CCFNB BANCORP INC
Form 10-K
March 26, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year-ended December 31, 2009

or

o **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file Number: 0-19028

CCFNB BANCORP, INC.

(Name of registrant as specified in its charter)

PENNSYLVANIA	**23-2254643**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
232 East Street, Bloomsburg, Pennsylvania	**17815**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(570) 784-4400**

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

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, par value $1.25 per share**

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

Indicate by check mark if the registrant is not required to file reports pursuant to section 13 or section 15(d) of the Act. Yes o No þ

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 past 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 the past 90 days. Yes þ No o

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. o

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 o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant s most recently completed second fiscal quarter, $48,195,601 as of June 30, 2009.

As of March 9, 2010, the Registrant had outstanding 2,241,250 shares of its common stock, par value $1.25 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive proxy statement prepared in connection with its annual meeting of Shareholders to be held May 11, 2010, are incorporated by reference into parts III and IV of this report.

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PART I

Item 1. Business

General

We are a registered financial holding company, bank holding company, and Pennsylvania business corporation, and are headquartered in Bloomsburg, Pennsylvania. We have one wholly-owned bank subsidiary which is First Columbia Bank & Trust Co.(the Bank). A substantial part of our business consists of the management and supervision of the Bank. Our principal source of income is dividends paid by the Bank. At December 31, 2009, we had approximately:

- $602 million in total assets;
- $330 million in gross loans;
- $462 million in deposits; and
- $65 million in stockholders equity.

The Bank is a state-chartered bank whose deposits are insured by the Bank Insurance Fund of the FDIC. The Bank is a full-service commercial bank providing a range of services and products, including time and demand deposit accounts, consumer, commercial and mortgage loans to individuals and small to medium-sized businesses in its Northcentral Pennsylvania market area. The Bank also operates a full-service trust department. Third-party brokerage services are also resident in the Bank s office in Lightstreet, Pennsylvania. At December 31, 2009, the Bank had 13 branch banking offices which are located in the Pennsylvania counties of Columbia, Luzerne, and Northumberland.

We consider our branch banking offices to be a single operating segment, because these branches have similar:

- economic characteristics,
- products and services,
- operating processes,
- delivery systems,
- customer bases, and
- regulatory oversight.

We have not operated any other reportable operating segments in the 3-year period ended December 31, 2009. We have combined financial information for our third-party brokerage operation with our financial information, because this company does not meet the quantitative threshold for a reporting operating segment.

We hold a 50 percent interest in a local insurance agency. The name of this agency is Neighborhood Group, Inc. and trades under the fictitious name of Neighborhood Advisors (insurance agency). Through this joint venture, we sell insurance products and services. We account for this local insurance agency using the equity method of accounting.

As of December 31, 2009, we had 180 employees on a full-time equivalent basis. The Corporation and the Bank are not parties to any collective bargaining agreement and employee relations are considered to be good.

On July 18, 2008, the Corporation completed its acquisition of Columbia Financial Corporation(CFC). Under the terms of the Agreement and Plan of Reorganization dated as of November 29, 2007, CFC merged with and into the Corporation; and the Corporations wholly-owned subsidiary, Columbia County Farmers National Bank merged with and into the Bank. The Corporation acquired 100% of the outstanding shares of CFC for a total purchase price of $26,316,000. The transaction was accounted for in accordance with FASB ASC 805, Business Combinations (SFAS No. 141-Business Combinations). In connection therewith, the

Corporation issued approximately 1,030,286 shares of its common stock and paid cash of approximately $3,000 in lieu of the issuance of fractional shares in exchange for all of the issued and outstanding shares of CFC common stock. Assets and liabilities of CFC were recorded at estimated fair values as of the acquisition date and the results of the acquired entity operations are included in income from that date. The fair values of acquired assets and liabilities, including identified intangible assets, were finalized as quickly as possible following the acquisition. The CFC purchase price allocation is complete.

Supervision and Regulation

The following discussion sets forth the material elements of the regulatory framework applicable to us and the Bank and provides certain specific information. This regulatory framework is primarily intended for the protection of investors in our common stock, depositors at the Bank and the Bank Insurance Fund that insures bank deposits. To the extent that the following information describes statutory and regulatory provisions, it is qualified by reference to those provisions. A change in the statutes, regulations or regulatory policies applicable to us or the Bank may have a material effect on our business.

Intercompany Transactions

Various governmental requirements, including Sections 23A and 23B of the Federal Reserve Act and Regulation W of the Federal Reserve Board, limit borrowings by us from the Bank and also limit various other transactions between us and the Bank. For example, Section 23A of the Federal Reserve Act limits to no more than ten percent of its total capital the aggregate outstanding amount of the Bank s loans and other covered transactions with any particular non-bank affiliate (including a financial subsidiary) and limits to no more than 20 percent of its total capital the aggregate outstanding amount of the Bank s covered transactions with all of its affiliates (including financial subsidiaries). At December 31, 2009, approximately $5.6 million was available for loans to us from the Bank. Section 23A of the Federal Reserve Act also generally requires that the Bank s loans to its non-bank affiliates (including financial subsidiaries) be secured, and Section 23B of the Federal Reserve Act generally requires that the Bank s transactions with its non-bank affiliates (including financial subsidiaries) be on arm s-length terms. Also, we, the Bank, and any financial subsidiary are prohibited from engaging in certain tie-in arrangements in connection with extensions of credit or provision of property or services.

Supervisory Agencies

As a Pennsylvania-chartered bank, the Bank is subject to primary supervision, regulation, and examination by the Pennsylvania Department of Banking and secondary regulation by the FDIC. The Bank is subject to extensive statutes and regulations that significantly affect its business and activities. The Bank must file reports with its regulators concerning its activities and financial condition and obtain regulatory approval to enter into certain transactions. The Bank is also subject to periodic examinations by its regulators to ascertain compliance with various regulatory requirements. Other applicable statutes and regulations relate to insurance of deposits, allowable investments, loans, leases, acceptance of deposits, trust activities, mergers, consolidations, payment of dividends, capital requirements, reserves against deposits, establishment of branches and certain other facilities, limitations on loans to one borrower and loans to affiliated persons, activities of subsidiaries and other aspects of the business of banks. Recent federal legislation has instructed federal agencies to adopt standards or guidelines governing banks internal controls, information systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation and benefits, asset quality, earnings and stock valuation, and other matters. The federal banking agencies have great flexibility in implementing standards on asset quality, earnings, and stock valuation. Regulatory authorities have broad flexibility to initiate proceedings designed to prohibit banks from engaging in unsafe and unsound banking practices.

We and the Bank are also affected by various other governmental requirements and regulations, general economic conditions, and the fiscal and monetary policies of the federal government and the Federal Reserve Board. The monetary policies of the Federal Reserve Board influence to a significant extent the overall growth of loans, leases, investments, deposits, interest rates charged on loans, and interest rates paid on deposits. The nature and impact of future changes in monetary policies are often not predictable.

We are subject to the jurisdiction of the SEC for matters relating to the offering and sale of our securities. We are also subject to the SEC s rules and regulations relating to periodic reporting, insider trader reports and proxy solicitation materials. Our common stock is not listed for quotation of prices on The NASDAQ Stock Market or any

other nationally-recognized stock exchange. However, daily bid and asked price quotations are maintained on the interdealer electronic bulletin board system.

Support of the Bank

Under current Federal Reserve Board policy, we are expected to act as a source of financial and managerial strength to the Bank by standing ready to use available resources to provide adequate capital funds to the Bank during periods of financial adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting the Bank. The

support expected by the Federal Reserve Board may be required at times when we may not have the resources or inclination to provide it.

If a default occurred with respect to the Bank, any capital loans to the Bank from us would be subordinate in right of payment to payment of the Bank depositors and certain of its other obligations.

Liability of Commonly Controlled Banks

The Bank can be held liable for any loss incurred, or reasonably expected to be incurred, by the FDIC in connection with:

- the default of a commonly controlled FDIC-insured depository institution or
- any assistance provided by the FDIC to a commonly controlled FDIC-insured depository institution in danger of default.

Default generally is defined as the appointment of a conservator or receiver, and in danger of default generally is defined as the existence of certain conditions indicating that a default is likely to occur in the absence of regulatory assistance.

Depositor Preference Statute

In the liquidation or other resolution of the Bank by any receiver, federal legislation provides that deposits and certain claims for administrative expenses and employee compensation against the Bank are afforded a priority over the general unsecured claims against the Bank, including federal funds and letters of credit.

Allowance For Loan Losses

Commercial loans and commercial real estate loans comprised 52.8 percent of our total consolidated loans as of December 31, 2009. Commercial loans are typically larger than residential real estate loans and consumer loans. Because our loan portfolio contains a significant number of commercial loans and commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans may cause a significant increase in nonperforming loans. An increase in nonperforming loans could result in a loss of earnings from these loans and an increase in the provision for loan losses and loan charge-offs.

We maintain an allowance for loan losses to absorb any loan losses based on, among other things, our historical experience, an evaluation of economic conditions, and regular reviews of any delinquencies and loan portfolio quality. We cannot assure you that charge-offs in future periods will not exceed the allowance for loan losses or that additional increases in the allowance for loan losses will not be required. Additions to the allowance for loan losses would result in a decrease in our net income and, possibly, our capital.

In evaluating our allowance for loan losses, we divide our loans into the following categories:

- commercial, financial, and agricultural
- real estate mortgages,
- consumer, and
- unallocated.

We evaluate some loans as a group and some individually. We use the following criteria in choosing loans to be evaluated individually:

- by risk profile, and
- by past due status.

After our evaluation of these loans, we allocate portions of our allowance for loan losses to categories of loans based upon the following considerations:

- historical trends,
- economic conditions, and

any known deterioration.

We use a self-correcting mechanism to reduce differences between estimated and actual losses. We will, on an annual basis, weigh our loss experience among the various categories and reallocate the allowance for loan losses.

For a more in-depth presentation of our allowance for loan losses and the components of this allowance, please refer to Item 7 of this report under Management s Discussion and Analysis of Financial Condition and Results of Operations at Provision for Loan Losses, Allowance for Loan Losses, and Non-performing Loans, as well as Note 4, Item 8 to this report.

Sources of Funds

General. Our primary source of funds is the cash flow provided by our investing activities, including principal and interest payments on loans and mortgage-backed and other securities. Our other sources of funds are provided by operating activities (primarily net income) and financing activities, including borrowings and deposits.

Deposits. We offer a variety of deposit accounts with a range of interest rates and terms. We currently offer savings accounts, NOW accounts, money market accounts, demand deposit accounts and certificates of deposit. The flow of deposits is influenced significantly by general economic conditions, changes in prevailing interest rates, pricing of deposits and competition. Our deposits are primarily obtained from areas surrounding our banking offices. We rely primarily on marketing, new products, service and long-standing relationships with customers to attract and retain these deposits. At December 31, 2009, our deposits totaled $462 million.

When we determine the levels of our deposit rates, consideration is given to local competition, yields of U.S. Treasury securities and the rates charged for other sources of funds. We have maintained a high level of core deposits, which has contributed to our low cost of funds. Core deposits include savings, money market, NOW and demand deposit accounts, which, in the aggregate, represented 49.5 percent of total deposits at December 31, 2009 and 48.0 percent of total deposits at December 31, 2008.

We are not dependent for deposits nor exposed by loan concentrations to a single customer, or to a small group of customers of which the loss of any one or more would have a materially adverse effect on our financial condition.

For a further discussion of our deposits, please refer to Item 7 of this report under Management s Discussion and Analysis of Financial Condition and Results of Operations at Deposits, as well as Note 7, Item 8 to this report.

Capital Requirements

We are subject to risk-based capital requirements and guidelines imposed by the Federal Reserve Board. For this purpose, a bank holding company s consolidated assets and certain specified off-balance sheet commitments are assigned to four risk categories, each weighted differently based on the level of credit risk that is ascribed to those assets or commitments. In addition, risk-weighted assets are adjusted for low-level recourse and market-risk equivalent assets. A bank s or bank holding company s capital, in turn, includes the following tiers:

core (Tier 1) capital, which includes common equity, non-cumulative perpetual preferred stock, a limited amount of cumulative perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, less goodwill, certain identifiable intangible assets, and certain other assets; and

supplementary (Tier 2) capital, which includes, among other items, perpetual preferred stock not meeting the Tier 1 definition, mandatory convertible securities, subordinated debt and allowances for loan and lease losses, subject to certain limitations, less certain required deductions.

We, like other bank holding companies, are required to maintain Tier 1 and Total Capital (the sum of Tier 1 and Tier 2 capital, less certain deductions) equal to at least four percent and eight percent of our total risk-weighted assets (including certain off-balance sheet items, such as unused lending commitments and standby letters of credit), respectively. At December 31, 2009, we met both requirements, with Tier 1 and Total Capital equal to 16.4 percent and 17.6 percent of total risk-weighted assets.

The Federal Reserve Board has adopted rules to incorporate market and interest rate risk components into their risk-based capital standards. Under these market-risk requirements, capital will be allocated to support the amount of market risk related to a financial institution s ongoing trading activities.

The Federal Reserve Board also requires bank holding companies to maintain a minimum Leverage Ratio (Tier 1 capital to adjusted total assets) of three percent if the bank holding company has the highest regulatory rating and meets certain other requirements, or of three percent plus an additional cushion of at least one to two percentage points if the bank holding company does not meet these requirements. At December 31, 2009, our leverage ratio was 9.8 percent.

The Federal Reserve Board may set capital requirements higher than the minimums noted above for holding companies whose circumstances warrant it. For example, bank holding companies experiencing or anticipating significant growth may be

expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the Federal Reserve Board has indicated that it will consider a Tangible Tier 1 Leverage Ratio (deducting all intangibles) and other indications of capital strength in evaluating proposals for expansion or new activities, or when a bank holding company faces unusual or abnormal risk. The Federal Reserve Board has not advised us of any specific minimum leverage ratio applicable to us.

