automobile loans, overdraft protection and other consumer credit accounts.

Deposits

The Bank's earnings depend in large part on the spread between the income it receives from its loan and investment portfolios and the costs (primarily interest costs) it must pay for the money it lends and invests. The main source of the Bank's funds is customer deposits. Because of major changes in federal banking laws and regulations in recent years, commercial banks may now pay interest on many types of accounts. Because of competition among banking institutions (including commercial banks, savings banks, savings and loan associations, credit unions, etc.), the increased dependence upon interest rates to attract deposits has generally increased the relative costs of funds to banks.

The Bank offers a full range of depository account choices, including demand deposits, savings deposits, time deposits and Individual Retirement Accounts, and is competitive in structuring the terms (interest rates, minimum balances, etc.) of deposit accounts as part of its strategy to attract deposits. The Bank anticipates that its opportunity to increase its level of loan activity will be largely dependent on the amount of funds available to it in the form of borrowings and deposits.

Lending Activities

The Bank offers a variety of loan products to its customers, including loans secured by real estate, commercial and consumer loans. The Bank's lending objectives are as follows:

- To establish a diversified loan portfolio comprised of commercial loans, mortgage loans, consumer loans and all other loan types; and
- To properly price its loans to include the cost of funds, administrative costs, bad debts, local economic conditions, competition, customer relationships, the term of the loan, credit risk, collateral quality and a reasonable profit margin

The Bank manages credit risk through portfolio diversification, underwriting policies and procedures and loan monitoring practices.

Gross loans made by the Bank totaled approximately \$92,728,000 at December 31, 2010. Gross loans represented approximately 78.9% of the Bank's total assets and 87.0% of the Bank's total deposits at December 31, 2010.

The commercial loan category includes commercial loans and commercial mortgages. Commercial loans primarily represent loans to commercial borrowers for working capital and other short-term needs and term loans for the acquisition of business assets. The terms of such loans generally range from one to five years. Commercial mortgages include mortgages on owner occupied buildings and investment properties, secured by first mortgages on these properties. Amortization is generally based on terms of 15 years or less.

Residential real estate loans include first mortgage loans to purchase existing residential real estate or refinance existing first mortgage loans, and home equity loans and lines of credit. All of these loans are secured by either a first or second lien on residential real estate. The Bank also originates loans to individuals for construction of single-family dwellings. These loans are secured by the property under construction and typically have maturities of six to nine months before transferring to a full residential mortgage.

Consumer loans are granted primarily to individuals on an installment basis and are generally secured by personal property, including automobiles.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Loans" for more information on our lending activities.

Other Activities

The Bank also derives interest income from investments in securities, primarily United States government and agency securities, government backed mortgage backed securities, state and municipal tax free bonds, and overnight deposits with Atlantic Central Bankers Bank and the Federal Home Loan Bank. Additionally the Bank provides a variety of financial services to its customers including wire transfers, money orders and other services for which it may charge fees to customers. The Bank believes that the larger banking institutions located in the Bank's primary market area now obtain growing proportions of their earnings from fee income. As part

of its strategy for market penetration, the Bank has elected to provide some of these services free of charge or a minimal charge, such as use of ATMs. The Bank also offers Internet banking services.

Competition

The Bank faces significant competition, both in making loans and attracting deposits. The Bank's competition in both areas comes principally from other commercial banks, savings banks and credit unions, and other types of financial institutions, including brokerage firms, insurance companies and credit card companies. The Bank faces additional competition for deposits from short-term money market mutual funds and other corporate and government securities funds.

The Bank's competitors, whether traditional or nontraditional financial institutions, have a longer history and significantly greater financial and marketing resources than does the Bank. Among the advantages certain of these institutions have over the Bank is their ability to finance wide-ranging and effective advertising campaigns, to access international money markets, and to allocate their investment resources to regions of highest yield and demand. Larger banks operating in the Bank's primary market area offer certain services, such as insurance and trust services, which are not offered by the Bank.

In commercial transactions, the Bank's legal lending limit to a single borrower does not limit the Bank's ability to compete effectively for the business of individuals and smaller enterprises. However, the Bank's legal lending limit is considerably lower than that of various competing institutions, which have substantially greater capitalization. The Bank has a relatively smaller capital base than most other competing institutions which, although above regulatory minimums, may constrain the Bank's ability to compete for larger loans.

To meet its competition, the Bank has placed major emphasis on responsiveness, efficiency, courtesy of service, and the flexibility which its size and independent status permit. The Bank believes that an independent community bank, operated by responsive, experienced employees who are dedicated to personal service, offers an attractive and viable alternative to larger competing institutions.

We place emphasis on relationship banking so that each customer can identify and establish a comfort level with our banking officers. We focus our marketing efforts on attracting small and medium-sized businesses and individuals, including service companies, manufacturing companies, commercial and residential real estate developers, and professional services.

Supervision and Regulation

As a Pennsylvania-chartered commercial bank, the Bank is subject to the regulation, supervision, and control of the Pennsylvania Department of Banking (the "Pennsylvania Department"). As an FDIC-insured institution, the Bank also is subject to the regulation, supervision and control of the FDIC, an agency of the federal government. The regulations, requirements and restrictions of the FDIC and the Pennsylvania Department of Banking affect virtually all activities of the Bank, including the minimum level of capital the Bank must

maintain, the ability of the Bank to pay dividends, the ability of the Bank to expand through new branches or acquisitions, and various other matters.

Global Financial Crisis and New Legislation.

The United States and most industrialized countries have been suffering from a financial crisis and economic recession that began in 2007 and likely peaked in 2009. Many experts consider this the worst economic crisis since the Great Depression in the 1930s. In an effort to minimize the effects of the financial crisis and prevent future financial catastrophes, numerous emergency measures were taken by the securities and bank regulatory agencies, and several pieces of legislation were adopted by Congress and signed into law. The most recent and far reaching financial law is the “Dodd-Frank Wall Street Reform and Consumer Protection Act,” signed into law on July 21, 2010. The Dodd-Frank Act (“DFA”) is more than 1,000 pages long, and its provisions affect virtually every kind of financial enterprise that conducts business in the United States. DFA contains many provisions that affect industries that are not directly related to the business of the Bank, such as commodities and securities firms. In addition, many of the banking related provisions of DFA will not affect the business of the Bank, because the Bank does not engage in the specific activity addressed, or the Bank is not large enough to be covered by the new provisions. Of course, there are many provisions of DFA that do directly affect the Bank, and will continue to affect the Bank’s business over the coming years, as different provisions have different effective dates that have not yet occurred.

A short summary of the myriad provisions of DFA is impossible to create. Some of the most prominent features of DFA that may directly affect the business of the Bank are:

- Creation of a new “Bureau of Consumer Financial Protection” within the Federal Reserve, responsible for administering the many consumer protection laws that apply to banks and other financial entities. The Bureau is to become operational in July, 2011. While the Bureau will directly regulate entities with over \$10 billion in assets, which does not include the Bank, the rules, interpretations, and policies that will be adopted by the Bureau are almost certain to be adopted by the FDIC, which will continue to be the primary federal regulator of the Bank.
- Making permanent the \$250,000 limit on deposit insurance, extending through 2012 the unlimited deposit insurance applicable to “non-interest bearing transaction accounts,” and authorizing the FDIC to modify the method of assessing deposit insurance premiums.
- Implementation of mortgage industry reforms to both protect consumers against predatory lending and protect the mortgage market from mortgages that aren’t supported by appropriate facts. In addition, significant new requirements have been adopted for the process of securitization of assets, including mortgage loans.
- Creation of a new “Financial Stability Oversight Council” to coordinate policies among all the financial regulatory agencies in an attempt to prevent the failure of large firms, and to assist in the orderly winding up of firms that have failed or are about to fail. The principal focus of the Council will be on those firms with more than \$50 billion in assets, much larger than the Bank. The policies to be adopted by the Council may indirectly affect institutions of all sizes, however.

- Adoption of limitations and restrictions on investing in and trading of derivative and other securities, which provisions generally will affect entities larger than the Bank.
- Elimination of the Office of Thrift Supervision, which regulated federal and state savings banks (not the Bank), and the transference of its regulatory responsibilities to the OCC, FDIC, and Federal Reserve, as appropriate.
- Increase in authority of the Federal Reserve in certain monetary policies, but restriction of the Federal Reserve's ability to provide funding or lending to individual institutions that is not widely available to all similar institutions, and increase of governmental oversight of the activities of the Federal Reserve.
- Increase in authority of the SEC, in an effort to better protect investors, including expansion of the regulation of investment advisers and certain activities of broker-dealers. As the Bank does not presently engage in securities activities for its customers, these provisions may not have much effect on the Bank.
- Adoption or authorization of numerous regulatory provisions that are designed to protect consumers and the banking system as a whole. The composite effect of these numerous provisions directly on the Bank cannot be readily estimated, but overall the DFA can be viewed as increasing the compliance costs of the Bank over the next several years.

One of the defining features of the DFA is the large number of new studies or regulatory actions that it requires the various federal regulatory agencies to consider or adopt over the next few years. Some commentators have estimated that the total regulatory actions required by the DFA include more than 60 studies of particular industry issues and more than 240 separate rulemaking actions. These rules, when promulgated, will total thousands of additional pages of regulations and regulatory information. While clearly not all (or not even most) of these new rules will apply to the activities of the Bank, many of them will. Accordingly, the Bank fully anticipates spending an increasing amount of time over the next months and years closely following the specific rules that will be adopted that will affect its business, but cannot estimate when such rules will become effective or how they will affect the Bank.

Limits on Dividends

The future dividend policy of the Bank is subject to certain regulatory considerations and to the discretion of the board of directors and depends upon a number of factors, including operating results, financial condition and general business conditions. Holders of common stock are entitled to receive dividends as, if, and when declared by the board of directors of the Bank out of funds legally available therefore, subject to the restrictions under Pennsylvania law and the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

The Pennsylvania Banking Code of 1965 (the "Pennsylvania Banking Code") generally requires that statutory surplus be maintained at least equal to the amount of stated capital (par value times number of shares), and, if surplus is less than stated capital, requires that at least 10% of net earnings be transferred to surplus prior to distribution of any dividend. The Pennsylvania Banking Code also requires that dividends may be distributed only out of a bank's accumulated net earnings.

Under FDICIA, an insured depository institution is prohibited from making any capital distribution to its shareholders, including by way of dividend, if after making such distribution the depository institution fails to meet the required minimum level for any relevant capital measure including the risk-based capital adequacy and leverage standards described below. In addition FDICIA generally prohibits all payments of dividends by any insured bank that is in default of any assessment to the FDIC. Additionally, because the FDIC may prohibit a bank from engaging in unsafe or unsound practices, it is possible that under certain circumstances the FDIC could claim that a dividend payment constitutes an unsafe or unsound practice.

The Pennsylvania Department has similar power to issue cease and desist orders to prohibit what might constitute unsafe or unsound practices. The payment of dividends may also be affected by other factors (*e.g.*, the need to maintain adequate capital or to meet loan loss reserve requirements).

Current policies of the FDIC and the Pennsylvania Department impose more stringent capital requirements on de novo banks for their first three years of operations than are imposed on more established banks. Such policies also have the effect of restricting dividends for an extended period. Although the Bank had been removed from denovo status following five years of operations, regulatory changes due to the recent national economic problems have authorized the FDIC to extend the denovo status time period to seven years. Due to these changes the Bank continued to be under the more stringent capital requirements. The Bank reached this seven year time period on January 7, 2011.

Capital Requirements

The Bank is subject to risk-based capital guidelines promulgated by the FDIC that are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Under the guidelines, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The minimum ratio of total capital to risk-weighted assets (including certain off-balance sheet activities, such as standby letters of credit) is 8%. At least 4% of the total capital is required to be “Tier I Capital,” consisting of shareholders’ equity and qualifying preferred stock, less certain goodwill items and other intangible assets. The remainder (“Tier II Capital”) may consist of (a) the allowance for loan losses of up to 1.25% of risk-weighted assets, (b) excess of qualifying preferred stock, (c) hybrid capital instruments, (d) perpetual debt, (e) mandatory convertible securities, and (f) qualifying subordinated debt and intermediate-term preferred stock up to 50% of Tier I capital. Total capital is the sum of Tier I and Tier II capital less reciprocal holdings of other banking organizations, capital instruments, investments in unconsolidated subsidiaries and any other deductions as determined by the FDIC (determined on a case-by-case basis or as a matter of policy after formal rule-making).

In addition to the risk-based capital guidelines, the FDIC has adopted a minimum Tier I capital (leverage) ratio, under which a bank must maintain a minimum level of Tier I capital to average total consolidated assets of at least 3% in the case of a bank that has the highest

regulatory examination rating and is not contemplating significant growth or expansion. All other banks are expected to maintain a leverage ratio of at least 100 to 200 basis points above the stated minimum.

The Bank was in compliance with the applicable minimum capital requirements at December 31, 2010. As a result of the DFA and the continuing concern about the state of the financial industry, we fully expect that, over the next few years, the federal banking regulators will adopt changes (increases) to the capital requirements that apply to all banks.

Prompt Corrective Action

Federal banking regulators are required to establish five capital categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) and to take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions in the three undercapitalized categories, the severity of which will depend upon the capital category in which the institution is placed.

The capital levels established for each of the categories are as follows:

<u>Capital Category</u>	<u>Tier I Capital</u>	<u>Total Risk-Based Capital</u>	<u>Tier I Risk-Based Capital</u>
Well Capitalized	5% or more	10% or more	6% or more
Adequately Capitalized	4% or more	8% or more	4% or more
Undercapitalized	less than 4%	less than 8%	less than 4%
Significantly Undercapitalized	less than 3%	less than 6%	less than 3%
Critically Undercapitalized	2% or less tangible equity		

For purposes of the regulation, the term “tangible equity” includes core capital elements counted as Tier I capital for purposes of the risk-based capital standards, plus the amount of outstanding cumulative perpetual preferred stock (including related surplus), minus all intangible assets with certain exceptions. A depository institution may be deemed to be in a capitalization category that is lower than is indicated by its actual capital position if it receives an unsatisfactory examination rating.

An institution that is categorized as undercapitalized, significantly undercapitalized, or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking agency. An undercapitalized institution is also generally prohibited from increasing its average total assets, making acquisitions, establishing any branches, or engaging in any new line of business, except in accordance with an accepted capital restoration plan or with the approval of the FDIC.

At December 31, 2010, the Bank had the requisite capital levels to qualify as well capitalized.

Deposit Insurance

All U.S. banks are required to have their deposits insured by the FDIC. As a result of changes made by the DFA, the maximum amount of deposit insurance per depositor is \$250,000, an increase from the old limit of \$100,000. In addition, all non-interest bearing transaction account balances (basically, business checking accounts) are insured to an unlimited amount through 2012. The FDIC charges premiums or “assessments” to pay for the deposit insurance provided. In the past and up through the first quarter of 2011, deposit insurance assessment rates were based on the total deposits of a bank. Beginning with the second quarter of 2011 and thereafter, the assessment will be based on the average total assets of a bank minus the bank’s average tangible equity.

Deposit insurance assessments have been “risk based,” in that the riskier a bank’s perceived business activities, the higher deposit insurance rate it has to pay. All banks are assigned to one of four “risk categories” by the FDIC, pursuant to their capital levels and examination results. The assignment to a particular risk category is made by the FDIC each quarter based on the most recent information available. Then, the FDIC applies certain adjustments to each bank based on its specific asset attributes to determine a final assessment ratio. Currently, the assessment ratio ranges from a low of 7 basis points for the banks perceived to be the safest to a high of 77 basis points for the banks perceived to be the riskiest. The basis points are expressed as an annual rate based on each \$100 of deposits, although the assessments are charged and paid quarterly. Beginning with the second quarter of 2011, the assessment will be based on assets, not deposits, and the assessment rates will range from 2.5 basis points to 45 basis points. (The actual dollar amount paid by each small bank is expected to be very close to the amounts paid when the assessment base was composed of deposits.) In addition, the assessment rate for large banks (those over \$10 billion in assets) is derived from a formula that further takes into account specific activities and asset quality of a particular bank. Our bank is well below the \$10 billion threshold for this additional assessment calculation.

The DFA requires the deposit insurance fund to reach a reserve level of 1.35% of all insured deposits by September, 2020, and authorizes the FDIC to implement changes in assessment rates in order to achieve such level. The DFA authorizes the FDIC to establish a “designated reserve ratio” (which the FDIC has now set at 2.0%), and to reduce or eliminate assessments if the DRR is met. If the deposit fund reserve ratio is 2.5% or more, the FDIC is authorized, but not required, to return assessments to banks. Given that most experts believe that the deposit fund will continue to incur losses over the short term for bank failures that have occurred and will occur from the financial crisis, it is expected that all banks will have to pay significant amounts of deposit insurance assessments for the foreseeable future, with little likelihood of reductions in deposit insurance assessments (or return of assessments paid) unless there is a material improvement in the economy and the health of the financial industry.

Other Statutes and Regulatory Requirements Applicable to Banks

Sarbanes-Oxley Act

The Sarbanes-Oxley Act (SOX) is not a banking law but generally applies to all companies that file or are required to file periodic reports under the Securities Exchange Act of 1934 (“Exchange Act”). Its stated goals are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies, and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. As a state chartered bank that is not a member of the Federal Reserve System, we file reports with the FDIC rather than the Securities Exchange Commission (the “SEC”). The FDIC administers the reporting provisions of the Exchange Act and certain relevant provisions of SOX that apply to us, and many of the relevant rules and regulations of the SEC under the Exchange Act and SOX are incorporated by reference into the regulations of the FDIC.

SOX includes very specific additional disclosure requirements and corporate governance requirements and required the SEC and the securities exchanges to adopt extensive rules concerning disclosure and corporate governance and mandates further studies of specified issues by the SEC and the federal Comptroller General. SOX represents significant federal involvement in matters traditionally left to state regulatory systems, such as the regulation of the accounting profession, and to state corporate law, such as the relationship between a company’s board of directors and management and between a board of directors and its committees.

Under Section 404 of SOX, we are required to conduct a comprehensive review and assessment of the adequacy of our existing systems and controls beginning at December 31, 2008 and each December 31st thereafter. Compliance with Section 404 of SOX results in additional expenses that adversely affect our results of operations. In addition, in a SOX 404 review, we could potentially uncover deficiencies in existing systems and controls. If that is the case, we would have to take the necessary steps to correct any deficiencies, which may be costly and may strain our management resources. We also would be required to disclose any such deficiencies, which could adversely affect the market price of our common stock.

Bank Secrecy Act

Under the Bank Secrecy Act (BSA), banks and other financial institutions are required to retain records to assure that the details of financial transactions can be traced if investigators need to do so. Banks are also required to report most cash transactions in amounts exceeding \$10,000 made by or on behalf of their customers. Failure to meet BSA requirements may expose the Bank to statutory penalties, and a negative compliance record may affect the willingness of regulating authorities to approve certain actions by the Bank requiring regulatory approval, including new branches.

USA PATRIOT Act

In October 2001, the USA PATRIOT Act (the “PATRIOT Act”) became effective. The PATRIOT Act was in direct response to the terrorist attacks of September 11, 2001, and is intended to strengthen the anti-money laundering provisions of the BSA. Most of the new

provisions added by the PATRIOT Act apply to accounts at or held by foreign banks, or accounts of or transactions with foreign entities. We do not have significant foreign transactions and do not expect the PATRIOT Act to materially affect our operations. However, other provisions of the PATRIOT Act, including the requirement of a customer identification program, do apply to our current operations. The effect of the compliance burden imposed on us by the PATRIOT Act cannot be predicted with any certainty.

Community Reinvestment

Under the Community Reinvestment Act (CRA), a bank has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions, nor does it limit an institution's discretion to develop types of products and services that the institution believes are best suited to its particular community, consistent with the CRA. The CRA requires the FDIC, in connection with its examination of non-member state banks such as us, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution. The CRA requires all covered institutions to make public disclosure of their CRA ratings. Pursuant to current CRA regulations an institution's CRA rating is based on its actual performance in meeting community needs. An institution's CRA rating is considered in determining whether to grant charters, branches and other deposit facilities, relocations, mergers, consolidations and acquisitions. Less than satisfactory CRA performance may be the basis for denying an application.

The CRA was amended by the GLB Act (described below), to provide that small banks (those under \$250 million in assets) that received an "outstanding" on their last CRA exam will not have to undergo another CRA exam for five years, or for four years if the last exam was "satisfactory." In addition, any CRA agreement entered into between a bank and a community group must be disclosed, with both the bank and the group receiving any grants from the bank detailing the amount and use of the funding provided.

Lending Limit

The Pennsylvania Banking Code provides that the aggregate indebtedness of any one borrower to a Pennsylvania chartered bank may not exceed 15.0% of the bank's capital, surplus, undistributed profits, capital securities and reserve for loan losses. Based on our financial statements at December 31, 2010, our "one borrower's indebtedness limitation" was \$1.57 million. We may engage in loan participations with other banks for loans in excess of that lending limit. However, no assurance can be given that such participations will be available at all or that terms would be favorable to us or our customers.

Safety and Soundness Standards

Under FDIC and state regulations an institution that has leverage capital or risk based capital below the minimum required under the regulations described above will be deemed to be conducting its business in an unsafe manner, unless in full compliance with an agreement with the FDIC to increase its capital or an agreement or order issued by the Pennsylvania Department

of Banking. In the event that the institution's ratio of Tier 1 capital to total assets falls below 2.0%, such institution shall be deemed to be in an unsafe and unsound condition.

The FDIC and the other federal banking agencies have adopted "Interagency Guidelines Establishing Standards for Safety and Soundness". The operational and managerial standards described in these guidelines address an institution's general practices, and are designed to provide a framework for the federal regulators to determine whether those practices are sound in principle and whether procedures are in place to ensure that they are properly applied in the normal course of business. The guidelines cover such areas as an internal audit system, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation. Institutions that fail to meet these standards are required to submit compliance plans to their appropriate federal regulators. The guidelines further prohibit the payment of excessive compensation, which is defined as an unsafe and unsound practice.