Failure to meet capital requirements could subject the Bank to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC, and to certain restrictions on its business. The Federal Deposit Insurance Corporation Improvements Act of 1991 (FDICIA), among other things, identifies five capital categories for insured banks well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized and requires federal bank regulatory agencies to implement systems for prompt corrective action for insured banks that do not meet minimum capital requirements based on these categories. The FDICIA imposed progressively more restrictive constraints on operations, management, and capital distributions, depending on the category in which an institution is classified. Unless a bank is well capitalized, it is subject to restrictions on its ability to offer brokered deposits, on pass-through insurance coverage for certain of its accounts, and on certain other aspects of its operations. FDICIA generally prohibits a bank from paying any dividend or making any capital distribution or paying any management fee to its holding company if the bank would thereafter be undercapitalized. An undercapitalized bank is subject to regulatory monitoring and may be required to divest itself of or liquidate subsidiaries. Holding companies of such institutions may be required to divest themselves of such institutions or divest themselves of or liquidate other affiliates. An undercapitalized bank must develop a capital restoration plan, and its parent bank holding company must guarantee the bank s compliance with the plan up to the lesser of five percent of the bank s assets at the time it became undercapitalized or the amount needed to comply with the plan. Critically undercapitalized institutions are prohibited from making payments of principal and interest on subordinated debt and are generally subject to the mandatory appointment of a conservator or receiver.

Brokered Deposits

Under FDIC regulations, no FDIC-insured bank can accept brokered deposits unless it (1) is well capitalized, or (2) is adequately capitalized and receives a waiver from the FDIC. In addition, these regulations prohibit any bank that is not well capitalized from paying an interest rate on brokered deposits in excess of three-quarters of one percentage point over certain prevailing market rates. As of December 31, 2009, the Bank held no brokered deposits.

Dividend Restrictions

We are a legal entity separate and distinct from the Bank. In general, under Pennsylvania law, we cannot pay a cash dividend if such payment would render us insolvent. Our revenues consist primarily of dividends paid by the Bank. The Pennsylvania Banking Code of 1965 limits the amount of dividends the Bank can pay to us without regulatory approval. The Bank may declare and pay dividends to us if:

the Bank s surplus is at least equal to its paid-in capital, and

the payment of the dividend would not reduce the Bank s surplus below the required level.

At December 31, 2009, approximately $18,517,000 was available for payment of dividends to us from the Bank.

In addition, federal bank regulatory authorities have authority to prohibit the Bank from engaging in an unsafe or unsound practice in conducting its business. Depending upon the financial condition of the bank in question, the payment of dividends could be deemed to constitute an unsafe or unsound practice. The ability of the Bank to pay dividends in the future is currently influenced, and could be further influenced, by bank regulatory policies and capital guidelines. Accordingly, in 2010, without prior federal regulatory approval, the Corporation may declare dividends to Shareholders in the amount of the net income available to shareholders for the past four quarters, net of dividends paid during that period. As of December 31, 2009, the amount available for payment of dividends, without prior federal regulatory approval, was $3,559,000.

Deposit Insurance

The FDIC is an independent federal agency that insures deposits, up to prescribed statutory limits, of federally insured banks and savings institutions and safeguards the safety and soundness of the banking and savings industries. The FDIC insures our customer deposits through the DIF up to prescribed limits for each depositor. Pursuant to the

EESA, the maximum deposit insurance amount has been increased from $100,000 to $250,000 per depositor. The EESA, as amended by the Helping Families Save Their Homes Act of 2009, provides that the basic deposit insurance limit will return to $100,000 after December 31, 2013. The amount of FDIC assessments paid by each DIF member institution is based on its relative risk of default as measured by regulatory capital ratios and other supervisory factors. Pursuant to the Federal Deposit Insurance Reform Act of 2005, the FDIC is authorized to set the

reserve ratio for the DIF annually at between 1.15% and 1.50% of estimated insured deposits. The FDIC may increase or decrease the assessment rate schedule on a semi-annual basis.

The FDIC made several adjustments to the assessment rate during 2009 including a special assessment permitted under statutory authority granted in 2008. The assessment schedule published as of April 1, 2009 and effective for assessments on and after September 30, 2009 provides for assessment ranges, based upon risk assessment of each insured depository institution, of between 7 and 77.5 cents per $100 of domestic deposits. The Bank is currently in Risk Category 1, the lowest risk category, which provides for a base assessment range of 7 to 24 cents per $100 of domestic deposits. The special assessment was applicable to all insured depository institutions and totaled 5 basis points of each institution s total assets less tier 1 capital as of June 30, 2009, not to exceed 10 basis points of domestic deposits.

On November 21, 2008, the FDIC adopted a final rule relating to the Temporary Liquidity Guaranty Program, or TLG, Program. Under the TLG Program, the FDIC will (1) guarantee, through the earlier of maturity or June 30, 2012, certain newly issued senior unsecured debt issued by participating institutions on or after October 14, 2008 and before June 30, 2009 and (2) provide full FDIC deposit insurance coverage for non-interest bearing transaction deposit accounts, Negotiable Order of Withdrawal, or NOW, accounts paying 0.5% or less interest per annum and Interest on Lawyers Trust Accounts, or IOLTA, held at participating FDIC-insured institutions through June 30, 2010. On March 17, 2009, the FDIC extended the debt guarantee program through October 31, 2009. The Bank elected to participate in the deposit insurance coverage guarantee program. The Bank has not elected to participate in the unsecured debt guarantee program because more cost-effective liquidity sources are available to us. Coverage under the TLG Program was available for the first 30 days without charge. The fee assessment for deposit insurance coverage is 10 basis points per annum on amounts in covered accounts exceeding $250,000.

All FDIC-insured institutions are required to pay assessments to the FDIC to fund interest payments on bonds issued by the Financing Corporation, or FICO, an agency of the Federal government established to recapitalize the predecessor to the DIF. The FICO assessment rates, which are determined quarterly, averaged 0.01% of insured deposits in fiscal 2009. These assessments will continue until the FICO bonds mature in 2017.

On November 17, 2009, the FDIC imposed a prepayment requirement on most insured depository organizations, requiring that the organizations prepay estimated quarterly risk-based assessments for the fourth quarter of 2009 and for each calendar quarter for calendar years 2010, 2011 and 2012. The FDIC has stated that the prepayment requirement was imposed in response to a negative balance in the DIF.

The Bank made its prepayment on December 31, 2009 in the total amount of $2.0 million. The actual assessments becoming due from the Bank on the last day of each calendar quarter will be applied against the prepaid amount until the prepayment amount is exhausted. If the prepayment amount is not exhausted before June 30, 2013 any remaining balance will be returned to the Bank. The prepayment amount does not bear interest.

TARP Capital Purchase Program

On October 3, 2008, President Bush signed into law the Emergency Economic Stabilization Act of 2008 (the EESA). Pursuant to the EESA, the United States Treasury has the authority to, among other things, invest in financial institutions and purchase mortgages, mortgage-backed securities and certain other financial instruments from financial institutions, in an aggregate amount up to $700 billion, for the purpose of stabilizing and providing liquidity to the United States financial markets. On October 14, 2008, the United States Treasury announced a plan, referred to as the Capital Purchase Program, or the CPP, to invest up to $250 billion of this $700 billion amount in certain eligible United States banks, thrifts and their holding companies in the form of non-voting, senior preferred stock initially paying quarterly dividends at a 5% annual rate. In the event the United States Treasury makes any such senior preferred investment in any company it will also receive 10-year warrants to acquire common shares of the company having an aggregate market price of 15% of the amount of the senior preferred investment.

After a review of the conditions and restrictions with respect to the TARP Capital Purchase Program, our Board of Directors decided not to participate in the CPP.

Interstate Banking and Branching

Bank holding companies (including bank holding companies that also are financial holding companies) are required to obtain the prior approval of the Federal Reserve Board before acquiring more than five percent of any

class of voting stock of any non-affiliated bank. Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the Interstate Banking and Branching Act), a bank holding company may acquire banks located in states other than its home state without regard to the permissibility of such acquisitions under state law, but subject to any state requirement that the bank has been organized and operating

for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, after the proposed acquisition, controls no more than 10.0 percent of the total amount of deposits of insured depository institutions in the United States and no more than 30.0 percent or such lesser or greater amount set by state law of such deposits in that state.

Subject to certain restrictions, the Interstate Banking and Branching Act also authorizes banks to merge across state lines to create interstate banks. The ability of banks to acquire branch offices through purchases or openings of other branches is contingent, however, on the host state having adopted legislation opting in to those provisions of Riegle-Neal. In addition, the ability of a bank to merge with a bank located in another state is contingent on the host state not having adopted legislation opting out of that provision of Riegle-Neal. Pennsylvania has opted in to all of these provisions upon the condition that another host state has similar or reciprocal requirements. As of the date of this report, we are not contemplating any interstate acquisitions of a bank or a branch office.

Control Acquisitions

The Change in Bank Control Act prohibits a person or group of persons from acquiring control of a bank holding company, unless the Federal Reserve Board has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve Board, the acquisition of ten percent or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as we, would, under the circumstances set forth in the presumption, constitute acquisition of control of the bank holding company.

In addition, a company is required to obtain the approval of the Federal Reserve Board under the Bank Holding Company Act before acquiring 25 percent (five percent in the case of an acquirer that is a bank holding company) or more of any class of outstanding common stock of a bank holding company, such as we, or otherwise obtaining control or a controlling influence over that bank holding company.

Permitted Non-Banking Activities

The Federal Reserve Board permits us or our subsidiaries to engage in nonbanking activities that are so closely related to banking or managing or controlling banks as to be a proper incident thereto. The Federal Reserve Board requires us to serve as a source of financial and managerial strength to the Bank and not to conduct our operations in an unsafe or unsound manner. Whenever the Federal Reserve Board believes an activity that we perform or our control of a nonbank subsidiary, other than a nonbank subsidiary of the Bank, constitutes a serious risk to the financial safety, soundness or stability of the Bank and is inconsistent with sound banking principles or the purposes of the federal banking laws, the Federal Reserve Board may require us to terminate that activity or to terminate control of that subsidiary.

Community Reinvestment Act

The Community Reinvestment Act of 1977, as amended (CRA), and the regulations promulgated to implement the CRA, are designed to create a system for bank regulatory agencies to evaluate a depository institution s record in meeting the credit needs of its community. The Bank received a satisfactory rating in its last CRA examination which occurred in 2004.

Financial Services Modernization

We must comply with the Gramm-Leach-Bliley Act of 1999 (the GLB Act) in the conduct of our operations. The GLB Act eliminates the restrictions placed on the activities of banks and bank holding companies and creates two new structures, financial holding companies and financial subsidiaries. We and the Bank are now allowed to provide a wider array of financial services and products that were reserved only for insurance companies and securities firms. In addition, we can now affiliate with an insurance company and a securities firm. We have elected to become a financial holding company. A financial holding company has authority to engage in activities referred to as financial activities that are not permitted to bank holding companies. A financial holding company may also affiliate with companies that are engaged in financial activities. A financial activity is an activity that does not pose a safety and soundness risk and is financial in nature, incidental to an activity that is financial in nature, or complimentary to a financial activity.

Privacy

Title V of the GLB Act creates a minimum federal standard of privacy by limiting the instances which we and the Bank may disclose nonpublic personal information about a consumer of our products or services to nonaffiliated third

parties. The GLB Act distinguishes consumers from customers for purposes of the notice requirements imposed by this Act. We are required to give a consumer a privacy notice only if we intend to disclose nonpublic personal information about the consumer to a nonaffiliated third party. However, by contrast, we are required to give a customer a notice of our privacy policy at the time of the establishment of a customer relationship and then annually, thereafter during the continuation of the customer relationship.

Terrorist Activities

The Office of Foreign Assets Control (OFAC) of the Department of the Treasury has, and will, send us and our banking regulatory agencies lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts. If the Bank finds a name on any transaction, account or wire transfer that is on an OFAC list, the Bank must freeze such account, file a suspicious activity report and notify the Federal Bureau of Investigation. The Bank has appointed an OFAC compliance officer to oversee the inspection of its accounts and the filing of any notifications.

The USA PATRIOT Act

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001 was enacted by Congress as a result of the terrorist attack on the World Trade Center on September 11, 2001. Under the USA PATRIOT Act, financial institutions are subject to prohibitions against specified financial transactions and account relationships, as well as enhanced due diligence and know your customer standards in their dealings with foreign financial institutions and foreign customers.

Subprime and Predatory Lending

The Federal Reserve Board has issued regulations which implement the Home Ownership and Equity Protection Act (HOEPA). This Act imposes additional disclosure requirements and certain substantive limitations on certain mortgage loans with rates or fees above specified levels. The regulations lower the rate levels that trigger the application of HOEPA and include additional fees in the calculation of the fee amount that triggers HOEPA. The loans that the Bank currently makes are generally below the rate and fee levels that trigger HOEPA.

The Bank must also comply with a Pennsylvania law, Act 55 of 2001, the Mortgage Bankers and Brokers and Consumer Equity Protection Act. This Act addresses what is known as predatory lending , among other things, and is applicable to the Bank s closed-end home equity mortgage loans, involving property located in Pennsylvania, in an amount less than $100 thousand made at a high cost, which is generally the rate and point triggers in the HOEPA. Those HOEPA triggers are:

An annual percentage rate exceeding 8.00 percentage points above comparable term U.S. Treasury securities for first-lien mortgages and 10 percent for subordinate-lien mortgages; and/or

Total points and fees payable by the consumer at or before closing that exceed the greater of 8.0 percent of the total loan amount or $583. The $583 is adjusted annually by the annual percentage change in the Consumer Price Index.