Emergency Legislation Prior to Dodd Frank Act.

In the latter part of 2008, emergency financial legislation was enacted to assist the banking industry and attempt to prevent a deepening financial crisis. One of the principal features of that legislation was the "TARP" program, pursuant to which the federal government, acting through the U.S. Treasury, made investments directly in U.S. banking institutions that applied for the investments and qualified for the program. The TARP was designed to provide additional equity capital to banking institutions and thereby restore confidence to the banking system.

The Bank's Board of Directors decided not to participate in the U.S. Treasury's TARP Capital Purchase Program. Our management and Board of Directors, after careful consideration, believed it was in the best interests of the Bank's shareholders not to participate. The program's restrictions on possible future dividends, the dilution to earnings, and the uncertainty surrounding future requirements of the program outweighed the benefits of the Bank's participation in the program.

Legislative Proposals and Reforms

Congress is often considering some financial industry legislation, and the federal banking agencies routinely propose new regulations. The Bank cannot predict how any new legislation, or new rules adopted by the federal banking agencies, may affect its business in the future. Given that the financial industry remains under stress and severe scrutiny, and given that the U.S. economy has not yet fully recovered to pre-crisis levels of activity, we fully suspect that there will be significant legislation and regulatory actions that will materially affect the banking industry generally and our bank specifically for the foreseeable future.

Impact of Monetary Policies

The earnings and growth of the Bank and of the banking industry as a whole are affected not only by general domestic and foreign economic conditions, but also by the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve Board. The Federal Reserve Board affects the national economy by its open market operations in United

States government securities, limitations on savings and time deposit interest rates, and adjustments to the discount and reserve retention rates applicable to borrowings by banks which are members of the Federal Reserve System. These actions of the Federal Reserve Board influence the growth of bank loans, investments and deposits and affect interest rates charged on loans and paid on deposits. The nature and impact of any future changes in monetary policies cannot be predicted but, in any event, may have a material effect on our results of operations.

Transactions with Affiliates, Officers and Directors

Although we are not members of the Federal Reserve System, Sections 23A and 23B of the Federal Reserve Act and the regulations promulgated thereunder are made applicable to us and are enforced by the FDIC. Generally, Sections 23A and 23B and Regulation W issued thereunder: (i) limit the extent to which the insured institution or its subsidiaries may engage in certain covered transactions with an affiliate to an amount equal to 10% of such institution's capital and surplus and place an aggregate limit on all such transactions with affiliates to an amount equal to 20% of such capital and surplus, and (ii) require that all such transactions be on terms substantially the same, or at least as favorable to the institution or subsidiary, as those provided to a non-affiliate. The term "covered transaction" includes the making of loans, the purchase of assets, the issuance of a guarantee and similar types of transactions. Any loan or extension of credit by the bank to an affiliate must be secured by collateral in accordance with Section 23A and Regulation W. We have not been significantly affected by the rules regarding transactions with affiliates.

Our authority to extend credit to executive officers, directors and 10% shareholders, as well as entities controlled by such persons, is governed by Sections 22(g) and 22(h) of the Federal Reserve Act, and Regulation O thereunder which are enforced by the FDIC. They require that any loan, including overdrafts, made by an affected institution to an executive officer or director or his or her affiliates must (i) be made in the ordinary course of business, (ii) be made on terms and conditions substantially the same as those offered to unaffiliated individuals and (iii) not involve more than the normal risk of repayment. Generally, Regulation O also places individual and aggregate limits on the amount of loans an affected institution may make to such persons based, in part, on the institution's capital position, and requires certain board approval procedures to be followed. For a discussion of transactions between the Bank and its officers and directors see Part III, Item 12 hereof, "Certain Relationships and Related Transactions."

ITEM 1A. RISK FACTORS

The Bank is a smaller reporting company and therefore is not required to provide the information required by this item.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Bank is not an accelerated filer, a large accelerated filer or a well-known seasoned issuer and therefore is not required to provide the information required by this item.

ITEM 2. PROPERTIES

Our headquarters is located at 333 Main Street, Clarion, Pennsylvania. We own approximately 7,500 square feet of building space along with a nineteen space parking lot. These facilities include five teller windows, loan offices, new accounts office, lobby area, drive-through windows, automated teller machine, a night depository, and executive and administrative offices and the Operations Center.

The Bank owns and operates a branch at 308 Broad Street, New Bethlehem, Pennsylvania which includes a 2,880 square foot single story building with a partial basement, five teller windows, loan office, new accounts office, lobby area, drive-through windows, automated teller machine and a night depository.

The Bank owns and operates a branch at 592 Main Street, Rimersburg, Pennsylvania which includes a 1,430 square foot single story building with three teller windows, loan office, lobby area, drive-through windows, automated teller machine and a night depository. This branch was opened in October 2008.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2010, the Bank was not a party to any litigation except the following:

The Bank was served with a civil action lawsuit on January 31, 2005 in the Clarion County, Pennsylvania Court of Common Pleas by the property owner adjacent to our branch office in New Bethlehem, Pennsylvania. The complaint stated claims against the previous owners of the property, individually and by their partnership, and the Bank. The Plaintiff claims that following a fire at the location in April 2002, followed by the razing of the building that previously housed the Dollar General store, the contour of the property was altered causing ground water to begin leaking into his basement. He therefore suggests that structural damage has occurred at his property and is seeking damages in the amount of \$1,000,000. The Bank filed a Preliminary Objection to the Plaintiff's Complaint and Motion and a Brief in Support of Preliminary Objections to the Plaintiff's Complaint and Motion in the Alternative to Dismiss. A second amended complaint in civil action has been filed by the plaintiff. Recently the plaintiff sold the property but did not retain the rights of the lawsuit but is unwilling to close the case. It is our opinion, after consultation with our counsel, that the Bank will be successful on the merits of this case and that the outcome of the case will have no material adverse effect on the Bank.

ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Bank's common stock is traded on the over-the-counter trading market under the symbol of "CCYY" but is not actively traded. It is not anticipated that an active trading market in the common stock will develop at any time within the foreseeable future.

The following table sets forth the high and low bid information for the common stock, as reported by Nasdaq, as of the most recent practicable date and for the periods indicated. Market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

<u>Year</u>	<u>Quarter</u>	<u>High Bid</u>	<u>Low Bid</u>
2010	Fourth	6.00	4.50
	Third	6.00	3.00
	Second	6.05	5.76
	First	7.14	5.95
2009	Fourth	7.50	5.50
	Third	6.75	6.75
	Second	6.95	6.75
	First	11.00	5.00

Shares of the common stock and certain warrants to purchase shares of common stock were initially sold by the Bank in January 2004 to investors in units at a price of \$10.00 per unit. Since such time, shares of the common stock have traded sporadically and there can be no assurance that the prices at which such trades were made are indicative of the common stock's present value. The development of a liquid public market depends on the existence of willing buyers and sellers, the presence of which is not within our control or the control of our market makers. Accordingly, an active and liquid market may not develop for the common stock. As of December 31, 2010, there were approximately 792 shareholders of record of the common stock. The warrants matured as of January 7, 2009 and are no longer exercisable.

Dividends

The board of directors of the Bank intends to follow a policy of retaining the Bank's earnings, if any, for the purpose of increasing the Bank's capital and facilitating the growth of the Bank.

As of December 31, 2010, the Bank had not paid any cash dividends on the common stock and has not determined whether cash dividends would be declared on the common stock in the foreseeable future. Declaration of cash dividends in the future by the board of directors of the Bank will depend upon a number of factors, including the Bank's results of operations and financial condition, investment and opportunities available to the Bank, regulatory requirements, general economic conditions and the discretion of the Bank's board of directors. No assurance can be given that cash dividends will be paid or, once commenced, that cash dividends will continue to be paid. Each share of common stock will be entitled to participate equally in any dividends declared by the board of directors out of funds legally available for that purpose.

The Pennsylvania Banking Code provides that no cash dividends may be paid by a bank on its capital stock unless, following the payment of each such dividend, the capital stock of the bank will be unimpaired and the payment of such dividend will not reduce the surplus of the bank.

Under the Federal Deposit Insurance Act, if losses have been sustained by a bank equal to or exceeding the bank's undivided profits then on hand, no dividend may be declared or paid, and no dividends shall be declared or paid in an amount greater than the bank's net profits less losses and bad debts. Dividends must be approved by the FDIC if the total of all cash dividends declared and paid by a bank in any calendar year, including the proposed dividend, would exceed the total of the bank's net profits for that year plus its retained net profits for the preceding two years less any required transfers to surplus or a fund for the retirement of preferred stock, if any. The Federal Deposit Insurance Act generally prohibits payments of dividends by a bank that is in default of the payment of insurance premiums to the FDIC.

Recent Sales of Unregistered Securities

During the quarter ended December 31, 2010, the Bank did not sell any additional shares of its common stock.

ITEM 6. SELECTED FINANCIAL DATA

The Bank is a smaller reporting company and therefore is not required to provide the information required by this item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to provide information about the financial condition and results of operations of Clarion County Community Bank (the "Bank"), and should be read in conjunction with the Bank's financial statements, and their related notes, included herein.

Critical Accounting Policies

Our accounting policies are fundamental to understanding Management's Discussion and Analysis of Financial Condition and Results of Operations. Our accounting policies are more fully described in Note 1 of the Notes to Financial Statements for December 31, 2010 included in this report. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in our financial statements and accompanying notes. Since future events and their effect cannot be determined with absolute certainty, actual results may differ from those estimates. Management makes adjustments to its assumptions and judgments when facts and circumstances dictate. The amounts currently estimated by us would change if different assumptions as to the outcome of future events were made. We evaluate our estimates and judgments on an ongoing basis and predicate those estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Management believes the following critical accounting policies encompass the more significant judgments and estimates used in preparation of our financial statements.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses. Loans that are determined to be uncollectible are charged against the allowance account, and subsequent recoveries, if any, are credited to the allowance. When evaluating the adequacy of the allowance, an assessment of the loan portfolio will typically include changes in the composition and volume of the loan portfolio, overall portfolio quality and past loss experience, review of specific problem loans, current economic conditions which may affect borrowers' ability to repay, and other factors which may warrant current recognition. Such periodic assessments may, in management's judgment, require the Bank to recognize additions or reductions to the allowance.

Various regulatory agencies periodically review the adequacy of the Bank's allowance for loan losses as an integral part of their examination process. Such agencies may require the Bank to recognize additions or reductions to the allowance based on their evaluation of information available to them at the time of their examination. It is reasonably possible that the above factors may change significantly and, therefore, affect management's determination of the allowance for loan losses in the near term.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by

management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for allowance calculation.

Income Taxes

The Bank uses an asset and liability approach to financial accounting and reporting for income taxes. Deferred federal and state tax assets and liabilities are recognized for the expected future tax consequences of existing differences between financial statement and tax bases of existing assets and liabilities. The effect of a change in the tax rate on deferred taxes is recognized in the period of the enactment date.