On July 8, 2008, Pennsylvania Governor Rendell signed into law Acts 56, 57, 58, 59 and 60 of 2008 which pertain to the mortgage industry in Pennsylvania. Act 56 of 2008 combined two mortgage licensing laws that pertain to first and secondary lien residential mortgage lending into a single licensing law and requires individuals engaged in nonclerical mortgage activities to obtain separate individual mortgage originator licenses. Act 57 of 2008 amended the Pennsylvania Usury Law by increasing from $50,000 to $217,873 the applicability of the usury law to residential mortgage loans. Act 58 of 2008 authorizes the Department of Banking to require initial and renewal license applicants for lender and broker licenses to use a national electronic licensing system and to pay related processing fees. Act 59 of 2008 increased penalties for violation of the Real Estate Appraisers Certification Act and added three government officials to the State Board of Certified Real Estate Appraisers. Act 60 of 2008 amended the Pennsylvania Housing Finance Agency Law (PHFA) by requiring mortgage lenders, including First Columbia Bank & Trust Co., to periodically provide to PHFA a list of residential mortgage foreclosure notices issued during the most recent period and contained amendments to the rules for providing a mortgage borrower in default with a Notice of Intention to Foreclose.

Electronic Funds Transfers

On November 17, 2009, the Federal reserve Board published a final rule amending Regulation E, which implements the Electronic Fund Transfer Act. The final rule limits the ability of financial institutions to access an overdraft fee for paying automated teller machine transactions and one-time debit card transactions that overdraw a customer s account unless the customer affirmatively consents, or opts in, to the institution s payment of overdrafts for these transactions.

Sales of Insurance

Our federal banking regulatory agencies have issued consumer protection rules with respect to the retail sale of insurance products by us, the Bank, or a subsidiary or joint venture of us or the Bank. These rules generally cover practices, solicitations, advertising or offers of any insurance product by a depository institution or any person that performs such activities at an office of, or on behalf of, us or the Bank. Moreover, these rules include specific provisions relating to sales practices, disclosures and advertising, the physical separation of banking and nonbanking activities and domestic violence discrimination.

Corporate Governance

The Sarbanes-Oxley Act of 2002 (SOX) has substantially changed the manner in which public companies govern themselves and how the accounting profession performs its statutorily required audit function. SOX makes structural changes in the way public companies make disclosures and strengthens the independence of auditors and audit committees. SOX requires direct responsibility of senior corporate management, namely the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), for establishing and maintaining an adequate internal control structure and procedures for financial reporting and disclosure by public companies.

Under SOX, audit committees will be primarily responsible for the appointment, compensation and oversight of the work of their auditors. The independence of the members of the audit committee is assured by barring members who accept consulting fees from the company or are affiliated with the company other than in their capacity as members of the board of directors.

SOX prohibits insider trades during pension fund blackout periods and requires prompt disclosure of insider transactions in company stock, which must be reported by the second business day following an insider transaction. Furthermore, SOX established a new federal crime of securities fraud with substantial penalties.

The Bank

The Bank s legal headquarters are located at 232 East Street, Bloomsburg, Columbia County, Pennsylvania 17815. The Bank is a locally managed community bank that seeks to provide personal attention and professional financial assistance to its customers. The Bank serves the needs of individuals and small to medium-sized businesses. The Bank s business philosophy includes offering direct access to its President and other officers and providing friendly, informed and courteous service, local and timely decision making, flexible and reasonable operating procedures and consistently-applied credit policies.

The Bank solicits small and medium-sized businesses located primarily within the Bank s market area that typically borrow in the $25,000 to $2.0 million range. In the event that certain loan requests may exceed the Bank s lending limit to any one customer, the Bank seeks to arrange such loans on a participation basis with other financial institutions.

Marketing Area

The Bank s primary market area encompasses Columbia County, a 484 square mile area located in Northcentral Pennsylvania with a population of approximately 64,151 based on 2000 census data. The Town of Bloomsburg is Columbia County s largest municipality and its center of industry and commerce. Bloomsburg has a population of approximately 12,375 based on 2000 census data, and is the county seat. Berwick, located on the eastern boundary of the Columbia County, is the second largest municipality, with a 2000 census data population of approximately 10,774. The Bank currently serves its market area through thirteen branch offices located in Bloomsburg, Benton, Berwick, Buckhorn, Catawissa, Elysburg, Hazelton, Lightstreet, Millville, Orangeville and Scott Township.

The Bank competes with other depository institutions in Columbia, Luzerne, and Northumberland Counties. The Bank s major competitors are: First Keystone National Bank, PNC Bank and M & T Bank, as well as several credit unions.

The Bank s extended market area includes the adjacent Pennsylvania counties of Lycoming, Montour, Schuylkill and Sullivan.

Available Information

We file reports, proxy, information statements and other information electronically with the SEC through the Electronic Data Gathering Analysis and Retrieval (EDGAR)filing system. You may read and copy any materials that we file with the SEC at the SEC s Public Reference Room located at 450 5th Street, N.W., Washington, DC 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The SEC s website address is http://www.sec.gov. Our website address is http://www.firstcolumbiabank.com. Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC may be obtained without charge by writing to CCFNB Bancorp, Inc., 232 East Street,

Bloomsburg, PA 17815; Attn: Mr. Jeffrey T. Arnold, CFO and Treasurer.

Item 1A. Risk Factors

Adverse changes in the economic conditions in our market area could materially and negatively affect our business.

Substantially all of our business is with consumers and small to mid-sized companies located within Columbia, Lycoming, Luzerne, Montour, and Northumberland Counties, Pennsylvania. Our business is directly impacted by factors such as economic, political and market conditions, broad trends in industry and finance, legislative and regulatory changes, changes in government monetary and fiscal policies and inflation, all of which are beyond our control. A deterioration in economic conditions, whether caused by national or local concerns, in particular an economic slowdown in northcentral Pennsylvania, could result in the following consequences, any of which could materially harm our business:

customers credit quality may deteriorate;

loan delinquencies may increase;

problem assets and foreclosures may increase;

demand for our products and services may decrease;

competition for low cost or non-interest bearing deposits may increase; and

collateral securing loans may decline in value.

Competitive pressures from financial services companies and other companies offering banking services could negatively impact our business.

We conduct banking operations primarily in northcentral Pennsylvania. Increased competition in the Bank s market may result in reduced loans and deposits, high customer turnover, and lower net interest rate margins. Ultimately, the Bank may not be able to compete successfully against current and future competitors. Many competitors in the Bank s market area, including regional banks, other community-focused depository institutions and credit unions, offer the same banking services as the Bank offers. The Bank also faces competition from many other types of financial institutions, including without limitation, finance companies, brokerage firms, insurance companies, mortgage banks and other financial intermediaries. These competitors often have greater resources affording them the competitive advantage of maintaining numerous retail locations and ATMs and conducting extensive promotional and advertising campaigns. Moreover, our credit union competitors pay no corporate taxes and can, therefore, more aggressively price many products and services.

Changes in interest rates could reduce our income and cash flows.

The Bank s income and cash flows and the value of its assets and liabilities depend to a great extent on the difference between the income earned on interest-earning assets such as loans and investment securities, and the interest expense paid on interest-bearing liabilities such as deposits and borrowings. These rates are highly sensitive to many factors which are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, in particular, the Federal Reserve Board. Changes in monetary policy, including changes in interest rates, will influence the origination of loans and investment securities and the amounts paid on deposits. If the rates of interest the Bank pays on its deposits and other borrowings increases more than the rates of interest the Bank earns on its loans and other investments, the Bank s net interest income, and therefore our earnings, could be adversely affected. The Bank s earnings could also be adversely affected if the rates on its loans or other investments fall more quickly than those on its deposits and other borrowings.

Significant increases in interest rates may affect customer loan demand and payment habits.

Significant increases in market interest rates, or the perception that an increase may occur, could adversely impact the Bank s ability to generate new loans. An increase in market interest rates may also adversely impact the ability of adjustable rate borrowers to meet repayment obligations, thereby causing nonperforming loans and loan charge-offs to increase in these mortgage products.

If the Bank s loan growth exceeds that of its deposit growth, then the Bank may be required to obtain higher cost sources of funds.

Our growth strategy depends upon generating an increasing level of loans at the Bank while maintaining a low level of loan losses for the Bank. As the Bank s loans grow, it is necessary for the Bank s deposits to grow at a comparable pace in order to avoid the need for the Bank to obtain other sources of loan funds at higher costs. If the Bank s loan growth exceeds the deposit growth, the Bank may have to obtain other sources of funds at higher costs which could adversely affect our earnings.

If the Bank s allowance for loan losses is not adequate to cover actual loan losses, its earnings may decline.

The Bank maintains an allowance for loan losses to provide for loan defaults and other classified loans due to unfavorable characteristics. The Bank s allowance for loan losses may not be adequate to cover actual loan losses, and future provisions for loan losses could materially and adversely affect our operating results. The Bank s allowance for loan losses is based on prior experience, as well as an evaluation of risks in the current portfolio. The amount of future losses is susceptible to changes in economic, operating

and other conditions, including changes in interest rates, changes in borrowers creditworthiness, and the value of collateral securing loans and leases that may be beyond the Bank s control, and these losses may exceed our current estimates. The FDIC and Pennsylvania Department of Banking review the Bank s loans and allowance for loan losses and may require the Bank to increase its allowance. While we believe that the Bank s allowance for loan losses is adequate to cover current losses, we cannot assure that the Bank will not further increase the allowance for loan losses or that the regulators will not require the Bank to increase the allowance. Either of these occurrences could adversely affect our earnings.

Adverse changes in the market value of securities and investments that we manage for others may negatively impact the growth level of the Bank s non-interest income.

The Bank provides a broad range of trust and investment management services for estates, trusts, agency accounts, and individual and employer sponsored retirement plans. The market value of the securities and investments managed by the Bank may decline due to factors outside the Bank s control. Any such adverse changes in the market value of the securities and investments could negatively impact the growth of the non-interest income generated from providing these services.

The Bank s branch locations may be negatively affected by changes in demographics.

We and the Bank have strategically selected locations for bank branches based upon regional demographics. Any changes in regional demographics may impact the Bank s ability to reach or maintain profitability at its branch locations. Changes in regional demographics may also affect the perceived benefits of certain branch locations and management may be required to reduce the number of locations of its branches.

Changes in the regulatory environment may adversely affect the Bank s business.

The banking industry is highly regulated and the Bank is subject to extensive state and federal regulation, supervision, and legislation. The Bank is subject to regulation and supervision by the FDIC, the Pennsylvania Department of Banking, and indirectly, the Securities and Exchange Commission. These laws and regulations may change from time to time and may limit our ability to offer new products and services, obtain financing, attract deposits, and originate loans. Any changes to these laws and regulations may adversely affect loan demand, credit quality, consumer spending and saving habits, interest rate margins, FDIC assessments, and operating expenses. Therefore, our results of operations and financial condition may be materially negatively impacted by such changes.

Training and technology costs, as well as product development and operating costs, may exceed our expectations and negatively impact our profitability.

The financial services industry is constantly undergoing technological changes in the types of products and services provided to customers to enhance customer convenience. Our future success will depend upon our ability to address the changing technological needs of our customers. We have invested a substantial amount of resources to update our technology and train the management team. This investment in technology and training seeks to increase efficiency in the management team s performance and improve accessibility to customers. We are also investing in the expansion of bank branches, improvement of operating systems, and the development of new marketing initiatives. The costs of implementing the technology, training, product development, and marketing costs may exceed our expectations and negatively impact our results of operations and profitability.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

If we fail to maintain an effective system of internal controls; fail to correct any issues in the design or operating effectiveness of internal controls over financial reporting; or fail to prevent fraud, our shareholders could lose confidence in our financial reporting, which could harm our business and the trading price of our common stock.

The loss of one or more of our key personnel may materially and adversely affect our prospects.

We depend on the services of our President and Chief Executive Officer, Lance O. Diehl, and a number of other key management personnel. The loss of Mr. Diehl s services or that of other key personnel could materially and adversely affect our results of operations and financial condition. Our success also depends, in part, on our ability to attract and retain additional qualified management personnel. Competition for such personnel is strong in the banking industry and we may not be successful in attracting or retaining such personnel due to our geographic location and prevailing salary levels in our market area.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our executive offices are at 232 East Street, Bloomsburg, Pennsylvania . The Bank s legal or registered office is also at 232 East Street, Bloomsburg, Pennsylvania.

We own all of the banking centers except 2 branch facilities and 2 ATM facilities, which we lease. See Footnote 14 at Item 8 for lease details. During 2009 we sold the 1016 West Front Street Berwick and the South Centre, PA former branch buildings. The remaining banking centers are described as follows:

Location	Approximate Square Footage	Own or Lease	Use
Red Rock Road, Benton, PA	2,814	Own	For Sale
Market Street, Benton, PA	4,672	Own	Banking Services
1919 W. Front Street, Berwick, PA	2,240	Own	Banking Services
Market Street, Berwick, PA		Own	Future expansion
1 Hospital Drive, Bloomsburg	120	Lease	ATM Facility
17 E. Main Street, Bloomsburg		Lease	ATM Facility
232 East Street, Bloomsburg	11,686	Own	Main Office and Bancorp Headquarters
Market Street, Bloomsburg	1,335	Lease	Banking Services
Buckhorn, PA	693	Lease	Banking Services (In Wal-Mart Supercenter)
Buckhorn, PA	3,804	Own	Banking Services
Catawissa, PA	1,558	Own	Banking Services
Catawissa, PA	2,804	Own	Residential
Elysburg, PA	2,851	Own	Banking Services
Millville, PA	2,520	Own	Banking Services
Orangeville, PA	2,259	Own	Banking Services
1199 Lightstreet Road, Scott Township, PA	16,500	Own	Banking Services, Financial Planning, IT and Deposit Operations
2691 Columbia Blvd, Scott Township, PA	3,680	Own	Banking Services
992 Central Road, Scott Township, PA	12,624	Own	Operations Center
West Hazleton, PA	3,015	Own	Banking Services

We consider our facilities to be suitable and adequate for our current and immediate future purposes.

Item 3. Legal Proceedings

We and the Bank are not parties to any legal proceedings that could have a material effect upon our financial condition or income. In addition, we and the Bank are not parties to any legal proceedings under federal and state environmental laws.

Item 4. Submission of Matters to a Vote of Security Holders

During the fourth quarter of 2009, no matters were submitted to a vote of security holders through a solicitation of proxies or otherwise.

PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

We had 1,026 stockholders of record not including individual participants in security position listings and 2,241,250 shares of common stock, par value of $1.25 per share, the only authorized class of common stock, outstanding as of March 1, 2010. Quotations for our common stock appear under the symbol CCFN on the OTC Bulletin Board. These quotations represent inter-dealer prices and do not include retail mark up, markdown or commission. They may not necessarily represent actual transactions. The high and low closing sale prices and dividends per share of our common stock for the four quarters of 2009 and 2008 are summarized in the following table.

2009:	High ($)	Low ($)	Dividends Declared ($)
First quarter	19.00	14.00	.24
Second quarter	22.50	18.35	.24
Third quarter	24.00	20.90	.27
Fourth quarter	28.00	23.50	.28

2008:	High ($)	Low ($)	Dividends Declared ($)
First quarter	26.00	24.30	.21
Second quarter	25.45	23.70	.21
Third quarter	23.80	21.00	.24
Fourth quarter	22.00	18.50	.24

We have paid cash dividends since 1983. It is our present intention to continue the dividend payment policy, although the payment of future dividends must necessarily depend upon earnings, financial position, appropriate restrictions under applicable law and other factors relevant at the time the Board of Directors considers any declaration of dividends. Our ability to pay dividends is subject to certain legal restrictions described in Item 1 above under Dividend Restrictions .

Following is a schedule of the shares of the Corporation s common stock purchased by the Corporation during the fourth quarter of 2009:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Units) Purchased	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Month #1 (October 1 - October 31, 2009)		$		187,500
	10,000	26.50	10,000	177,500

Month #2 (November 1 - November 30, 2009)	
Month #3 (December 1 - December 31, 2009)	177,500

(1) This program was announced in 2009. The Board of Directors approved the purchase of 200,000 shares from time to time at prevailing market prices in block trades on the open market or in privately negotiated transactions, as market conditions warrant. No expiration date is associated with this program.

Item 6. Selected Financial Data

During the year ended December 31, 2008, we completed the acquisition of Columbia Financial Corporation which had a material affect on the comparability of the information listed below. Details of the merger are included in footnote 15 of the Notes to Consolidated Financial Statements included in Item 8 of this form 10-K.

CCFNB BANCORP, INC.

SELECTED CONSOLIDATED FINANCIAL SUMMARY

	For the Year Ending December 31,				
(In Thousands except per share data)	2009	2008	2007	2006	2005
INCOME STATEMENT DATA:					
Total interest income	$ 28,420	$ 21,357	$ 14,483	$ 13,202	$ 11,442
Total interest expense	8,614	7,504	6,185	5,301	4,131
Net interest income	19,806	13,853	8,298	7,901	7,311
Provision for possible loan losses	1,025	750	30	175	90
Non interest income	5,065	3,043	2,305	1,900	1,713
Non interest expenses	15,914	12,172	7,038	6,437	6,077
Federal income taxes	2,055	896	888	777	631
Net income	$ 5,877	$ 3,078	$ 2,647	$ 2,412	$ 2,226
PER SHARE DATA:					
Earnings per share (1)	$ 2.61	$ 1.82	$ 2.15	$ 1.93	$ 1.76
Cash dividends declared per share	$ 1.03	$ 0.90	$ 0.82	$ 0.78	$ 0.74
Book value per share	$ 28.95	$ 26.94	$ 25.79	$ 24.36	$ 23.06
Average annual shares outstanding	2,253,087	1,688,498	1,233,339	1,249,844	1,262,171
BALANCE SHEET DATA:					
Total assets	$ 602,489	$ 568,319	$ 245,324	$ 241,920	$ 231,218
Total loans	330,489	320,068	161,460	160,641	154,271
Total securities	223,250	196,580	57,686	53,486	53,919
Total deposits	462,288	434,309	170,938	169,285	164,847
FHLB advances-long-term	15,128	9,133	11,137	11,297	11,311
Total stockholders equity	65,086	60,775	31,627	30,249	29,012
PERFORMANCE RATIOS:					
Return on average assets	1.01%	0.77%	1.07%	1.02%	0.97%
Return on average stockholders equity	9.25%	6.91%	8.54%	7.97%	7.73%
Net interest margin (2)	3.80%	3.90%	3.74%	3.74%	3.65%
Total non-interest expense as a percentage of average assets	2.73%	3.06%	2.83%	2.72%	2.64%
ASSET QUALITY RATIOS:					
Allowance for possible loan losses as a percentage of loans, net	1.27%	1.17%	0.89%	0.91%	1.02%
Allowance for possible loan losses as a percentage of non-performing loans (3)	89.87%	83.29%	102.64%	686.79%	185.54%

Non-performing loans as a percentage of total loans, net (3)	1.42%	1.43%	0.09%	0.13%	0.85%
Non-performing assets as a percentage of total assets (3)	0.78%	0.86%	0.57%	0.09%	0.36%
Net charge-offs as a percentage of average net loans (4)	-0.18%	-0.05%	-0.03%	-0.17%	0.05%
LIQUIDITY AND CAPITAL RATIOS:					
Average equity to average assets	10.90%	11.19%	12.48%	12.79%	12.51%
Tier 1 capital to risk-weighted assets (5)	16.38%	15.37%	18.10%	19.25%	19.24%
Leverage ratios (5) (6)	9.82%	9.27%	12.71%	12.71%	12.74%
Total capital to risk-weighted assets (5)	17.62%	16.48%	18.93%	20.29%	20.32%
Dividend Payout Ratio	39.44%	51.75%	38.16%	40.38%	41.92%

(1) Based upon average shares and common share equivalents outstanding.

(2) Represents net interest income as a percentage of average total interest-earning assets, calculated on a tax-equivalent basis.

(3) Non-performing loans are comprised of (i) loans which are on a non-accrual basis, (ii) accruing loans that are 90 days or more past due, and (iii) restructured loans. Non-performing assets are comprised of non-performing loans and foreclosed real estate (assets acquired in foreclosure), if applicable.

(4) Based upon average balances for the respective periods.

(5)

Based on the Federal Reserve Bank s risk-based capital guidelines, as applicable to the Corporation. The Bank is subject to similar requirements imposed by the FDIC.

(6) The leverage ratio is defined as the ratio of Tier 1 Capital to average total assets less intangible assets, if applicable.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY STATEMENT

Certain statements in this section and elsewhere in this Annual Report on Form 10-K, other periodic reports filed by us under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by or on behalf of us may include forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 which reflect our current views with respect to future events and financial performance. Such forward looking statements are based on general assumptions and are subject to various risks, uncertainties, and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. These risks, uncertainties and other factors include, but are not limited to:

Our business and financial results are affected by business and economic conditions, both generally and specifically in the Northcentral Pennsylvania market in which we operate. In particular, our businesses and financial results may be impacted by:

Changes in interest rates and valuations in the debt, equity and other financial markets.

Disruptions in the liquidity and other functioning of financial markets, including such disruptions in the market for real estate and other assets commonly securing financial products.

Actions by the Federal Reserve Board and other government agencies, including those that impact money supply and market interest rates.

Changes in our customers and suppliers performance in general and their creditworthiness in particular.

Changes in customer preferences and behavior, whether as a result of changing business and economic conditions or other factors.

Changes resulting from the newly enacted Emergency Economic Stabilization Act of 2008.

A continuation of recent turbulence in significant segments of the United States and global financial markets, particularly if it worsens, could impact our performance, both directly by affecting our revenues

and the value of our assets and liabilities and indirectly by affecting our customers and suppliers and the economy generally.

Our business and financial performance could be impacted as the financial industry restructures in the current environment by changes in the competitive landscape.

Given current economic and financial market conditions, our forward-looking financial statements are subject to the risk that these conditions will be substantially different than we are currently expecting. These statements are based on our current expectations that interest rates will remain low throughout most of 2010 with consistent credit spreads and our view that national economic trends currently point to a continuation of recessionary conditions into 2010 followed by a subdued recovery.

Legal and regulatory developments could have an impact on our ability to operate our businesses or our financial condition or results of operations or our competitive position or reputation. Reputational impacts, in turn, could affect matters such as business generation and retention, our ability to attract and retain management, liquidity and funding. These legal and regulatory developments could include: (a) the unfavorable resolution of legal proceedings or regulatory and other governmental inquiries; (b) increased litigation risk from recent regulatory and

other governmental developments; (c) the results of the regulatory examination process, and regulators future use of supervisory and enforcement tools; (d) legislative and regulatory reforms, including changes to laws and regulations involving tax, pension, education and mortgage lending, the protection of confidential customer information, and other aspects of the financial institution industry; and (e) changes in accounting policies and principles.

Our business and operating results are affected by our ability to identify and effectively manage risks inherent in our businesses, including, where appropriate, through the effective use of third-party insurance and capital management techniques.

Our ability to anticipate and respond to technological changes can have an impact on our ability to respond to customer needs and to meet competitive demands.

Our ability to implement our business initiatives and strategies could affect our financial performance over the next several years.

Competition can have an impact on customer acquisition, growth and retention, as well as on our credit spreads and product pricing, which can affect market share, deposits and revenues.

Our business and operating results can also be affected by widespread natural disasters, terrorist activities or international hostilities, either as a result of the impact on the economy and capital and other financial markets generally or on us or on our customers and suppliers.

The words believe, expect, anticipate, project and similar expressions signify forward looking statements. Reade are cautioned not to place undue reliance on any forward looking statements made by or on behalf of us. Any such statement speaks only as of the date the statement was made. We undertake no obligation to update or revise any forward looking statements.

The following discussion and analysis should be read in conjunction with the detailed information and consolidated financial statements, including notes thereto, included elsewhere in this Annual Report. Our consolidated financial condition and results of operations are essentially those of our subsidiary, the Bank. Therefore, the analysis that follows is directed to the performance of the Bank.

RESULTS OF OPERATIONS

NET INTEREST INCOME

2009 vs. 2008

Tax-equivalent net interest income increased $6.1 million or 42.5 percent to $20.5 million for the year ended December 31, 2009.

Reported tax-equivalent interest income increased $7.2 million or 33.0 percent to $29.1 million for the year ended December 31, 2009. The increase primarily resulted from the 2008 acquisition of Columbia Financial Corporation (CFC) as described in Note 15 of the Notes to the Consolidated Financial Statements included in Item 8. The acquisition of CFC, completed July 18, 2008, contributed a 2008 increase in net loans in the amount of $160.7 million, an increase in investment securities in the amount of $138.3 million, an increase in federal funds sold in the amount of $517,000, and an increase in interest-bearing deposits in other banks of $129,000.

Reported interest expense increased $1.1 million or 14.8 percent to $8.6 million. The 2008 acquisition of CFC contributed an increase in deposits in the amount of $264.7 million, an increase in other borrowings of $31.9 million, and an increase of $4.6 million in junior subordinate debentures.

Net interest margin decreased to 3.80 percent at December 31, 2009 from 3.90 percent at December 31, 2008. The decrease in margin resulted primarily from the yield on interest-bearing liabilities decreasing 51 basis points to 1.86 percent while the yield on interest-earning assets decreased 54 basis points to 5.40 percent. The 54 basis point decrease to interest-earning assets was driven by related decreases of 49 basis points to the loan yield and the 40 basis point decrease to the investment yield. Tax-equivalent net interest income from loans increased to $20.2 million for

the year ended December 31, 2009. Despite the increased income, an overall decrease in the yield resulted as variable rate real estate loans re-priced to market rates. For the year ended December 31, 2009, tax-equivalent net interest income from investments increased $2.9 million while the yield decreased 40 basis points. The primary cause of the yield decrease was the 2009 reinvestment of called U.S. Agency securities. The 51 basis point decrease on interest-bearing liabilities resulted from related decreases of 44 basis points to the deposit yield and the 92 basis point decrease to the

borrowing yield. The total deposit yield decreased 44 basis points to 1.88 percent at December 31, 2009 while the yield on total borrowings decreased 92 basis points to 1.72 percent at December 31, 2009. A decrease of 59 basis points on the time deposits for the year ended December 31, 2009 was the primary reason for the yield decrease in total deposits. Time deposits had an average balance of $228.0 million and $154.3 million as of December 31, 2009 and 2008, respectively. A decrease of 101 basis points on the short- term borrowings for the year ended December 31, 2009 was the primary reason for the yield decrease in the total borrowings as the long-term borrowing yield decreased 96 basis points over the same period. The short-term borrowing had an average balance of $48.8 million and $42.9 million as of December 31, 2009 and 2008, respectively. The yield decreases were driven by the rate decreases enacted throughout 2008 by the Federal Open Market Committee (FOMC) as well as local market competition.

2008 vs. 2007

Tax-equivalent net interest income increased $5.7 million or 65.7 percent to $14.3 million for the year ended December 31, 2008. Reported tax-equivalent interest income increased $7.0 million or 47.3 percent to $21.9 million for the year ended December 31, 2008. The increase primarily resulted from the acquisition of Columbia Financial Corporation (CFC) as described in Note 15 of the Notes to the Consolidated Financial Statements included in Item 8. The acquisition of CFC contributed an increase in net loans in the amount of $160.7 million, an increase in investment securities in the amount of $138.3 million, an increase in federal funds sold in the amount of $517,000, and an increase in interest-bearing deposits in other banks of $129,000. Reported interest expense increased $1.3 million or 21.3 percent to $7.5 million. The acquisition of CFC contributed an increase in deposits in the amount of $264.7 million, an increase in other borrowings of $31.9 million, and an increase of $4.6 million in junior subordinate debentures.