Use of Fair Value Measurements

On January 1, 2008, the Bank adopted ASC 820-10, "Fair Value Measurements" (ASC 820-10) to determine the fair value of its financial instruments based on the fair value hierarchy established in ASC 820-10, which also clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820-10 establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs in the methodology for determining fair value are observable or unobservable. Observable inputs reflect market-based information obtained from independent sources (Level 1 or Level 2), while unobservable inputs reflect management's estimate of market data (Level 3). For assets and liabilities that are actively traded and have quoted prices or observable market data, a minimal amount of subjectivity concerning fair value is needed. Prices and values obtained from third party vendors that do not reflect forced liquidation or distressed sales are not adjusted by management. When quoted prices or observable market data are not available, management's judgment is necessary to estimate fair value.

At December 31, 2010, approximately 9.3% of total assets, or \$11.0 million, consisted of financial instruments recorded at fair value. A total of \$1.5 million of these financial instruments used valuation methodologies involving Level 1 observable market data (quoted prices in active markets for identical assets). The balance of \$9.5 million used valuation methodologies involving Level 2 significant other observable inputs (quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of

the asset or liability). See Note 15 of the Bank's financial statements included in Item 8 of this annual report for additional information regarding ASC 820-10 and its impact on the Bank's financial statements.

Recent Developments

For a discussion of certain other recent developments, such as the Dodd Frank Act, see Item 1. Business – Supervision and Regulation – Global Financial Crisis.”

Summary

Total assets increased \$16.6 million during 2010 from \$100.9 million at December 31, 2009 to \$117.5 million. Loans increased \$4.7 million from \$86.9 million at December 31, 2009 to \$91.6 million at December 31, 2010. Funding for loan growth during 2010 came primarily from an increase in deposits. Total deposits were \$106.6 million at December 31, 2010, an increase of \$16.0 million compared to \$90.6 million at the end of 2009.

The Bank recorded a net profit of \$547,000, or a diluted earnings per share of \$0.33, in 2010, a decrease of 44.0% or \$431,000 from the 2009 net profit of \$978,000. The Bank recorded a net profit before income tax expense (benefit) of \$798,000 in 2010, an increase of 55.0% or \$283,000 from the 2009 total of \$515,000.

Stockholders' equity increased by \$372,000 during 2010, predominantly due to profits of \$547,000 offset slightly by a decrease in the after tax unrealized gains on available for sale securities of \$92,000 and the after tax impact of the unamortized prior service cost associated with the Bank's supplemental retirement plan which totaled \$83,000. Book value per share increased to \$6.28 at December 31, 2010, from \$6.06 at December 31, 2009, adjusted for a 5% stock dividend as of July 16, 2010, due to the Bank's net profit in 2010.

The Bank's return on average assets (ROA) for 2010 was 0.49% compared to 1.10% in 2009 while the return on average equity (ROE) was 5.25% for 2010 compared to 10.34% in 2009. The Bank experienced revenue growth in 2010 as net interest income increased 21.8% and noninterest income increased 44.5%. Therefore, even though noninterest expense also increased by 6.8%, the Bank increased its pre-tax profits by 55.0%. The Bank's improved revenues are primarily the result of its strategies to increase the loan portfolio, control the cost of funds on deposits, grow noninterest income and control noninterest expense.

The following table summarizes the net changes in the income statement:

(in thousands)	2010	2009	Net Change	Percent Change
Net interest income	\$ 4,156	\$ 3,413	\$ 743	21.8%
Noninterest income	260	180	80	44.5%
Noninterest expense	(3,027)	(2,834)	(193)	6.8%
Income before provision for loan losses & tax expense (benefit)	1,389	759	630	83.0%
Provision for loan losses	(592)	(245)	(347)	141.6%
Income tax expense (benefit)	251	(463)	714	154.1%
Net Income	\$ 547	\$ 978	\$ (431)	(44.0)%

Results of Operations

Net Interest Income

Net interest income, the primary source of earnings for the Bank, is the difference between interest and fees earned on earning assets, and interest paid on interest-bearing liabilities. Earning assets include loans, investment securities, federal funds sold and interest bearing deposits in banks. Interest-bearing liabilities include savings, interest-bearing demand and time deposits. Changes in the volume and mix of interest-earning assets and interest-bearing liabilities, as well as their respective yields and rates, have a significant impact on the level of net interest income. Net interest margin is calculated as net interest income divided by average interest-earning assets and represents our net yield on our earning assets.

Net interest income increased to \$4,156,000 for the year ended December 31, 2010, from \$3,413,000 for the year ended December 31, 2009, an increase of \$743,000. Interest income increased \$698,000 to \$5,904,000 for the year ended December 31, 2010, from \$5,206,000 for the year ended December 31, 2009. This increase is primarily the result of an increase in average earning assets to \$106,646,000 in 2010, an increase of \$21,337,000 from \$85,309,000 in 2009. The yield on interest-earning assets decreased to 5.54% for the year ended December 31, 2010 compared to 6.11% for the year ended December 31, 2009, primarily due to the overall interest rate market decreasing as a result of decreases in the Federal Reserve key lending rates.

Interest expense decreased \$45,000 to \$1,748,000 for the year ended December 31, 2010, from \$1,793,000 for the year ended December 31, 2009. This decrease is the result of the overall decrease in interest rates, which was almost completely offset by an increase in average interest-bearing liabilities of \$20,093,000 from December 31, 2009 to December 31, 2010. The average rate on interest-bearing liabilities decreased to 1.93% for the year ended December 31, 2010 compared to 2.55% for the year ended December 31, 2009 due to the overall decrease in interest rates as a result of decreases in the Federal Reserve key lending rates.

The Bank's net interest margin for the year ended December 31, 2010 was 3.90% compared to 4.01% in 2009. The decrease in the net interest margin is primarily due to interest sensitive assets repricing at a faster rate than interest sensitive liabilities.

The following table shows the Bank's daily average balance of assets, liabilities and shareholders' equity as well as the amount of interest income or interest expense and the average rate for each category of interest-earning assets and interest-bearing liabilities, for the periods indicated. Non-accruing loans, if any, are included in the average balances of loans. Interest income on tax exempt securities has not been presented on a tax equivalent basis.

	Year Ended December 31					
	2010			2009		
	<u>Average Balance</u>	<u>Interest</u>	<u>Yield/ Rate</u>	<u>Average Balance</u>	<u>Interest</u>	<u>Yield/ Rate</u>
(In thousands)						
Interest earning assets:						
Loans	\$90,836	\$5,687	6.26%	\$78,019	\$5,032	6.45%
Taxable investment securities ⁽¹⁾	7,288	196	2.70%	3,573	166	4.65%
Interest-bearing deposits	6,680	15	0.22%	3,498	8	0.23%
Federal funds sold and other	1,842	6	0.31%	105	-	0.29%
Total interest earning assets	<u>106,646</u>	<u>5,904</u>	<u>5.54%</u>	<u>85,309</u>	<u>5,206</u>	<u>6.11%</u>
Non-interest earning assets:						
Other assets	5,564			4,498		
Less allowance for loan losses	<u>(777)</u>			<u>(561)</u>		
TOTAL	<u>\$111,433</u>			<u>\$89,246</u>		
Interest bearing liabilities:						
Demand deposits	\$2,997	\$18	0.61%	\$5,403	\$77	1.43%
Savings deposits	33,277	405	1.21%	16,608	238	1.43%
Time deposits	54,147	1,325	2.45%	48,144	1,477	3.07%
FHLB borrowings	-	-	-%	173	1	0.58%
Total interest bearing liabilities	<u>\$90,421</u>	<u>\$1,748</u>	<u>1.93%</u>	<u>\$70,328</u>	<u>\$1,793</u>	<u>2.55%</u>
Non-interest bearing liabilities:						
Demand deposits	10,239			9,102		
Other	353			360		
Total Non-interest-bearing	<u>10,592</u>			<u>9,462</u>		
Shareholders' equity	<u>10,420</u>			<u>9,456</u>		
TOTAL	<u>\$111,433</u>			<u>\$89,246</u>		
Net interest earnings		<u>\$4,156</u>			<u>\$3,413</u>	
Interest rate spread ⁽²⁾			3.61%			3.56%
Net interest margin ⁽³⁾			3.90%			4.01%

(1) Securities available-for-sale are presented at amortized cost.

(2) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.

(3) Net interest margin represents net interest income as a percentage of average interest-earning assets.

Rate Volume Analysis

Future net interest income will be affected by changes in both average interest rates and average volumes of interest-earning assets and interest-bearing liabilities. The following table sets forth certain information regarding changes in interest income and interest expense for the periods indicated for each category of interest-earning assets and interest-bearing liabilities. Information is provided on changes attributable to (i) changes in volume (changes in average volume multiplied by prior rate), (ii) changes in rate (changes in average rate multiplied by prior average volume), and (iii) total change.

(In thousands)	2010 vs. 2009			2009 vs. 2008		
	Increase/ (Decrease)	Change Due To: Rate	Volume	Increase/ (Decrease)	Change Due To: Rate	Volume
Assets:						
Loans	\$ 655	\$ (172)	\$ 827	\$ 1,256	\$ (432)	\$ 824
Taxable investment securities	30	(142)	172	29	(26)	3
Interest bearing deposits	7	-	7	(29)	(104)	(133)
Federal funds sold and other	6	-	6	(16)	(2)	(18)
Total interest-earning assets	698	(314)	1,012	1,240	(564)	675
Liabilities:						
Demand deposits	(59)	(24)	(35)	10	(51)	(41)
Savings deposits	167	(73)	240	98	(141)	(43)
Time deposits	(152)	(336)	184	405	(522)	(117)
FHLB borrowings	(1)	-	(1)	3	(3)	-
Total interest-bearing liabilities	(45)	(433)	388	516	(717)	(201)
Net interest income	\$ 743	\$ 119	\$ 624	\$ 724	\$ 153	\$ 876

Allowance and Provision for Loan Losses

The allowance for loan losses increased \$517,000 to \$1,155,000 at December 31, 2010 compared with \$638,000 at December 31, 2009. In determining the provision for loan losses, management considers loan loss experience, changes in composition and volume of the portfolio, the level and composition of non-performing loans, the adequacy of the allowance for loan losses, and prevailing economic conditions. The allowance for loan losses of \$1,155,000 at December 31, 2010 approximates 1.25% of total gross loans at December 31, 2010. This compares to 0.73% of gross loans at December 31, 2009. The primary reason for the increase in the allowance for loan losses as a percentage of loans is due to a specific loss allocation on a borrowing relationship consisting of multiple loans. As such, the provision for loan losses increased from \$245,000 for 2009 to \$592,000 for 2010. There were nine charge-offs during 2010 totaling \$80,000. As of December 31, 2010, there were nine loans on non-accrual status, four of which were considered impaired by management.

Non-interest Income and Non-interest Expense

The Bank's noninterest income increased 44.5% to \$260,000 in 2010 compared to \$180,000 in 2009, which is an increase of \$80,000. This increase is primarily due to \$44,000 from the investment in bank owned life insurance, \$16,000 from gains from the sale of available for sale investments, increases of \$8,000 in fees on deposit accounts and miscellaneous fees and commissions of \$12,000.

The Bank's noninterest expense increased 6.8% to \$3,027,000 in 2010 from \$2,834,000 in 2009. The increase in noninterest expense in 2010 is primarily due to increases in salaries and employee benefits of \$190,000, occupancy and equipment expenses of \$12,000, professional expenses of \$8,000, and miscellaneous expenses of \$20,000 slightly offset by a decrease in FDIC deposit insurance premiums of \$29,000 and data processing expenses of \$8,000.

The components of noninterest expense and their respective increases are detailed in the table below.

(in thousands)	<u>2010</u>	<u>2009</u>	<u>Net Change</u>	<u>Percentage Change</u>
Salaries and employee benefits	\$ 1,450	\$ 1,260	\$ 190	15.1%
FDIC deposit insurance premiums	150	179	(29)	(16.3)%
Occupancy and Equipment	282	270	12	4.6%
Data Processing	362	370	(8)	(2.2)%
Professional	197	189	8	4.4%
Other	586	566	20	3.5%
Total noninterest expense	<u>\$ 3,027</u>	<u>\$ 2,834</u>	<u>\$ 193</u>	<u>6.8%</u>

The increases in salaries and employee benefits from 2009 to 2010 are primarily attributable to increases in wage costs, bonuses and benefits costs during 2010, which increased due to the implementation of a supplemental executive retirement plan (SERP) for certain officers during 2010 and general salary increases. The increases in occupancy and equipment expenses are attributable to real estate taxes. The increase in professional expenses was due to increased attorney fees associated with the payment of a stock dividend during 2010. A decrease in the FDIC assessment fees was due to a special assessment levied by the FDIC to all insured institutions during 2009. Data processing expenses decreased due, in part, to adjustments made in the contract with the Bank's primary banking software provider.

Taxes

The Bank reported net losses during its year of inception of 2004 through 2006. As a result the Bank did not report provisions for income taxes during its first three years of operations and accumulated a federal net operating loss (NOL) carry-forward, to be used to offset future taxable income. The federal NOL carryover has been utilized to reduce taxable income and accordingly, no income taxes have been paid to date. During 2009, the Bank's remaining deferred tax valuation allowance of \$646,000 was reversed resulting in the recording of a \$463,000 tax benefit. The reversal of the deferred tax valuation allowance was due to a

steady increase in quarterly and pre-tax income for calendar years 2007, 2008 and 2009. Furthermore, the Bank consistently outperformed budget and strategic planning profitability projections during these periods. Management determined it was more likely than not the Bank's deferred tax asset would be realized. As the valuation allowance has been reversed resulting in the net deferred tax asset being fully recorded, the Bank will record income tax expense associated with pretax income. As such, the Bank's tax expense for 2010 was \$251,000 for an effective rate of 31.4%. The primary reason for the effective rate being less than the 34% statutory rate was due to tax exempt income from state and municipal obligations and earnings on bank owned life insurance.

Statement of Condition

Our assets at December 31, 2010 consisted primarily of cash and cash equivalents, including federal funds sold, which totaled \$7.7 million; certificates of deposit, which totaled \$2.3 million; investment securities, which totaled \$11.0 million; and loans, which totaled \$91.6 million. Premises and equipment totaled \$1.7 million at December 31, 2010, and consisted of equipment and facilities at our headquarters and three branch locations. Other assets totaled \$3.2 million, which included restricted bank stock of \$0.3 million, bank owned life insurance of \$1.3 million, deferred taxes of \$0.5 million, foreclosed assets of \$0.3 million, and prepaid FDIC assessment fees of \$0.3 million.

The Effect of Regulatory Policies and Economic Conditions

The Bank's business and earnings are affected by the monetary and fiscal policies of the United States government, its agencies and various other governmental regulatory authorities. The Federal Reserve Board regulates the supply of money in order to influence general economic conditions. Among the instruments of monetary policy available to the Federal Reserve Board are (i) conducting open market operations in United States government obligations, (ii) changing the discount rate on financial institution borrowings, (iii) imposing or changing reserve requirements against financial institution deposits, and (iv) restricting certain borrowings and imposing or changing reserve requirements against certain borrowings by financial institutions and their affiliates. These methods are used in varying degrees and combinations to affect directly the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits.

The Bank's business and earnings are also affected by general and local economic conditions. During 2010 certain credit markets experienced difficult conditions and volatility. Downturns in the credit market can cause a decline in the value of certain loans and securities, a reduction in liquidity and a tightening of credit. A downturn in the credit market often signals a weakening economy that can cause job losses and thus distress on borrowers and their ability to repay loans. Uncertainties in credit markets and the economy present significant challenges for the financial services industry. Regulatory policies and economic conditions have had a significant effect on the operating results of financial institutions in the past and are expected to continue to do so in the future; however, the Bank cannot accurately predict the nature, timing or extent of any effect such policies or economic conditions may have on its future business and earnings.

Loans

Gross loans totaled \$92,728,000 at December 31, 2010 and represented 78.9% of total assets for 2010. Average loans totaled \$90,836,000 for 2010, and represented 85.2% of total average interest-earning assets for 2010.

The following table shows the Bank's loan distribution at the end of each of the last two years:

	At December 31,			
	2010		2009	
Loans:	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	(Dollars in thousands)			
Residential real estate	\$39,510	42.6%	\$40,154	45.9%
Commercial mortgage	37,964	41.0%	35,318	40.3%
Commercial	8,448	9.1%	6,372	7.3%
Consumer - auto	2,432	2.6%	2,081	2.4%
Consumer - other	4,467	4.8%	3,656	4.2%
Net deferred loan fees	(93)	(0.1)%	(71)	(0.1)%
Total Loans	<u>\$92,728</u>	<u>100.0%</u>	<u>\$87,510</u>	<u>100.0%</u>

Residential real estate loans include first mortgage loans to purchase existing residential real estate or refinance existing first mortgage loans. These loans are typically secured by a first lien on residential real estate. The Bank also originates loans to individuals for construction of single-family dwellings. These loans are secured by the property under construction and typically have maturities of six to nine months before transferring to a full residential mortgage.

Commercial loans primarily represent loans to commercial borrowers for working capital and other short-term needs and term loans for the acquisition of business assets. The terms of such loans generally range from one to five years. Commercial mortgages include mortgages on owner occupied buildings and investment properties, secured by first mortgages on these properties. Amortization is generally based on terms of 15 years or less.

Consumer loans are granted primarily to individuals on an installment basis and are generally secured by personal property, including automobiles. Included in consumer loans are home equity loans and lines of credit typically secured by a second lien on residential real estate. The Bank predominantly grants home equity loans and lines of credit when the Bank holds the first lien on the residential real estate.

The following table summarizes the contractual maturities of certain loan categories at December 31, 2010 (in thousands).

	Within <u>One Year</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
Commercial real estate	\$ 411	\$ 4,436	\$ 33,117	\$37,964
Commercial	1,267	3,694	3,487	8,448
Total	<u>\$ 1,678</u>	<u>\$ 8,130</u>	<u>\$ 36,604</u>	<u>\$46,412</u>

The table below presents the breakdown of loans with fixed and variable rates at December 31, 2010 for loans in the following categories (in thousands):

	<u>Fixed Interest Rates</u>	<u>Variable Interest Rates</u>
Commercial real estate	\$ 22,554	\$ 14,999
Commercial	122	7,059
Total	<u>\$ 22,676</u>	<u>\$ 22,058</u>

Asset Quality

The Bank manages asset quality and controls credit risk through diversification of the loan portfolio and the application of policies designed to foster sound underwriting and loan monitoring practices. The Bank's senior officers are charged with monitoring asset quality, establishing credit policies and procedures subject to approval by the Board of Directors, seeking the consistent application of these policies and procedures across the Bank and adjusting policies as appropriate for changes in market conditions.

Non-performing assets include non-performing loans and foreclosed real estate held for sale. Non-performing loans consist of loans where the principal, interest, or both, is 90 or more days past due and loans that have been placed on non-accrual status. Income recognition of interest is discontinued when, in the opinion of management, the collectability of such interest becomes doubtful. A loan is generally classified as non-accrual when principal or interest has been in default for a period of 90 days or more or because of a deterioration in the financial condition of the borrower such that payment in full of principal or interest is not expected. Loans past due 90 days or more and still accruing interest are loans that are generally well secured and in the process of collection. When loans are placed on non-accrual, accrued income from the current period will be reversed from current earnings. Consumer loans are to be charged off when principal or interest is 90 or more days delinquent or will be placed on non-accrual if the collateral is sufficient to recover the principal.

The Bank had nine non-performing loans at December 31, 2010. Non-performing loans, consisting of loans on non-accrual status, loans past due 90 days or more and still accruing interest, and renegotiated troubled debt were \$778,000 at December 31, 2010, an increase of \$112,000 from the \$666,000 reported at December 31, 2009. As a percentage of total loans, non-performing loans represented 0.8% at December 31, 2010 and 0.8% at December 31, 2009. These nonperforming loans are not of one particular portfolio, but rather represent several

customer segments. Higher unemployment levels and economic fears have impacted the performance of both consumer and commercial portfolios.

The allowance for loan losses represents 148.5% of non-performing loans at December 31, 2010. As of December 31, 2010, for purposes of accounting and reporting in accordance with accounting standards, the Bank had no significant troubled debt restructurings. As of December 31, 2010, for purposes of accounting and reporting in accordance with ASC 310-10, the Bank had sixteen “impaired” loans in the amount of \$755,000. The amount of the allowance for loan losses allocated to these loans was \$387,000 at December 31, 2010.

The following table is a summary of non-performing loans and renegotiated loans for the years presented.

	Non-performing Loans	
	As of December 31,	
	<u>2010</u>	<u>2009</u>
Non-accrual loans:		
Residential real estate	\$ 398	\$ 301
Consumer	-	51
Commercial and commercial real estate	<u>380</u>	<u>314</u>
Total	778	666
Loans past due 90 days or more and still accruing interest:		
Residential real estate	-	-
Consumer	-	-
Commercial and commercial real estate	<u>-</u>	<u>-</u>
Total loans past due 90 days or more	-	-
Troubled debt restructurings:		
Residential real estate	-	-
Consumer	-	-
Commercial and commercial real estate	<u>-</u>	<u>-</u>
Total troubled debt restructurings	<u>-</u>	<u>-</u>
Total non-performing loans	<u>\$ 778</u>	<u>\$ 666</u>

For further details on asset quality, see Note 3, Notes to Financial Statements.