Net interest margin increased to 3.90 percent at December 31, 2008 from 3.74 percent at December 31, 2007. The increase in margin resulted primarily from the yield on interest-bearing deposits decreasing 33 basis points to 2.32 percent at December 31, 2008 while the yield on total borrowings decreased 233 basis points to 2.64 percent at December 31, 2008. A decrease of 285 basis points on the short-term borrowings for the year ended December 31, 2008 was the primary reason for the yield decrease in the total borrowings as the long-term borrowing yield increased 9 basis points over the same period. The short-term borrowing had an average balance of $42.9 million and $31.6 million as of December 31, 2008 and 2007, respectively. The yield decreases were driven by the rate decreases enacted throughout 2008 by the Federal Open Market Committee (FOMC) as well as local market competition. The yield on interest-earning assets decreased 47 basis points to 5.94 percent for the year ended December 31, 2008. The yield on total loans decreased 42 basis points to 6.66 percent for the year ended December 31, 2008.

The following Average Balance Sheet and Rate Analysis table presents the average assets, actual income or expense and the average yield on assets, liabilities and stockholders equity for the years 2009, 2008 and 2007.

AVERAGE BALANCE SHEET AND RATE ANALYSIS
YEARS ENDED DECEMBER 31,

	2009			2008			2007		
(In Thousands)	Average Balance (1)	Interest	Average Rate	Average Balance (1)	Interest	Average Rate	Average Balance (1)	Interest	Average Rate
ASSETS:									
Tax-exempt loans	$ 19,627	$ 1,254	6.39%	$ 16,156	$ 1,070	6.62%	$ 11,389	$ 771	6.77%
All other loans	307,450	18,925	6.16%	218,915	14,587	6.66%	148,959	10,585	7.11%
Total loans (2)(3)(4)	327,077	20,179	6.17%	235,071	15,657	6.66%	160,348	11,356	7.08%
Taxable securities	189,202	8,220	4.34%	118,012	5,633	4.77%	54,353	2,546	4.68%
Tax-exempt securitites (3)	11,550	650	5.63%	6,765	385	5.69%	4,200	281	6.69%
Total securities	200,752	8,870	4.42%	124,777	6,018	4.82%	58,553	2,827	4.83%
Federal funds sold	7,639	10	0.13%	6,990	155	2.22%	10,013	512	5.11%
Interest-bearing deposits	2,877	8	0.28%	873	22	2.52%	2,754	145	5.27%
Total interest-earning assets	538,345	29,067	5.40%	367,711	21,852	5.94%	231,668	14,840	6.41%
Other assets	44,460			30,117			16,808		
TOTAL ASSETS	$ 582,805			$ 397,828			$ 248,476		
LIABILITIES:									
Savings	$ 56,493	225	0.40%	$ 39,223	156	0.40%	$ 24,602	98	0.40%
Now deposits	68,650	100	0.15%	47,534	129	0.27%	29,321	91	0.31%
Money market deposits	43,906	452	1.03%	21,119	350	1.66%	8,894	59	0.66%
Time deposits	228,005	6,701	2.94%	154,334	5,447	3.53%	90,375	3,810	4.22%
Total deposits	397,054	7,478	1.88%	262,210	6,082	2.32%	153,192	4,058	2.65%
Short-term borrowings	48,826	368	0.75%	42,912	754	1.76%	31,582	1,457	4.61%
	12,492	640	5.12%	9,413	572	6.08%	11,188	670	5.99%

Long-term borrowings									
Junior subordinate debentures	4,640	128	2.76%	1,605	96	5.98%			
Total borrowings	65,958	1,136	1.72%	53,930	1,422	2.64%	42,770	2,127	4.97%
Total interest-bearing liabilities	463,012	8,614	1.86%	316,140	7,504	2.37%	195,962	6,185	3.16%
Demand deposits	51,908			34,403			19,611		
Other liabilities	4,359			2,761			1,900		
Stockholders equity	63,526			44,524			31,003		
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 582,805			$ 397,828			$ 248,476		
Interest rate spread (6)			3.54%			3.57%			3.25%
Net interest income/margin (5)		$ 20,453	3.80%		$ 14,348	3.90%		$ 8,655	3.74%

(1) Average volume information was compared using daily averages for interest-earning and bearing accounts.

(2) Interest on loans includes loan fee income.

(3) Tax exempt interest revenue is shown on a tax-equivalent basis using a statutory federal income tax rate of 34 percent for 2009, 2008 and

2007.

(4) Nonaccrual loans have been included with loans for the purpose of analyzing net interest earnings.

(5) Net interest margin is computed by dividing annualized tax-equivalent net interest income by total interest earning assets.

(6) Interest rate spread represents the difference between the average rate earned on interest-earning assets and the average rate paid on interest-bearing liabilities.

Reconcilement of Taxable Equivalent Net Interest Income
For the Years Ended December 31,

(In Thousands)	2009	2008	2007
Total interest income	$28,420	$21,357	$14,483
Total interest expense	8,614	7,504	6,185
Net interest income	19,806	13,853	8,298
Tax equivalent adjustment	647	495	357
Net interest income (fully taxable equivalent)	$20,453	$14,348	$ 8,655

Rate/Volume Analysis

To enhance the understanding of the effects of volumes (the average balance of earning assets and costing liabilities) and average interest rate fluctuations on the balance sheet as it pertains to net interest income, the table below reflects these changes for 2009 versus 2008, and 2008 versus 2007:

	Year Ended December 31,					
	2009 vs 2008 Increase (Decrease) Due to			2008 vs 2007 Increase (Decrease) Due to		
(In Thousands)	Volume	Rate	Net	Volume	Rate	Net
Interest income:						
Loans, tax-exempt	$ 223	$ (39)	$ 184	$ 316	$ (17)	$ 299
Loans	5,346	(1,008)	4,338	4,614	(612)	4,002
Taxable investment securities	3,133	(546)	2,587	3,040	47	3,087
Tax-exempt investment securities	269	(4)	265	151	(47)	104
Federal funds sold	13	(158)	(145)	(255)	(102)	(357)
Interest bearing deposits	19	(33)	(14)	124	(247)	(123)
Total interest-earning assets	9,003	(1,788)	7,215	7,990	(978)	7,012
Interest expense:						
Savings	69		69	58		58
NOW deposits	44	(73)	(29)	51	(13)	38
Money market deposits	272	(170)	102	(1,325)	1,615	290
Time deposits	2,278	(1,024)	1,254	2,339	(702)	1,637
Short-term borrowings	93	(479)	(386)	404	(1,107)	(703)
Long-term borrowings, FHLB	168	(100)	68	(107)	10	(97)
Junior subordinate debentures	84	(52)	32	96		96
Total interest-bearing liabilities	3,008	(1,898)	1,110	1,516	(197)	1,319
Change in net interest income	$ 5,995	$ 110	$ 6,105	$ 6,474	$ (781)	$ 5,693

PROVISION FOR LOAN LOSSES
2009 vs. 2008

The provision for loan losses is based upon management s quarterly review of the loan portfolio. The purpose of the review is to assess loan quality, identify impaired loans, analyze delinquencies, evaluate potential charge-offs and recoveries, and assess the general conditions in the markets served. Management remains committed to an aggressive and thorough program of problem loan identification and resolution. Annually, an independent loan review is performed for the Bank. The allowance for loan losses is evaluated quarterly and is calculated by applying historic loss factors to the various outstanding loans types while excluding loans for which a specific allowance has already been determined. Loss factors are based on management s consideration of the nature of the

portfolio segments, historical loan loss experience, industry standards and trends with respect to nonperforming loans, and its core knowledge and experience with specific loan segments.

Although management believes that it uses the best information available to make such determinations and that the allowance for loan losses is adequate at December 31, 2009, future adjustments could be necessary if circumstances or economic conditions differ substantially from the assumptions used in making the initial determinations. A downturn in the local economy or employment and delays in receiving financial information from borrowers could result in increased levels of nonperforming assets and charge-offs, increased loan loss provisions and reductions in interest income. Also, as part of the examination process, bank regulatory agencies periodically review the Bank s loan loss allowance. The bank regulators could require the recognition of additions to the loan loss allowance based on their judgment of information available to them at the time of their examination.

The provision for loan losses amounted to $1,025,000 and $750,000 for the years ended December 31, 2009 and 2008, respectively. Management concluded the increase of the provision was appropriate considering the gross loan growth experience of $10.2 million, increases in nonperforming assets, and the general downturn in the national economy. Utilizing the resources noted above, management concluded that the allowance for loan losses remains at a level adequate to provide for probable losses inherent in the loan portfolio.

2008 vs. 2007

The provision for loan losses increased from $30,000 in 2007 to $750,000 in 2008.

NON-INTEREST INCOME

2009 vs. 2008

Total non-interest income increased $2.0 million or 66.4 percent to $5.1 million for the year ended December 31, 2009. The increase primarily resulted from the 2008 acquisition of CFC as described in Note 15 of the Notes to the Consolidated Financial Statements included in Item 8. The service charges and fees increased $423,000 or 33.0 percent to $1,704,000 for the year ended December 31, 2009. Gain on sale of loans increased $467,000 or 137.8 percent from $339,000 in 2008 to $806,000 in 2009. Brokerage income increased $63,000 or 28.9 percent from $218,000 in 2008 to $281,000 in 2009. Income from Trust services increased $221,000 or 50.9 percent from $434,000 in 2008 to $655,000 in 2009. During 2009, we recorded an other than temporary impairment loss on the equity security portfolio in the amount of $69,000 and a realized loss from the sale of equity securities in the amount of $316,000. Other income increased $397,000 from $419,000 in 2008 to $816,000 in 2009 primarily as a result of a 2009 gain on the sale of property and equipment in the amount of $129,000.

	For The Year Ended					
	December 31, 2009		December 31, 2008		Change	
(In Thousands)	Amount	% Total	Amount	% Total	Amount	%
Service charges and fees	$1,704	33.6%	$1,281	42.1%	$ 423	33.0%
Gain on sale of loans	806	15.9	339	11.1	467	137.8
Earnings on bank-owned life insurance	445	8.8	366	12.0	79	21.6
Brokerage and insurance	281	5.5	218	7.2	63	28.9
Trust	655	12.9	434	14.3	221	50.9
Investment security (losses) gains	(385)	(7.6)	(431)	(14.2)	46	(10.7)
Bank card and credit card interchange fees	743	14.7	417	13.7	326	78.2
Other	816	16.2	419	13.8	397	94.7
Total non-interest income	$5,065	100.0%	$3,043	100.0%	$2,022	66.4%

2008 vs. 2007

Total non-interest income increased $738 thousand or 51.0 percent to $3.0 million for the year ended December 31, 2008. The increase primarily resulted from the acquisition of CFC as described in Note 15 of the Notes to the Consolidated Financial Statements included in Item 8. The service charges and fees increased $339,000 or 36.0 percent to $1,281,000 for the year ended December 31, 2008. Gain on sale of loans increased $157,000 or 86.3 percent from $182,000 in 2007 to $339,000 in 2008. Brokerage income decreased $181,000 or 45.4 percent from $399,000 in 2007 to $218,000 in 2008. The decrease in brokerage income was significantly influenced by the national economic crises and the related market contraction that followed. During 2008, we recorded an other than temporary impairment loss on the equity security portfolio in the amount of $437,000. Bank and credit card

card interchange fees and other income increased $536,000 from $300,000 in 2007 to $836,000 in 2008 as a result of increased ATM transaction revenue and related surcharges

	For The Year Ended					
	December 31,2008		December 31,2007		Change	
(In Thousands)	Amount	% Total	Amount	% Total	Amount	%
Service charges and fees	$ 1,281	42.1%	$ 942	40.9%	$ 339	36.0%
Gain on sale of loans	339	11.1	182	7.9	157	86.3
Earnings on bank-owned life insurance	366	12.0	285	12.4	81	28.4
Brokerage and insurance	218	7.2	399	17.3	(181)	(45.4)
Trust	434	14.3	196	8.5	238	121.4
Investment security (losses) gains	(431)	(14.2)	1		(432)	
Bank card and credit card interchange fees	417	13.7	173	7.5	244	141.0
Other	419	13.8	127	5.5	292	229.9
Total non-interest income	$ 3,043	100.0%	$ 2,305	100.0%	$ 738	32.0%

NON-INTEREST EXPENSE
2009 vs. 2008

Total non-interest expense increased $3.8 million or 30.7% from $12.1 million in 2008 to $15.9 million in 2009. The increases primarily resulted from the 2008 acquisition of CFC as described in Note 15 of the Notes to the Consolidated Financial Statements included in Item 8. Salaries and employee benefits increased $865 thousand or 12.5 percent for the year ended December 31, 2009. Other expenses, Occupancy, Furniture and Equipment, Professional fees, Directors fees, Telecommunications, and Amortization of core deposit intangible all experienced net increases as a result of the 2008 CFC acquisition. FDIC assessments increased $839 thousand from $81 thousand in 2008 to $920 thousand in 2009 due to the special assessment and an overall industry wide increase in assessment rates.

One standard to measure non-interest expense is to express non-interest expense as a percentage of average total assets. In 2009 this percentage was 2.73 percent compared to 3.06 percent in 2008.

	For The Years Ended					
	December 31,2009		December 31,2008		Change	
(In Thousands)	Amount	% Total	Amount	% Total	Amount	%
Salaries	$ 6,314	39.7%	$ 4,762	39.1%	$ 1,552	32.6%
Employee benefits	1,492	9.4	2,179	17.9	(687)	(31.5)
Occupancy	1,062	6.7	760	6.2	302	39.7
Furniture and equipment	1,272	8.0	927	7.6	345	37.2
State shares tax	529	3.3	418	3.4	111	26.6
Professional fees	587	3.7	570	4.7	17	3.0
Directors fees	284	1.8	244	2.0	40	16.4
FDIC assessments	920	5.8	81	0.7	839	1,035.8
Telecommunications	347	2.2	215	1.8	132	61.4
Amortization of core deposit intangible	643	4.0	280	2.3	363	129.6
Automated teller machine and interchange	509	3.2	286	2.3	223	78.0

Other	1,955	12.2	1,450	12.0	505	34.8
Total non-interest expense	$ 15,914	100.0%	$ 12,172	100.0%	$ 3,742	30.7%

2008 vs. 2007

Total non-interest expense increased $5.1 million or 72.9% from $7.0 million in 2007 to $12.1 million in 2008. The increases primarily resulted from the acquisition of CFC as described in Note 15 of the Notes to the Consolidated Financial Statements included in Item 8. Salaries and employee benefits increased $3.0 million or 78.1 percent for the year ended December 31, 2008. Included in the increase was approximately $672,000 of compensation and benefits offered as severance packages to former Columbia County Farmers National Bank employees. Professional fees increased $255,000 or 81.0 percent from $315,000 in 2007 to $570,000 in 2008. Other expenses, Occupancy, Furniture and Equipment, Professional fees, and Directors fees all experienced net increases as a result of the CFC acquisition.

One standard to measure non-interest expense is to express non-interest expense as a percentage of average total assets. In 2008 this percentage was 3.06 percent compared to 2.83 percent in 2007.

	For The Years Ended					
	December 31,2008		December 31,2007		Change	
(In Thousands)	Amount	% Total	Amount	% Total	Amount	%
Salaries	$ 4,762	39.1%	$ 3,000	42.6%	$ 1,762	58.7%
Employee benefits	2,179	17.9	897	12.7	1,282	142.9
Occupancy	760	6.2	491	7.0	269	54.8
Furniture and equipment	927	7.6	485	6.9	442	91.1
State shares tax	418	3.4	313	4.4	105	33.5
Professional fees	570	4.7	315	4.5	255	81.0
Directors fees	244	2.0	188	2.7	56	29.8
FDIC assessments	81	0.7	20	0.3	61	305.0
Telecommunications	215	1.8	49	0.7	166	338.8
Amortization of core deposit intangible	280	2.3			280	
Automated teller machine and interchange	286	2.3	167	2.4	119	71.3
Other	1,450	12.0	1,113	15.8	337	30.3
Total non-interest expense	$ 12,172	100.0%	$ 7,038	100.0%	$ 5,134	72.9%

FINANCIAL CONDITION

Our consolidated assets at December 31, 2009 were $602.5 million which represented an increase of $34.2 million or 6.0 percent from $568.3 million at December 31, 2008. The increase for 2008 from 2007 was 131.7 percent or $324.0 million. The 2008 increase primarily resulted from the acquisition of CFC as described in Note 15 of the Notes to the Consolidated Financial Statements included in Item 8.

Capital increased 7.1 percent from $60.8 million in 2008 to $65.1 million in 2009, after an adjustment for the fair market value of securities which was an increase in capital of $901 thousand for 2009 compared to a increase in capital of $1.5 million for 2008. Common stock and surplus increased a net $388 thousand resulting primarily from issuance of 17,770 shares of stock issued under our Employee Stock Purchase Plan and the Dividend Reinvestment Plan.

Total average assets increased 46.5 percent from $397.8 million at December 31, 2008 to $582.8 million at December 31, 2009. Average earning assets were $538.3 million in 2009 and $367.7 million in 2008.

Loans increased 3.3 percent from $320.1 million at December 31, 2008 to $330.5 million at December 31, 2009.

Interest bearing deposits increased 6.47 percent to $406.6 million at December 31, 2009 from $381.8 million at December 31, 2008. Noninterest-bearing deposits increased 6.2 percent from $52.5 million in 2008 to $55.7 million in 2009.

The loan-to-deposit ratio is a key measurement of liquidity. Our loan-to-deposit ratio decreased during 2009 to 71.5 percent compared to 73.7 percent during 2008.

It is our opinion that the asset/liability mix and the interest rate risk associated with the balance sheet is within manageable parameters. Constant monitoring using asset/liability reports and interest rate risk scenarios are in place along with quarterly asset/liability management meetings on the committee level by the Bank s Board of Directors. Additionally, the Bank s Asset/Liability Committee meets quarterly with an investment consultant.

INVESTMENTS SECURITIES AVAILABLE-FOR-SALE

(In Thousands)	For the Years Ended December 31, 2009	2008	2007
Federal Agency Obligations	$ 68,339	$ 64,080	$ 27,547
Mortgage-backed Securities	138,856	118,046	23,782
Obligations of State amd Political Subdivisions	11,374	9,994	4,045
Marketable Equity Securities	1,697	2,293	1,037
Total	$ 220,266	$ 194,413	$ 56,411

All of our securities are available-for-sale and are carried at estimated fair value. The following table shows the maturities of investment securities, at amortized cost, at December 31, 2009 and the weighted average yields (for tax-exempt obligations on a fully taxable basis a 34 percent tax rate) of such:

	Within One Year		After One Year But Within Five Years		After Five Year But Within Ten Years		After Ten Years		Total	
(In Thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Federal Agency Obligations	$ 1,007	3.92%	$ 55,004	2.86%	$ 26,903	4.65%	$ 120,171	4.44%	$ 203,085	4.03%
Obligations of State and Political Subdivisions	471	3.06%	3,257	5.25%	2,839	6.30%	4,698	6.21%	11,265	5.82%
	$ 1,478		$ 58,261		$ 29,742		$ 124,869		214,350	
Marketable Equity Securities									2,093	
Total Invesment Securities									$ 216,443	

Available-for-sale securities are reported on the consolidated balance sheet at fair value with an offsetting adjustment to deferred taxes. The possibility of material price volatility in a changing interest rate environment is offset by the availability to the bank of restructuring the portfolio for gap positioning at any time through the securities classed as available-for-sale. The impact of the fair value accounting was an unrealized gain, net of tax, on December 31, 2009 of $2,523,000 compared to an unrealized gain, net of tax, on December 31, 2008 of $1,622,000, which represents an unrealized gain, net of tax, of $901,000 for 2009.

The mix of securities in the portfolio at December 31, 2009 was 94.0 percent Federal Agency Obligations, 5.2 percent Municipal Securities, and 0.8 percent Other. We did not trade in derivative investment products during 2009.

LOANS

The loan portfolio increased 3.3 percent from $320.1 million in 2008 to $330.5 million in 2009. The percentage distribution in the loan portfolio was 80.8 percent in real estate loans at $267 million; 11.4 percent in commercial loans at $37.6 million; 2.3 percent in consumer loans at $7.7 million; and 5.5 percent in tax exempt loans at $18.1 million.

The following table presents the five-year breakdown of loans by type as of the date indicated:

(In Thousands)	For the Years Ended December 31, 2009	2008	2007	2006	2005
Commercial, financial and agricultural	$ 37,642	$ 27,165	$ 8,074	$ 9,574	$ 12,097
Tax-exempt	18,055	16,762	13,108	9,621	9,019
Real estate	253,463	262,539	132,453	135,009	127,170
Real estate construction	13,526	5,307	3,698	2,231	1,548
Installment loans to individuals	7,725	8,202	4,059	4,118	4,348
Add (deduct): Unearned discount	(15)	(24)	(23)	(19)	(30)
Unamortized loan costs, net of fees	93	117	91	107	119
Gross loans	$ 330,489	$ 320,068	$ 161,460	$ 160,641	$ 154,271

The following table presents the percentage distribution of loans by category as of the date indicated:

	For the Years Ended December 31,				
	2009	2008	2007	2006	2005
Commercial, financial and agricultural	11.4%	8.5%	5.0%	6.0%	7.8%
Tax-exempt	5.5	5.2	8.1	6.0	5.8
Real estate	76.7	82.1	82.1	84.1	82.5
Real estate construction	4.1	1.7	2.3	1.4	1.0
Installment loans to individuals	2.3	2.5	2.5	2.5	2.9
Gross loans	100.0%	100.0%	100.0%	100.0%	100.0%

The following table shows the maturity of loans in specified categories of the Bank s loan portfolio at December 31, 2009, and the amount of such loans with predetermined fixed rates or with floating or adjustable rates. The table does not include any estimate of prepayments which significantly shortens the average useful life of all loans and may cause our actual repayment experience to differ from that shown below.

(In Thousands)	In One Year or Less	One Year Through Five Years	Over Five Years	Total
Commercial, Tax exempt, Real estate and Personal loans	$ 9,666	$ 36,614	$ 270,683	$ 316,963
Real estate construction	13,526			13,526
	$ 23,192	$ 36,614	$ 270,683	$ 330,489
Amounts of Such Loans with:				
Predetermined Fixed Rates	$ 5,900	$ 26,496	$ 82,004	$ 114,400
Floating or Adjustable Rates	17,292	10,118	188,679	216,089
	$ 23,192	$ 36,614	$ 270,683	$ 330,489

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses was $4.2 million at December 31, 2009, compared to $3.8 million at December 31, 2008. This allowance equaled 1.3 percent and 1.2 percent of total loans, net of unearned income, at the end of 2009 and 2008, respectively. During 2008, an increase of $1.7 million resulted from the acquisition of CFC as described in Note 15 of the Notes to the Consolidated Financial Statements included in Item 8. The loan loss reserve was analyzed quarterly and reviewed by the Bank s Board of Directors. No concentration or apparent deterioration in classes of loans or pledged collateral was evident. Twice monthly loan meetings with the Bank s Director Loan Committee reviewed new loans. Delinquent loans, loan exceptions and certain large loans are addressed by the full Board no less than monthly to determine compliance with policies. Allowance for loan losses was considered adequate based on delinquency trends and actual loans written as it relates to the loan portfolio.

The following table presents an allocation of the Bank s allowance for loan losses for specific categories:

For the Years Ended December 31,

(In Thousands)	2009	2008	2007	2006	2005
Commercial, financial, and agricultural	$ 567	$ 402	$ 104	$ 101	$ 208
Real estate mortgages	3,132	2,461	700	659	694
Installment loans to indiviuals	149	158	28	27	32
Unallocated	362	737	605	669	619
	$ 4,210	$ 3,758	$ 1,437	$ 1,456	$ 1,553

The following table presents a summary of the Bank s loan loss experience as of the dates indicated:

(In Thousands)	For the Years Ended December 31, 2009	2008	2007	2006	2005
Average Loans Outstanding during the period	$ 327,077	$ 235,071	$ 160,348	$ 158,554	$ 150,065
Balance, beginning of year	$ 3,758	$ 1,437	$ 1,456	$ 1,553	$ 1,392
Provision charged to operations	1,025	750	30	175	90
Allowance acquired		1,683			
Loans charged off:					
Commercial, financial, and agricultural	(116)			(185)	
Real estate mortgages	(407)	(42)	(29)	(65)	
Installment loans to indiviuals	(76)	(106)	(56)	(50)	(54)
Recoveries :					
Commercial, financial, and agricultural	1	4		8	79
Real estate mortgages	10	2	1		
Installment loans to indiviuals	15	30	35	20	46
Balance, end of year	$ 4,210	$ 3,758	$ 1,437	$ 1,456	$ 1,553
Net charge-offs to Average loans outstanding during the period	-0.18%	-0.05%	-0.03%	-0.17%	0.05%

NON-PERFORMING LOANS

In 2009, loans 30-89 days past due totaled $1.7 million compared to $1.6 million in 2008. There were no 90-days past due loans that were not classified as non-accrual at December 31, 2009 or 2008. Non-accrual loans at December 31, 2009 totaled $4.4 million as compared to $4.5 million in 2008. Overall, past due and non-accrual loans remained at $6.1 million in 2009. For the year ended December 31, 2009 and 2008, the ratio of net charge-offs during the period to average loans outstanding during the period was (0.18) percent and (0.05) percent, respectively (See Summary of Allowance for Loan Losses). Refer to the Loan section of Note 1 and Note 4 Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K filing.

The following table presents past due and non-accrual loans by loan type and in summary as of the dates indicated:

(In Thousands)	For the Years Ended December 31, 2009	2008	2007	2006	2005
Commercial, financial and agricultural					
Days 30-89	$ 14	$ 61	$ 168	$	$ 12
Days 90 plus					
Non-accrual	145	581			189
Real estate					

Days 30-89	1,632	1,528	259	598	1,152
Days 90 plus			70	67	128
Non-accrual	4,216	3,780	77	91	518
Installment loans to individuals					
Days 30-89	49	9	33	40	65
Days 90 plus			10		2
Non-accrual		92			
	$ 6,056	$ 6,051	$ 617	$ 796	$ 2,066
Days 30-89	$ 1,695	$ 1,598	$ 460	$ 638	$ 1,229
Days 90 plus			80	67	130
Non-accrual	4,361	4,453	77	91	707
	$ 6,056	$ 6,051	$ 617	$ 796	$ 2,066
Restructured loans still accruing	$ 323	$ 58	$ 1,018	$ 539	$
Other real estate owned	$ 29	$ 373	$	$ 14	$
Interest income that would have been recorded under original terms	$ 285	$ 320	$ 10	$ 98	$ 9
Interest income recorded during the year	$ 241	$ 116	$ 4	$ 90	$ 28

DEPOSITS

Total average deposits increased by 51.4 percent from $296.6 million in 2008 to 449.0 million in 2009. These large increases were primarily attributed to the CFC acquisition completed on July 18, 2008. Average savings deposits increased 44.0 percent to $56.5 million in 2009 from $39.2 million in 2008. Average time deposits increased 47.7 percent from $154.3 million in 2008 to $228.0 million in 2009. Average non-interest bearing demand deposits increased to $51.9 million in 2009 from $34.4 million in 2008. Average interest bearing NOW accounts increased 44.4 percent from $47.5 million in 2008 to $68.7 million in 2009**.**

Total average deposits increased by 71.6 percent from $172.8 million in 2007 to $296.6 million in 2008. Average savings deposits increased 59.4 percent to $39.2 million in 2008 from $24.6 million in 2007. Average time deposits increased 70.8 percent from $90.4 million in 2007 to $154.3 million in 2008. Average non-interest bearing demand deposits increased to $34.4 million in 2008 from $19.6 million in 2007. Average interest bearing NOW accounts increased 62.1 percent from $29.3 million in 2007 to $47.5 million in 2008**.** These large increases were attributed to the CFC acquisition.