Risk Elements

Risk elements in the loan portfolio include loans past due, non-accrual loans, other real estate owned and a concentration of loans to one type of borrower. We closely monitor the loan portfolio to reduce the risk of delinquent and problem loans. Strict underwriting criteria, which include loan to value and debt to income ratios, are followed, which also helps reduce credit risk in the loan portfolio. The loan review function is performed by the Chief Credit Officer, who evaluates loan quality, including adherence to underwriting criteria. The loan reviewer reports directly to the Board of Directors. The Pennsylvania Department of Banking and the FDIC, as the Bank’s primary regulators, also review the loan portfolio as part of their review process. A

substantial portion of the Bank's loan portfolio is represented by loans in Clarion County which are secured by real estate in Clarion County. Consistent with its focus on providing community-based financial services, the Bank does not attempt to diversify its loan portfolio geographically by making significant amounts of loans to borrowers outside its market area. However, as with most financial institutions in this market area, the ultimate collectability of a substantial portion of the Bank's loan portfolio is susceptible to changes in the market condition of this area. As of December 31, 2010, there was no concentration of loans exceeding 10% of total loans to aggregated borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions.

Allowance for Loan Losses

The allowance for loan losses is maintained at an amount considered adequate by management and the Board of Directors for probable incurred credit losses based upon a periodic evaluation of the risk characteristics of the loan portfolio.

The allowance for loan losses is established for probable incurred loan losses through a provision for loan losses. Loans that are determined to be uncollectible are charged against the allowance account, and subsequent recoveries, if any, are credited to the allowance. When evaluating the adequacy of the allowance, an assessment of the loan portfolio will typically include changes in the composition and volume of the loan portfolio, overall portfolio quality and past loss experience, review of specific problem loans, current economic conditions which may affect borrowers' ability to repay, and other factors which may warrant current recognition. The Bank also considers historical loss experience of peer banks due to the Bank's limited loss experience since operations commenced in 2004. The Bank's periodic evaluations may, in management's judgment, require the Bank to recognize additions or reductions to the allowance.

The following table summarizes the activity in the allowance for loan losses for the years ended December 31, 2010 and December 31, 2009. Also presented are certain key ratios regarding the allowance:

	<u>Year ended</u> <u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
	(dollars in thousands)	
Allowance for possible loan losses, beginning of year	\$638	\$505
Real estate loans charged-off	(55)	(61)
Consumer loans charged-off	(9)	(23)
Commercial loans charged-off	(17)	(28)
Recoveries	6	0
Provision	<u>592</u>	<u>245</u>
Balance, end of year	<u>\$1,155</u>	<u>\$638</u>
Average loans	90,836	78,019
Total gross loans at end of year	92,728	87,510
Allowance as a percentage of total gross loans	1.25%	0.73%

The following table reflects the allowance for loan losses by category as of December 31, 2010 and December 31, 2009:

	At December 31,			
	2010		2009	
	Amount	% of allowance	Amount	% of allowance
Commercial and commercial real estate	\$877,000	50.0%	\$424,000	47.6%
Residential Real Estate	180,000	42.6%	148,000	45.8%
Consumer and other	98,000	7.4%	66,000	6.6%
Total	\$1,155,000	100.0%	\$638,000	100.0%

The specific amount of the allowance in any particular category may be reallocated in the future to reflect current conditions. Accordingly, the Bank considers the entire allowance to be available to absorb losses in any category.

Management is not aware of any potential problem loans, trends or uncertainties that it reasonably expects will materially impact future operating results, liquidity, or capital resources.

Federal Funds Sold and Investment Securities

The Bank also derives interest income from investments in securities. The Bank invests a portion of its available funds in short-term and longer-term instruments, including federal funds sold and investment securities.

Federal funds sold are used primarily for daily cash management purposes. Average federal funds sold of \$1,842,000 for 2010 represented 1.73% of total average interest earning assets for 2010. Federal funds sold are used primarily for daily cash management purposes. Investment securities include obligations of the United States Government and its agencies and government backed mortgage-backed securities. The Bank's investment securities portfolio provides liquidity through proceeds from scheduled maturities and principal reduction on mortgage-backed securities.

Investment securities are classified under one of the following categories: "held to maturity" and accounted for at historical cost, adjusted for accretion of discounts and amortization of premiums; "available for sale" and accounted for at fair market value, with unrealized gains and losses reported as a separate component of shareholders' equity; or "trading" and accounted for at fair market value, with unrealized gains and losses reported as a component of net income. Management determines the appropriate classification at the time of purchase. The Bank as a matter of policy does not hold trading securities.

At December 31, 2010, the Bank identified investment securities that would be held for indefinite periods of time but not necessarily to maturity, including securities that would be used as part of the Bank's asset/liability management strategy and possibly sold in response to changes in interest rates, prepayments and similar factors. These securities are classified as

“available for sale.” These securities are carried at fair value, with any unrealized gains or losses reported as a separate component of other comprehensive income (loss), net of the related income tax effect. At December 31, 2010, the Bank reported an accumulated other comprehensive loss of \$36,000 in the Stockholders’ Equity section of the Balance Sheet related to securities available for sale.

The table below presents the amortized cost and total estimated fair values of available-for-sale securities as of December 31, 2010 and 2009:

	At December 31, 2010		At December 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Residential mortgage-backed securities	\$7,299,587	\$7,364,943	\$3,418,708	\$3,492,194
State and municipal bonds tax free	2,211,105	2,079,786	-	-
U.S. Government agencies	<u>1,500,000</u>	<u>1,512,152</u>	<u>500,000</u>	<u>511,246</u>
Total available for sale	<u>\$11,010,692</u>	<u>\$10,956,881</u>	<u>\$3,918,708</u>	<u>\$4,003,440</u>

The Bank did not hold any investments classified as held to maturity at December 31, 2010 or 2009.

Maturities of available-for-sale securities, at amortized cost, at December 31, 2010, segregated by contractual maturity, are illustrated below:

	December 31, 2010											
	Within 1 Year		After 1 But Within 5 Years		After 5 But Within 10 Years		After 10 Years		Not Due At a Single Maturity		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Investment securities available for sale:												
Residential mortgage-backed securities	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ 7,364,943	2.97%	\$ 7,364,943	2.97%
State and municipal bonds-tax free	-	0.00%	-	0.00%	190,168	3.45%	1,889,618	4.31%	-	0.00%	2,079,786	4.23%
U.S. government agencies	-	0.00%	1,011,710	0.91%	500,442	0.77%	-	0.00%	-	0.00%	1,512,152	0.87%
Total amortized cost	<u>\$ -</u>	<u>0.00%</u>	<u>\$ 1,011,710</u>		<u>\$ 690,610</u>		<u>\$ 1,889,618</u>		<u>\$ 7,364,943</u>		<u>\$ 10,956,881</u>	<u>2.92%</u>

The Bank had sales of three securities classified as available for sale. Gains reported on the sale of securities for 2010 were \$16,231. The Bank did not have any sales of securities available for sale in 2009. Of the Bank’s investment securities, \$2,848,000 were pledged at December 31, 2010 and \$1,977,000 were pledged at December 31, 2009 to secure public deposits.

Deposits

The Bank's deposit base is its primary source of funds. The Bank offers a broad range of deposit products, including non-interest and interest bearing demand deposits, savings and money market accounts, and certificates of deposit.

The following table shows the breakdown of the average balances and average rates paid on the Bank's deposit categories for 2010 and 2009:

Average Deposits and Rates Paid:

	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
(In thousands)				
Non-interest bearing demand deposits	\$10,239	--	\$9,102	--
Interest bearing demand deposits	2,997	0.61%	5,403	1.43%
Savings deposits & MMDA	33,277	1.21%	16,608	1.43%
Time deposits	<u>54,147</u>	2.45%	<u>48,144</u>	3.07%
Total	<u>\$100,660</u>	1.74%	<u>\$79,257</u>	2.26%

The Bank's time certificates of deposit with balances of \$100,000 or more totaled \$18.9 million and \$17.5 million at December 31, 2010 and 2009, respectively, and comprised 17.7% and 19.3% of the Bank's total deposits, respectively.

Maturities of time certificates of deposit of \$100,000 or more outstanding at December 31, 2010 are summarized below:

Time Certificates of Deposit of \$100,000 or More

(In thousands)

3 months or less	\$ 1,295
Over 3 months through 6 months	1,030
Over 6 through 12 months	5,622
Over 12 months	<u>10,937</u>
Total	<u>\$18,885</u>

Maturities of time certificates of deposit of less than \$100,000 outstanding at December 31, 2010 are summarized below:

Time Certificates of Deposit of Less Than \$100,000

(In thousands)

3 months or less	\$ 2,690
Over 3 months through 6 months	2,121
Over 6 through 12 months	9,948
Over 12 months	<u>18,994</u>
Total	<u>\$ 33,753</u>

Liquidity

Liquidity assesses the Bank's ability to meet financial obligations consisting of lending commitments, deposit outflows, operational expenses and contingencies that arise during the normal course of business. Liquidity is also defined as the Bank's ability to meet the borrowing and deposit withdrawal requirements of the customers of the Bank in addition to meeting current and planned expenditures. The Bank's liquidity is derived primarily from its deposit base and equity capital and is provided through the Bank's cash, balances in correspondent banks, federal funds sold, investments maturing or repaying within one year and securities available for sale. The Bank's growth has continued to be funded primarily through these sources. At December 31, 2010, cash and cash equivalents, certificates of deposit and securities classified as securities available for sale, totaled \$20.9 million and were 17.8% of total assets. The Bank also maintains a borrowing line of credit in the amount of \$49.5 million at the Federal Home Loan Bank of Pittsburgh, and at December 31, 2010, the Bank did not have any amounts outstanding under such line of credit. As a result of our management of liquid assets and the ability to generate liquidity through additional deposits or borrowings, the Bank maintains liquidity sufficient to satisfy our deposit withdrawal requirements and meet our customers' borrowing needs.

Cash flows provided by operations in 2010 were \$1,735,000 which was a 219.6% increase over the \$554,000 of cash provided by operations during 2009. In 2010, net cash of \$16.1 million was used in investing activities primarily due to purchases of available for sale securities of \$10.7 million, loans made of \$5.4 million, purchases of certificates of deposit of \$2.5 million, and the purchase of bank owned life insurance of \$1.3 million, slightly offset by maturities of available for sale securities of \$2.9 million and sales of securities of \$0.7 million. Net cash of \$17.5 million was used by investing activities in 2009 primarily due to loans made of \$17.2 million and purchases of available for sale securities of \$2.0 million, slightly offset by maturities of available for sale securities of \$1.2 million. During 2010, net cash of \$16.0 million was provided by financing activities due to growth of \$16.0 million in deposits. During 2009, net cash of \$18.4 million was provided by financing activities due primarily to growth of \$17.9 million in deposits and \$515,000 in proceeds from the exercise of warrants.

Maintenance of liquidity is coordinated by the Asset/Liability Management Committee of the Bank, which monitors projected liquidity needs and determines the desirable level of liquidity, based in part on the Bank's commitments and management's assessment of the Bank's ability to generate funds.

Managing the Bank's liquidity position involves a significant degree of analytical estimation and other objective factors. Although customer demand for funds, in the form of loans or deposit withdrawals, is largely dependent on general economic factors outside the Bank's control, management believes that its present liquidity structure is adequate to meet such needs.

The Bank anticipates it can meet its obligations over the next 12 months and has no material commitments for capital expenditures. There are no known trends, demands, commitments, or events that will result in or that are reasonably likely to result in the Bank's liquidity increasing or decreasing in any material way.