The average balance and average rate paid on deposits are summarized as follows:

	2009		2008		2007	
(In Thousands)	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate
Non-interest bearing	$ 51,908	%	$ 34,403	%	$ 19,611	%
Savings	56,493	0.40	39,223	0.40	24,602	0.40
Now deposits	68,650	0.15	47,534	0.27	29,321	0.31
Money market deposits	43,906	1.03	21,119	1.66	8,894	0.66
Time deposits	228,005	2.94	154,334	3.53	90,375	4.22
Total deposits	$ 448,962	1.67%	$ 296,613	2.05%	$ 172,803	2.35%

The remaining maturities of certificates of deposit of $100,000 or more are as follows:

	For the Years Ended		
(In Thousands)	2009	2008	2007
Three months or less	$ 8,346	$ 9,353	$ 8,932
Three months to six months	8,666	9,259	7,662
Six months to twelve months	20,805	24,095	5,799
Over twelve months	33,903	15,672	8,248
Total	$ 71,720	$ 58,379	$ 30,641
As a percentage of total average time deposits	31.5%	37.8%	33.9%

BORROWED FUNDS

The average balance of short-term borrowings, including securities sold under agreements to repurchase and day-to-day FHLB Pittsburgh borrowings increased $5.9 million or 13.8 percent from $42.9 million in 2008 to $48.8 million in 2009. Short-term borrowings amounted to 10.5 percent of total interest-bearing liabilities as of December 31, 2009 as compared to 13.6 percent in 2008. Long-term borrowings, namely borrowings from the FHLB-Pittsburgh, averaged $17.1 million in 2009 and $11.0 million in 2008. As part of the 2008 acquisition of CFC, we assumed the junior subordinate debentures which amounted to $4.6 million at December 31, 2009 and 2008.

The average balance of other borrowed funds are summarized as follows:

	December 31, 2009		December 31, 2008		December 31, 2007	
(In Thousands)	Amount	% Total	Amount	% Total	Amount	% Total
Short-term borrowings:						
Securities sold under agreement to repurchase	$ 47,873	72.6%	$ 41,573	77.1%	$ 31,206	72.9%
Other short-term borrowings, FHL B	352	0.5	849	1.6		
U .S. Treasury tax and loan notes	601	0.9	490	0.9	376	0.9
Total short-term borrowings	48,826	74.0%	42,912	79.6%	31,582	73.8%
Long -term borrowing s, FH LB	12,492	19.0	9,413	17.4	11,188	26.2
Junior subordinate debentures	4,640	7.0	1,605	3.0		
Total borrowed funds	$ 65,958	100.0%	$ 53,930	100.0%	$ 42,770	100.0%

CAPITAL RESOURCES

Capital continues to be a strength for the Bank. Capital is critical as it must provide growth, payment to shareholders, and absorption of unforeseen losses. The federal regulators provide standards that must be met.

As of December 31, 2009, the Bank was categorized as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios.

Our actual consolidated capital amounts and ratios are in the following table:

	2009		2008	
(In Thousands)	**Amount**	**Ratio**	Amount	Ratio
Total Capital (to Risk-weighted Assets)				
Actual	**$ 60,322**	**17.6%**	$ 55,851	16.5%
For Capital Adequacy Purposes	**27,394**	**8.0**	27,112	8.0
To Be Well-Capitalized	**34,243**	**10.0**	33,890	10.0
Tier I Capital (to Risk-weighted Assets)				
Actual	**$ 56,102**	**16.4%**	$ 52,083	15.4%
For Capital Adequacy Purposes	**13,697**	**4.0**	13,556	4.0
To Be Well-Capitalized	**20,546**	**6.0**	20,334	6.0
Tier I Capital (to Average Assets)				
Actual	**$ 56,102**	**9.8%**	$ 52,083	9.3%
For Capital Adequacy Purposes	**22,861**	**4.0**	22,476	4.0
To Be Well-Capitalized	**28,577**	**5.0**	28,095	5.0

Our capital ratios are not materially different from those of the Bank.

Dividend payouts are restricted by federal bank regulatory authorities and the Pennsylvania Business Corporation Law of 1988, as amended (the BCL). These restrictions operate generally to preclude dividend payments if the effect thereof would render us unable to meet our obligations as they become due. As a practical matter, our payment of dividends is contingent upon our ability to obtain funding in the form of dividends from the Bank. Payment of dividends to us by the Bank is subject to the restrictions set forth in the Pennsylvania Banking Code of 1965 (the code). Generally, the Code would permit the Bank to declare dividends in 2010 to us of approximately $18,517,000. In addition, federal bank regulatory authorities have authority to prohibit the Bank from engaging in an unsafe or unsound practice in conducting its business. Depending upon the financial condition of the bank in question, the payment of dividends could be deemed to constitute an unsafe or unsound practice. The ability of the Bank to pay dividends in the future is currently influenced, and could be further influenced, by bank regulatory policies and capital guidelines. Accordingly, in 2010, without prior federal regulatory approval, the Corporation may declare dividends to Shareholders in the amount of the net income available to shareholders for the past four quarters, net of dividends paid during that period. As of December 31, 2009, the amount available for payment of dividends, without prior federal regulatory approval, was $3,559,000.

LIQUIDITY

Liquidity management is required to ensure that adequate funds will be available to meet anticipated and unanticipated deposit withdrawals, debt service payments, investment commitments, commercial and consumer loan demand, and ongoing operating expenses. Funding sources include principal repayments on loans, sales of assets, growth in core deposits, short and long-term borrowings, investment securities coming due, loan prepayments and repurchase agreements. Regular loan payments are a dependable source of funds, while the sale of investment securities, deposit growth and loan prepayments are significantly influenced by general economic conditions and the level of interest rates.

We manage liquidity on a daily basis. We believe that our liquidity is sufficient to meet present and future financial obligations and commitments on a timely basis. However, see Item 1A Risk Factors and refer to consolidated Statements of Cash Flows at Item 8 in this Form 10-K.

INTEREST RATE RISK MANAGEMENT

Interest rate risk management involves managing the extent to which interest-sensitive assets and interest-sensitive liabilities are matched. Interest rate sensitivity is the relationship between market interest rates and earnings volatility due to the repricing characteristics of assets and liabilities. The Bank s net interest income is affected by changes in the level of market interest rates. In order to maintain consistent earnings performance, the Bank seeks to manage, to the extent possible, the repricing characteristics of its assets and liabilities.

One major objective of the Bank when managing the rate sensitivity of its assets and liabilities is to stabilize net interest income. The management of and authority to assume interest rate risk is the responsibility of the Bank s Asset/Liability Committee (ALCO), which is comprised of senior management and Board members. ALCO meets quarterly to monitor the ratio of interest sensitive assets to interest sensitive liabilities. The process to review interest rate risk management is a regular part of the management of the Bank. Consistent policies and practices of measuring and reporting interest rate risk exposure, particularly regarding the treatment of noncontractual assets and liabilities, are in effect. In addition, there is an annual process to review the interest rate risk policy with the Board of Directors which includes limits on the impact to earnings from shifts in interest rates.

The ratio between assets and liabilities repricing in specific time intervals is referred to as an interest rate sensitivity gap. Interest rate sensitivity gaps can be managed to take advantage of the slope of the yield curve as well as forecasted changes in the level of interest rates.

To manage the interest sensitivity position, an asset/liability model called gap analysis is used to monitor the difference in the volume of the Bank s interest sensitive assets and liabilities that mature or reprice within given periods. A positive gap (asset sensitive) indicates that more assets reprice during a given period compared to liabilities, while a negative gap (liability sensitive) has the opposite effect. The Bank employs computerized net interest income simulation modeling to assist in quantifying interest rate risk exposure. This process measures and quantifies the impact on net interest income through varying interest rate changes and balance sheet compositions. The use of this model assists the ALCO to gauge the effects of the interest rate changes on interest sensitive assets and liabilities in order to determine what impact these rate changes will have upon our net interest spread.

STATEMENT OF INTEREST SENSITIVITY GAP
December 31, 2009

(In Thousands)	90 Days Or Less	> 90 Days But < 1 Year	1 to 5 Years	5 to 10 Years	> 10 Years	Total
Interest-bearing deposits at banks	$ 708	$	$	$	$	$ 708
Investment securities (1)	16,257	37,383	134,619	23,247	11,744	223,250
Loans (1)	49,928	54,917	164,622	38,707	22,315	330,489
Rate Sensitive Assets	66,893	92,300	299,241	61,954	34,059	554,447

Deposits:						
Interest-bearing demand deposits (2)			57,117	14,279		71,396
Savings (2)	9,487	16,989	63,447	11,614		101,537
Time	36,237	95,069	101,892	398	25	233,621
Borrowed funds	49,622	1,353	1,022			51,997
Long-term debt	5,000	4,005	6,022	36	65	15,128
Junior Subordinated Debentures	4,640					4,640
Rate Sensitive Liabilities	104,986	117,416	229,500	26,327	90	478,319
Interest Sensitivity Gap	$ (38,093)	$ (25,116)	$ 69,741	$ 35,627	$ 33,969	$ 76,128
Cumulative Gap	$ (38,093)	$ (63,209)	$ 6,532	$ 42,159	$ 76,128	$

30

(1) Investments and loans are included at the earlier of repricing or maturity and adjusted for the effects of prepayments.

(2) Interest bearing demand and savings accounts are included based on historical experience and managements judgment about the behavior of these deposits in changing interest rate environments.

At December 31, 2009, our cumulative gap positions and the potential earnings change resulting from a 200 basis point change in rates were within the internal risk management guidelines.

Upon reviewing the current interest sensitivity scenario at the one to five year intervals, interest rates should not significantly affect net income because the Bank s maturing and repricing assets and liabilities are near equally matched. At the one year through ten year intervals an increasing interest rate environment would positively affect net income because more assets than liabilities would reprice.

Certain shortcomings are inherent in the method of analysis presented in the above table. Although certain assets and liabilities may have similar maturities or periods of repricing, they may react in different degrees to changes in market interest rates. The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types of assets and liabilities may lag behind changes in market interest rates. Certain assets, such as adjustable-rate mortgages, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. In the event of a change in interest rates, prepayment and early withdrawal levels may deviate significantly from those assumed in calculating the table. The ability of many borrowers to service their adjustable-rate debt may decrease in the event of an interest rate increase.

In addition to gap analysis, the Bank uses earnings simulation to assist in measuring and controlling interest rate risk. The Bank also simulates the impact on net interest income of plus and minus 100, 200 and 300 basis point rate shocks. The results of these theoretical rate shocks provide an additional tool to help manage the Bank s interest rate risk.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The information called for by this item can be found at Item 7 of this report on Form 10-K under the caption Interest Rate Risk Management and is incorporated in its entirety by reference under this Item 7A.

Item 8. Financial Statements and Supplementary Data

CCFNB Bancorp, Inc.
Consolidated Balance Sheets

(In Thousands)	December 31, 2009	2008
ASSETS		
Cash and due from banks	**$ 10,751**	$ 10,173
Interest-bearing deposits in other banks	**116**	149
Federal funds sold	**592**	5,163
Total cash and cash equivalents	**11,459**	15,485
Investment securities, available for sale, at fair value	**220,266**	194,413
Restricted securities, at cost	**2,984**	2,167
Loans,net of unearned income	**330,489**	320,068
Less: Allowance for loan losses	**4,210**	3,758
Loans, net	**326,279**	316,310
Premises and equipment, net	**12,583**	12,609
Accrued interest receivable	**2,006**	2,388
Cash surrender value of bank-owned life insurance	**11,440**	10,943
Investment in limited partnerships	**687**	845
Intangible Assets:		
Core deposit	**2,768**	3,411
Goodwill	**7,937**	7,937
Prepaid FDIC assessment	**2,037**	
Other assets	**2,043**	1,811
TOTAL ASSETS	**$ 602,489**	$ 568,319
LIABILITIES		
Interest-bearing deposits	**$ 406,554**	$ 381,849
Noninterest-bearing deposits	**55,734**	52,460
Total deposits	**462,288**	434,309
Short-term borrowings	**51,997**	55,462
Long-term borrowings	**15,128**	9,133
Junior subordinate debentures	**4,640**	4,640
Accrued interest payable	**859**	1,075
Other liabilities	**2,491**	2,925
TOTAL LIABILITIES	**537,403**	507,544
STOCKHOLDERS EQUITY		
Common stock, par value $1.25 per share; authorized 5,000,000 shares; issued 2,270,850 shares in 2009 and 2,253,080 shares in 2008	**2,838**	2,816

Surplus	**27,539**	27,173
Retained earnings	**32,723**	29,164
Accumulated other comprehensive income	**2,523**	1,622
Treasury stock, at cost; 22,500 shares in 2009 and 0 shares in 2008	**(537)**	
TOTAL STOCKHOLDERS EQUITY	**65,086**	60,775
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	**$ 602,489**	$ 568,319

See accompanying notes to consolidated financial statements .