Capital Resources

The Bank's shareholders' equity totaled \$10.4 million at December 31, 2010, an increase of \$0.4 million compared to \$10.0 million at December 31, 2009. The Bank's accumulated deficit decreased by approximately \$0.6 million, to \$1.7 million at December 31, 2010 from \$2.3 million at December 31, 2009.

The assessment of capital adequacy depends on a number of factors such as asset quality, liquidity, earnings performance, changing competitive conditions, economic forces and growth and expansion activities. We seek to maintain a capital base to support our growth and expansion activities, to provide stability to current operations and to promote public confidence.

The Bank's capital position exceeds regulatory minimums. The primary indicators relied on by the FDIC and other bank regulators in measuring strength of capital position are the leverage ratio, Tier 1 risk-based capital ratio, and total risk-based capital ratio. The leverage ratio consists of Tier 1 capital divided by quarterly average assets. Tier I capital consists of common and qualifying preferred shareholders' equity less goodwill and other disallowed assets. Total capital consists of Tier 1 capital, qualifying subordinated debt and a portion of the allowance for loan losses. Risk-based capital ratios are calculated with reference to risk weighted assets, which consist of both on and off balance sheet risks (such as letters of credit, lines of credit and home equity lines).

The following tables show our regulatory and other capital ratios at December 31, 2010 and December 31, 2009, compared to the ratios required to be deemed "well capitalized" by our regulators. The Bank's capital ratios at December 31, 2010, are well above minimum regulatory requirements. Being classified as a "well-capitalized" institution allows the Bank to have special regulatory consideration in various areas.

	Actual		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio
As of December 31, 2010:				
Total capital (to risk-weighted assets).....	\$ 11,490	14.48 %	≥ \$ 7,936	≥ 10.0 %
Tier 1 capital (to risk-weighted assets).....	10,496	13.23 %	≥ 4,762	≥ 6.0 %
Tier 1 capital (to average assets) ...	10,496	8.97 %	≥ 5,852	≥ 5.0 %
As of December 31, 2009:				
Total capital (to risk-weighted assets).....	\$ 10,337	13.95 %	≥ \$ 7,412	≥ 10.0 %
Tier 1 capital (to risk-weighted assets).....	9,699	13.09 %	≥ 4,447	≥ 6.0 %
Tier 1 capital (to average assets) ...	9,699	9.87 %	≥ 4,915	≥ 5.0 %

Contractual Obligations

In the normal course of business, the Bank becomes party to various outstanding contractual obligations that will require future cash outflows. The following table reflects our contractual obligations outstanding as of December 31, 2010:

	Payments due by period at December 31, 2010				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(Dollars in thousands)				
Time deposits (1).....	<u>\$52,638</u>	<u>\$22,706</u>	<u>\$19,662</u>	<u>\$10,270</u>	<u>\$0</u>
Total.....	<u>\$52,638</u>	<u>\$22,706</u>	<u>\$19,662</u>	<u>\$10,270</u>	<u>\$0</u>

(1) Excludes interest.

Off-Balance Sheet Arrangements

The Bank's financial statements do not reflect off-balance sheet arrangements that are made in the normal course of business. These off-balance sheet arrangements consist of unfunded loans and letters of credit made under the same standards as on-balance sheet instruments. These unused commitments and commitments to make real estate loans at December 31, 2010 totaled \$7.9 million. The commitments at December 31, 2010 consisted of \$0.6 million in construction lines of credit; \$1.3 million in residential lines of credit; \$0.2 million in commitments to make residential real estate loans; \$0.1 million in personal lines of credit; \$4.6 million in commercial lines of credit and letters of credit; and \$1.1 million in commitments to make commercial real estate loans. These instruments have fixed maturity dates, and because many of them will expire without being drawn upon, they do not generally present any significant liquidity risk to the Bank. Management believes that any amounts actually drawn upon these commitments can be funded in the normal course of operations.

The following table reflects our commitments to extend credit by type of loan and maturity date.

	At December 31, 2010				
	Total Amounts Committed	Less Than 1 Year	1-4 Years	4-5 Years	After 5 Years
	(Dollars in thousands)				
Commitments to extend credit:					
Personal lines of credit	101	101	-	-	-
Home equity	1,290	-	-	-	1,290
Commercial lines of credit	4,421	1,217	3,074	-	130
Letters of credit.....	157	157	-	-	-
Construction.....	630	630	-	-	-
Mortgage commitments.....	<u>1,298</u>	<u>1,298</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total commitments.....	<u>7,897</u>	<u>4,523</u>	<u>2,495</u>	<u>125</u>	<u>1,124</u>

Recent Accounting Pronouncements and Other Matters

Refer to Note 1 of the financial statements for information relating to recent accounting pronouncements and other matters.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Bank is a smaller reporting company and therefore is not required to provide the information required by this item. However, the Bank has voluntarily provided the following disclosure concerning its interest rate risk.

Interest Rate Sensitivity

Interest rate sensitivity or market risk is the potential risk to earnings and/or equity value due to changes in interest rates and other market conditions as they relate to the financial industry. The Bank's market risk exposure is primarily its exposure to interest rate risk (IRR). The measuring, monitoring and management of IRR is the responsibility of the Asset Liability Management Committee (the ALCO). The Board of Directors of the Bank has delegated responsibility for asset liability management to the ALCO whose main objectives are to manage IRR while optimizing earnings through net interest income and management of the balance sheet. The Bank uses a simulation model on a quarterly basis to measure IRR. This model utilizes the Bank's financial data and various management assumptions and projections as they relate to growth, interest rates, noninterest income and noninterest earnings in order to forecast the interest sensitivity of the Bank and its potential impact on net interest income, earnings and equity. The model projects a "most likely" forecast which is then "shocked" with various interest rate increases and decreases in order to project the *short term* effects on net interest income and net income. The model also projects the effects on the economic value of equity (EVE) of the Bank using the same interest rate increases and decreases. The EVE sensitivity measure is a measure of the *long-term* risk of the bank.

As of December 31, 2010, the Bank's *earnings sensitivity* analysis indicates that the Bank is slightly asset sensitive in the near term and should expect to see increased earnings if rates increase. The Bank's *EVE sensitivity* analysis indicates that the Bank becomes modestly asset sensitive in the long term. Since the earnings model uses numerous assumptions regarding the effect of changes in interest rates on the timing and extent of re-pricing characteristics, future cash flows and customer behavior, the model cannot precisely estimate net income and the effect on net income from sudden changes in interest rates. Actual results will differ from simulated results due to the timing, magnitude and frequency of interest rate changes and changes in market conditions and management strategies, among other factors.

Management actively monitors and manages the Bank's interest rate exposure using gap analysis. Gap analysis measures the difference between volumes of rate-sensitive assets and liabilities and quantifies these repricing differences for various time intervals. A positive gap results when the amount of interest rate sensitive assets exceeds interest rate sensitive liabilities and generally means the bank will benefit during periods of rising interest rates. A negative gap results when the amount of interest rate sensitive liabilities exceeds interest rate sensitive assets and generally means the Bank will benefit during periods of falling interest rates. Fluctuations in interest rates are not predictable or controllable.

The following table sets forth the amount of the Bank's interest-earning assets and interest-bearing liabilities at December 31, 2010 (in thousands), which are expected to mature or reprice in each of the time periods shown:

	Three Months or Less	After Three Through Twelve Months	After One Through Five Years	After Five Years	Total
<u>Assets</u>					
Interest-bearing deposits	7,559	1,845	-	-	9,404
Investment securities	280	1,671	5,567	3,439	10,957
Loans	29,423	10,565	38,435	14,305	92,728
Total interest-earning assets	\$37,262	\$14,081	\$44,002	\$17,744	\$113,089
<u>Liabilities</u>					
Interest bearing demand deposits	\$ -	\$ -	\$ -	\$ 3,303	\$ 3,303
Money market accounts	19,811	-	-	-	19,811
Savings	-	-	-	19,973	19,973
Time deposits	3,985	18,721	29,932	-	52,638
Total interest-bearing liabilities	\$23,796	\$18,722	\$29,931	\$23,276	\$95,725
Period gap	\$13,466	(\$4,641)	\$14,071	(\$5,532)	\$17,364
Period gap as a percentage of total average interest earning assets	12.63%	(4.35%)	13.19%	(5.19%)	
Cumulative sensitivity gap	\$13,466	\$8,825	\$22,896	\$17,364	
Cumulative gap as a percentage of total average interest earning assets	12.63%	8.28%	21.47%	16.28%	
Cumulative sensitivity ratio ⁽¹⁾	156.59%	120.76%	131.60%	118.14%	

⁽¹⁾ Cumulative interest sensitive assets divided by cumulative interest sensitive liabilities.

Interest rate risk arises from the mismatches (i.e., the interest sensitivity gap) between the dollar amount of repricing or maturing assets and liabilities, and is measured in terms of the interest rate sensitivity gap to total assets.

Since all interest rates do not adjust at the same velocity, gap analysis is only a general indicator of interest rate sensitivity. The analysis of the Bank's interest-earning assets and interest-bearing liabilities presents only a static view of the timing of maturities and repricing characteristics, without taking into consideration the fact that changes in interest rates do not affect all assets and liabilities equally. Net interest income may be impacted by other significant factors in a given interest rate environment, including changes in the volume and mix of interest-earning assets and interest bearing liabilities.

As indicated by the above table, the Bank had a one-year cumulative positive gap. Since the interest earning assets will re-price more rapidly than the interest bearing liabilities, the net portfolio value of net interest income will tend to increase during periods of rising interest rates, but will decrease during periods of declining interest rates.

In theory, maintaining a nominal level of interest rate sensitivity can diminish interest rate risk. In practice, this is made difficult by a number of factors, including cyclical variation in

loan demand, different impacts on interest-sensitive assets and liabilities when interest rates change, and the availability of funding sources. Bank management will generally attempt to maintain a balance between rate-sensitive assets and liabilities to minimize the overall interest rate risk to the Bank. The Bank does not use derivatives to manage interest rate risk.

We also rely on a “net interest earnings at risk” analysis which measures the volatility of the Bank’s net interest earnings caused by a movement in market interest rates, and an “equity value at risk” analysis which measures the volatility of the market value of the Bank’s portfolio equity. The earnings at risk analysis will forecast the impact on our net interest income from instantaneous 100, 200, 300, and 400 basis point increases and decreases in the market rates. In assessing the impact on earnings, this analysis assumes that no change occurs in our funding sources or types of assets in response to the rate change.

The following table sets forth our interest rate risk profile at December 31, 2010. The interest rate sensitivity of our assets and liabilities, and the impact on net interest income, illustrated in the following table would vary substantially if different assumptions were used or if actual experience differs from that indicated by the assumptions.

<u>At December 31, 2010</u>		
	Change in Net Interest Income	% Change in Net Interest Income
(Dollars in thousands)		
Up 400 basis points	(117)	(2.47%)
Up 300 basis points	46	0.94%
Up 200 basis points	92	1.86%
Up 100 basis points	109	2.19%
Down 200 basis points	34	0.69%
Down 100 basis points	193	4.02%

In the “equity value of risk” analysis, the economic value of shareholders’ equity as a result of interest rate changes is analyzed in the manner presented in the following hypothetical table. This analysis estimates the projected change in the value of equity as of December 31, 2010 as a result of hypothetical interest rate movements. The results of the simulations in the down 100 and 200 basis points and up 100, 200, 300, and 400 basis points categories reflect the balance sheet and interest rate environment changes during 2010 as discussed above.

Simulated % Change in Economic
Value of Shareholders’ Equity at December 31, 2010

<u>Assumed Changes in Basis Points</u>	<u>% Changes</u>
-200	(5.1%)
-100	(0.1%)
+100	0.9%
+200	(3.4%)
+300	(8.9%)
+400	(18.1%)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements are filed as a part of this report following Item 15 below:

Report of Independent Registered Public Accounting Firm
Balance Sheets as of December 31, 2010 and 2009
Statements of Income for the Years Ended December 31, 2010 and 2009
Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2010 and 2009
Statements of Cash Flows for the Years Ended December 31, 2010 and 2009
Notes to Financial Statements

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A: CONTROLS AND PROCEDURES

The Bank maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by it in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods required by the Federal Deposit Insurance Corporation, including, without limitation, those controls and procedures designed to ensure that such information is accumulated and communicated to the Bank's management to allow timely decisions regarding required disclosures.

As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of the Bank's disclosure controls and procedures was carried out under the supervision and with the participation of the Bank's management, including the chief executive officer, who also serves as the Bank's chief financial officer. Based on and as of the date of such evaluation, this officer concluded that the Bank's disclosure controls and procedures were effective.

The Bank's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) promulgated under the Exchange Act. The Bank's management, with the participation of the Bank's principal executive officer, who also serves as the Bank's principal financial officer, has evaluated the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control—Integrated Framework, the Bank's management concluded that our internal control over financial reporting was effective as of December 31, 2010.

There was no change in the internal control over financial reporting that occurred during the quarter ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. An adequate system of internal control over financial reporting encompasses the processes and procedures that have been established by management to:

- Maintain records that, in reasonable detail, accurately reflect the Bank's transactions;
- Provide reasonable assurance that the transactions are recorded as necessary to permit preparation of the financial statement and footnote disclosures in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and the directors of the Bank; and
- Provide reasonable assurance regarding the prevention of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Management conducted an evaluation of the effectiveness of the Bank's internal control over financial reporting based on the criteria in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation under the criteria in Internal Control-Integrated Framework, management concluded that internal control over financial reporting was effective as of December 31, 2010. Furthermore, during the conduct of its assessment, management identified no material weakness in its financial reporting control system.

The Board of Directors of the Bank, through its Audit Committee, provides oversight to managements' conduct of the financial reporting process. The Audit Committee, which is composed entirely of independent directors, is also responsible to recommend the appointment of independent public accountants. The Audit Committee also meets with management, the internal audit staff, and the independent public accountants throughout the year to provide assurance as to the adequacy of the financial reporting process and to monitor the overall scope of the work performed by the internal audit staff and the independent public accountants.

This annual report does not include an attestation report of the Bank's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Bank's independent registered public accounting firm pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

/s/ James L. Kifer
James L. Kifer
President, Chief Executive Officer and Chief
Financial Officer

ITEM 9B: OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information under the sections captioned “Election of Directors—Information Concerning Nominees and Continuing Directors,” “Election of Directors—Executive Officers Who are Not Directors,” “Election of Directors—Board Meetings and Committees,” “Election of Directors—Section 16(a) Beneficial Ownership Reporting Compliance,” “Election of Directors—Code of Ethics” and “Shareholder Proposals for 2012 Annual Meeting” in the Bank’s Proxy Statement filed with the FDIC with respect to its 2011 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information under the sections captioned “Election of Directors-Director Compensation,” “Election of Directors—Remuneration of Chief Executive Officer,” “Election of Directors—Employment Agreement,” “Election of Directors—Stock Compensation Program,” “Election of Directors—Option Grants in Last Fiscal Year,” “Election of Directors—Outstanding Stock Option and Other Equity Awards at Fiscal Year End,” “Election of Directors—Aggregated Option Exercises in Last Fiscal Year” and “Election of Directors—Employee Retirement Plan” in the Bank’s Proxy Statement filed with the FDIC with respect to its 2011 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information under the section captioned “General Information—Principal Shareholders,” “Election of Directors-Equity Plan Compensation Information” and “Election of Directors-Security Ownership of Management” in the Bank’s Proxy Statement filed with the FDIC with respect to its 2011 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information under the section captioned “Election of Directors- Director Independence,” “Election of Directors—Transactions with Related Persons,” “Election of Directors—Information Concerning Nominees and Continuing Directors” and “Election of Directors—Board Meetings and Committees in the Bank’s Proxy Statement filed with the FDIC with respect to its 2011 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information under the section captioned “Ratification of Appointment of Independent Auditors--Audit and All Other Fees” and “Ratification of Appointment of Independent Auditors--Audit Committee Pre-Approval Policies and Procedures” in the Bank’s

Proxy Statement filed with the FDIC with respect to its 2011 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) List of Documents Filed as Part of This Report:

(1) Financial Statements

The financial statements listed below are set forth on the following pages:

Report of Independent Registered Public Accounting Firm

Balance Sheets as of December 31, 2010 and 2009

Statements of Income for the Years Ended December 31, 2010 and 2009

Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2010 and 2009

Statements of Cash Flows for the Years Ended December 31, 2010 and 2009

Notes to Financial Statements

(2) Financial Statement Schedules

The Bank is not filing separate financial statement schedules because of the absence of conditions under which they are required or because the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits Required by Item 601

Listing of Exhibits — See the Exhibits' Index after the signature page of this Form 10-K.

(b) Exhibits — The exhibits to this Form 10-K begin after the financial statements, signatures and exhibit index.

(c) Financial Statement Schedules — All other schedules for which provision is made in Regulation S-X of the Securities and Exchange Commission are not required under the related instructions or are inapplicable or pertain to items as to which the required disclosures have been made elsewhere in the financial statements and notes thereto, and therefore have been omitted.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLARION COUNTY COMMUNITY BANK

Date: March 17, 2011

By: /s/ James L. Kifer
 James L. Kifer
 President and Chief Executive Officer and
 Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ James L. Kifer</u> James L. Kifer	President and Chief Executive Officer and Chief Financial Officer and Director (principal executive officer, principal financial officer and principal accounting officer)	March 17, 2011
<u>/s/ William E. Hager III</u> William E. Hager III	Chairman of the Board and Director	March 17, 2011
<u>/s/ J. Todd Bish</u> J. Todd Bish	Director	March 17, 2011
<u>/s/ Susanne A. Burns</u> Susanne A. Burns	Director	March 17, 2011
<u>/s/ J. Fred Cherico</u> J. Fred Cherico	Director	March 17, 2011
<u>/s/ Rodney R. Flick</u> Rodney R. Flick	Director	March 17, 2011
<u>/s/ H. Jerome Heffner</u> H. Jerome Heffner	Director	March 17, 2011
<u>/s/ Stephen J. Jaworski</u> Stephen J. Jaworski	Director	March 17, 2011
<u>/s/ Don D. Lewis</u> Don D. Lewis	Director	March 17, 2011
<u>/s/ Mark V. Neiswonger</u> Mark V. Neiswonger	Director	March 17, 2011
<u>/s/ Thomas B. Ray</u> Thomas B. Ray	Director	March 17, 2011
<u>/s/ Richard A. Shirey</u> Richard A. Shirey	Director	March 17, 2011

CLARION COUNTY COMMUNITY BANK FORM 10-K

INDEX TO EXHIBITS

Number	Title
3.1	Articles of Incorporation of Clarion County Community Bank (Incorporated by reference to Exhibit 2.1 to the Bank's Form 10-SB filed with the FDIC.)
3.2	Articles of Amendment to Articles of Incorporation of Clarion County Community Bank (Incorporated by reference to Exhibit 2.2 to the Bank's Form 10-SB filed with the FDIC.)
3.3	Bylaws of Clarion County Community Bank (Incorporated by reference to Exhibit 2.3 to the Bank's Form 10-SB filed with the FDIC.)
4.1	Form of certificate evidencing shares of Clarion County Community Bank Common Stock (Incorporated by reference to Exhibit 3.1 to the Bank's Form 10-SB filed with the FDIC.)
10.1	Clarion County Community Bank Stock Compensation Program (Incorporated by reference to Exhibit 6.1 to the Bank's Form 10-SB filed with the FDIC.)
10.2	Clarion County Community Bank Common Stock Purchase Option Certificates and Agreements (Incorporated by reference to Exhibit 6.2 to the Bank's Form 10-SB filed with the FDIC.)
10.3	Employment Agreement between James L. Kifer and Clarion County Community Bank (incorporated by reference to Exhibit 6.3 to the Bank's Form 10-SB filed with the FDIC), as amended by Amendment to Employment Agreement dated January 3, 2008 (incorporated by reference to Exhibit 10.1 to the Bank's Form 8-K filed with the FDIC on January 8, 2008)
10.4	Employment Agreement between Scott B. Daum and Clarion County Community Bank (incorporated by reference to Exhibit 6.4 to the Bank's Form 10-SB filed with the FDIC), as amended by Amendment to Employment Agreement dated January 3, 2008 (incorporated by reference to Exhibit 10.2 to the Bank's Form 8-K filed with the FDIC on January 8, 2008)
10.5	Employment Agreement between Michael A. Fornof and Clarion County Community Bank (incorporated by reference to Exhibit 6.5 to the Bank's Form 10-SB filed with the FDIC), as amended by Amendment to Employment Agreement dated January 3, 2008 (incorporated by reference to Exhibit 10.3 to the Bank's Form 8-K filed with the FDIC on January 8, 2008)

- 10.6 Agreement dated May 27, 2003 between Clarion County Community Bank and Fiserv Solutions, Inc. (Incorporated by reference to Exhibit 6.6 to the Bank's Form 10-SB filed with the FDIC.)
- 10.7 Settlement Agreement dated November 9, 2004 between Clarion County Community Bank and CNB Financial Corporation (Incorporated by reference to Exhibit 6.7 to the Bank's Form 10-SB filed with the FDIC.)
- 10.8 Supplemental Executive Retirement Plan Agreement dated April 15, 2010 between James L. Kifer and the Bank.
- 10.9 Supplemental Executive Retirement Plan Agreement dated April 15, 2010 between Scott B. Daum and the Bank.
- 10.10 Supplemental Executive Retirement Plan Agreement dated April 15, 2010 between Michael A. Fornof and the Bank.
- 10.11 Split Dollar Agreement dated April 15, 2010 between Scott B. Daum and the Bank.
- 10.12 Split Dollar Agreement dated April 15, 2010 between Michael A. Fornof and the Bank.
- 14.1 Clarion County Community Bank Code of Ethics (Incorporated by reference to Exhibit 14.1 to the Bank's Annual Report on Form 10-KSB for the year ended December 31, 2005 filed with the FDIC.)
- 31.1 Chief Executive Officer / Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of the Chief Executive Officer / Chief Financial Officer of the Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002