CCFNB Bancorp, Inc.
Consolidated Statements of Income

	For the Years Ended December 31,		
(In Thousands, Except Per Share Data)	**2009**	2008	2007
INTEREST AND DIVIDEND INCOME			
Interest and fees on loans:			
Taxable	**$ 18,925**	$ 14,586	$ 10,585
Tax-exempt	**828**	706	509
Interest and dividends on investment securities:			
Taxable	**8,162**	5,521	2,423
Tax-exempt	**429**	254	186
Dividend and other interest income	**58**	112	123
Federal funds sold	**10**	155	512
Deposits in other banks	**8**	23	145
TOTAL INTEREST AND DIVIDEND INCOME	**28,420**	21,357	14,483
INTEREST EXPENSE			
Deposits	**7,478**	6,083	4,058
Short-term borrowings	**368**	753	1,457
Long-term borrowings	**640**	572	670
Junior subordinate debentures	**128**	96	
TOTAL INTEREST EXPENSE	**8,614**	7,504	6,185
NET INTEREST INCOME	**19,806**	13,853	8,298
PROVISION FOR LOAN LOSSES	**1,025**	750	30
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**18,781**	13,103	8,268
NON-INTEREST INCOME			
Service charges and fees	**1,704**	1,281	942
Gain on sale of loans	**806**	339	182
Earnings on bank-owned life insurance	**445**	366	285
Brokerage	**281**	218	399
Trust	**655**	434	196
Investment security (losses) gains	**(385)**	(431)	1
Bank card and credit card interchange fees	**743**	417	173
Other	**816**	419	127
TOTAL NON-INTEREST INCOME	**5,065**	3,043	2,305

NON-INTEREST EXPENSE			
Salaries	**6,314**	4,762	3,000
Employee benefits	**1,492**	2,179	897
Occupancy	**1,062**	760	491
Furniture and Equipment	**1,272**	927	485
State shares tax	**529**	418	313
Professional fees	**587**	570	315
Director s fees	**284**	244	188
FDIC assessments	**920**	81	20
Telecommunications	**347**	215	49
Amortization of core deposit intangible	**643**	280	
Automated teller machine and interchange	**509**	286	167
Other	**1,955**	1,450	1,113
TOTAL NON-INTEREST EXPENSE	**15,914**	12,172	7,038
INCOME BEFORE INCOME TAX PROVISION	**7,932**	3,974	3,535
INCOME TAX PROVISION	**2,055**	896	888
NET INCOME	**$ 5,877**	$ 3,078	$ 2,647
EARNINGS PER SHARE	**$ 2.61**	$ 1.82	$ 2.15
CASH DIVIDENDS PER SHARE	**$ 1.03**	$ 0.90	$ 0.82
WEIGHTED AVERAGE SHARES OUTSTANDING	**2,253,087**	1,688,498	1,233,339

See accompanying notes to the consolidated financial statements.

CCFNB Bancorp, Inc.
Consolidated Statements of Changes in Stockholders Equity

(In Thousands Except Per Share Data)	Common Stock Shares	Common Stock Amount	Surplus	Retained Earnngs	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Total Stockholders Equity
Balance, December 31, 2006	1,241,664	$ 1,552	$ 2,673	$ 26,054	$ (30)	$	$ 30,249
Comprehensive Income:							
Net income				2,647			2,647
Change in net unrealized gain on investment securities available-for-sale, net of reclassification adjustment and tax effects.					174		174
Total comprehensive income							2,821
Cumulative effect of change in accounting for deferred compensation endorsement split-dollar life insurance arrangements				(12)			(12)
Common stock issuance under dividend reinvestment and stock purchase plans	8,872	11	225				236
Recognition of employee stock purchase plan expense			1				1
Purchase of treasury stock (24,000 shares)						(658)	(658)
Retirement of treasury stock	(24,000)	(30)	(628)			658	
Cash dividends, ($0.82 per share)				(1,010)			(1,010)
Balance, December 31, 2007	1,226,536	1,533	2,271	27,679	144		31,627
Comprehensive Income:							
Net income				3,078			3,078
Change in net unrealized gain on investment securities available-for-sale, net of reclassification adjustment and tax effects.					1,478		1,478
Total comprehensive income							4,556
Par value of new shares issued to acquire Columbia Financial	1,030,286	1,288	25,026				26,314
Common stock issuance under dividend reinvestment and stock	12,258	15	252				267

purchase plans							
Recognition of employee stock purchase plan expense			2				2
Purchase of treasury stock (16,000 shares)						(398)	(398)
Retirement of treasury stock	(16,000)	(20)	(378)			398	
Cash dividends, ($0.90 per share)				(1,593)			(1,593)
Balance, December 31, 2008	2,253,080	2,816	27,173	29,164	1,622		60,775
Comprehensive Income:							
Net income				**5,877**			**5,877**
Change in net unrealized gain on investment securities available-for-sale, net of reclassification adjustment and tax effects.					**901**		**901**
Total comprehensive income							**6,778**
Common stock issuance under dividend reinvestment and stock purchase plans	**17,770**	**22**	**359**				**381**
Recognition of employee stock purchase plan expense			**7**				**7**
Purchase of treasury stock (22,500 shares)						**(537)**	**(537)**
Cash dividends, ($1.03 per share)				**(2,318)**			**(2,318)**
Balance, December 31, 2009	**2,270,850**	**$ 2,838**	**$ 27,539**	**$ 32,723**	**$ 2,523**	**$ (537)**	**$ 65,086**

See accompanying notes to the consolidated financial statements.

CCFNB Bancorp, Inc.
Consolidated Statements of Cash Flows

(In Thousands)	**Years Ended December 31,** **2009**	2008	2007
OPERATING ACTIVITIES			
Net Income	**$ 5,877**	$ 3,078	$ 2,647
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**1,025**	750	30
Depreciation and amortization	**1,023**	693	409
Loss (gain) on sale of investment securities	**316**	(6)	
Impairment loss on securites	**69**	437	
Amortization and accretion on investment securities	**606**	350	43
(Gain) loss on sale of premises and equipment	**(117)**	29	
Loss on sale of other real estate owned	**94**		
Deferred income taxes (benefit)	**35**	(259)	(25)
Gain on sale of loans	**(806)**	(339)	(182)
Proceeds from sale of mortgage loans	**35,263**	17,407	9,979
Originations of mortgage loans held for resale	**(33,847)**	(16,477)	(10,215)
Amortization of intangibles and invesment in limited partnerships	**801**	353	
Decrease (increase) in accrued interest receivable	**382**	228	(88)
Increases in cash surrender value of bank-owned life insurance	**(497)**	(404)	(309)
(Decrease) increase in accrued interest payable	**(216)**	(164)	80
Increase in prepaid FDIC assessment	**(2,037)**		
Other, net	**(1,501)**	(211)	115
Net cash provided by operating activities	**6,470**	5,465	2,484
INVESTING ACTIVITIES			
Investment securities available for sale:			
Purchases	**(117,943)**	(49,809)	(39,718)
Proceeds from sales, maturities and redemptions	**92,463**	50,001	35,783
Proceeds from redemption of restricted securities		1,806	16
Purchase of restricted securities	**(817)**	(1,176)	(62)
Net (increase) decrease in loans	**(12,350)**	2,723	(449)
Proceeds from sale of premises and equipment	**1,294**	786	
Proceeds from sale of other real estate owned	**996**		
Acquisition of bank cash		5,803	
Acquisition of premises and equipment	**(2,174)**	(2,534)	(448)
Net cash (used for) provided by investing activities	**(38,531)**	7,600	(4,878)
FINANCING ACTIVITIES			
Net increase (decrease) in deposits	**27,979**	(1,321)	1,654
Net (decrease) increase in short-term borrowings	**(3,465)**	(5,932)	201
Proceeds from long-term borrowings	**6,000**		
Repayment of long-term borrowings	**(5)**	(2,004)	(160)
Acquisition of treasury stock	**(537)**	(398)	(658)

Proceeds from issuance of common stock	**381**	267	236
Cash dividends paid	**(2,318)**	(1,593)	(1,010)
Net cash provided by (used for) financing activities	**28,035**	(10,981)	263
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(4,026)**	2,084	(2,131)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**15,485**	13,401	15,532
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 11,459**	$ 15,485	$ 13,401
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest paid	**$ 8,830**	$ 6,904	$ 6,135
Income taxes paid	**1,790**	992	889
Loans transferred to other real estate owned	**746**	373	

See accompanying notes to the consolidated financial statements.

CCFNB BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of CCFNB Bancorp, Inc. (the Corporation) are in accordance with the accounting principles generally accepted in the United States of America and conform to common practices within the banking industry. The more significant policies follow:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of CCFNB Bancorp, Inc. and its wholly-owned subsidiary, First Columbia Bank & Trust Co. (the Bank). Columbia Financial Corporation (CFC), the former parent company of the Bank was acquired by CCFNB Bancorp, Inc. on July 18, 2008 and Columbia County Farmers National Bank (CCFNB) merged with and into the Bank on July 18, 2008. The 2008 financial results reflected in the statements of this report include results of earnings of the Corporation from January 1, 2008 through December 31, 2008, which includes the earnings results of the acquired entities from July 18, 2008 through December 31, 2008. All significant inter-company balances and transactions have been eliminated in consolidation.

NATURE OF OPERATIONS

The Corporation is a financial holding company that provides full-banking services, including trust services, through the Bank, to individuals and corporate customers. The Bank has thirteen offices covering an area of approximately 752 square miles in Northcentral Pennsylvania. The Corporation and Bank are subject to the regulation of the Pennsylvania Department of Banking, the Federal Deposit Insurance Corporation, and the Federal Reserve Bank of Philadelphia.

Procuring deposits and making loans are the major lines of business. The deposits are mainly deposits of individuals and small businesses and include various types of checking accounts, passbook and statement savings, money market accounts, interest checking accounts, individual retirement accounts, and certificates of deposit. The Bank also offers non-insured Repo sweep accounts. Lending products include commercial, consumer, and mortgage loans. The trust services, trading under the name of B.B.C.T.,Co. include administration of various estates, pension plans, self-directed IRA s and other services. A third-party brokerage arrangement is also resident in the Lightstreet branch. This investment center offers a full line of stocks, bonds and other non-insured financial services.

SEGMENT REPORTING

The Bank acts as an independent community financial services provider, and offers traditional banking and related financial services to individual, business and government customers. Through its branch, remote capture, internet banking, telephone and automated teller machine network, the Bank offers a full array of commercial and retail financial services, including the taking of time, savings and demand deposits; the making of commercial, consumer and mortgage loans; and the providing of other financial services. The Bank also performs personal, corporate, pension and fiduciary services through its B.B.C.T., Co. as well as offers diverse investment products through its investment center.

Management does not separately allocate expenses, including the cost of funding loan demand, between the commercial, retail, trust and investment center operations of the Corporation. As such, discrete financial information is not available and segment reporting would not be meaningful.

USE OF ESTIMATES

The preparation of these consolidated financial statements in conformity with accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

INVESTMENT SECURITIES

The Corporation classifies its investment securities as either held-to-maturity or available-for-sale at the time of purchase. Debt securities are classified as held-to-maturity when the Corporation has the ability and positive intent to hold the securities to maturity. Investment securities held-to-maturity are carried at cost adjusted for amortization of premiums and accretion of discounts to maturity.

Debt securities not classified as held-to-maturity and equity securities included in the available-for-sale category, are carried at fair value, and the amount of any unrealized gain or loss net of the effect of deferred income taxes is reported as other

comprehensive income in the Consolidated Statement of Changes in Stockholders Equity. Management s decision to sell available-for-sale securities is based on changes in economic conditions controlling the sources and uses of funds, terms, availability of and yield of alternative investments, interest rate risk, and the need for liquidity.

The cost of debt securities classified as held-to-maturity or available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion, as well as interest and dividends, is included in interest income from investments. Realized gains and losses are included in net investment securities gains. The cost of investment securities sold, redeemed or matured is based on the specific identification method.

RESTRICTED SECURITIES

Restricted equity securities consist of stock in the Federal Home Loan Bank of Pittsburgh (FHLB Pittsburgh), and Atlantic Central Bankers Bank (ACBB) and do not have a readily determinable fair value because their ownership is restricted, and they can be sold back only to the FHLB-Pittsburgh, ACBB or to another member institution. Therefore, these securities are classified as restricted equity investment securities, carried at cost, and evaluated for impairment. At December 31, 2009, the Corporation held $2,949,000 in stock of the FHLB-Pittsburgh and $35,000 in stock of ACBB. At December 31, 2008, the Corporation held $2,132,000 in stock of FHLB-Pittsburgh and $35,000 in stock of ACBB.

The Corporation evaluated its holding of restricted stock for impairment and deemed the stock to not be impaired due to the expected recoverability of par value, which equals the value reflected within the Corporation s financial statements. The decision was based on several items ranging from the estimated true economic losses embedded within FHLB s mortgage portfolio to the FHLB s liquidity position and credit rating. The Corporation utilizes the impairment framework outlined in GAAP to evaluate stock for impairment. The following factors were evaluated to determine the ultimate recoverability of the par value of the Corporation s restricted stock holdings; (i) the significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted; (ii) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB; (iii) the impact of legislative and regulatory changes on the institutions and, accordingly, on the customer base of the FHLB; (iv) the liquidity position of the FHLB; and (v) whether a decline is temporary or whether it affects the ultimate recoverability of the FHLB stock based on (a) the materiality of the carrying amount to the member institution and (b) whether an assessment of the institution s operational needs for the foreseeable future allow management to dispose of the stock. Based on the analysis of these factors, the Corporation determined that its holding of restricted stock were not impaired at December 31, 2009 and 2008.

LOANS

Loans are stated at their outstanding principal balances, net of deferred fees or costs, unearned income, and the allowance for loan losses. Interest on loans is accrued on the principal amount outstanding, primarily on an actual day basis. Non-refundable loan fees and certain direct costs are deferred and amortized over the life of the loans using the interest method. The amortization is reflected as an interest yield adjustment, and the deferred portion of the net fees and costs is reflected as a part of the loan balance.

Real estate mortgage loans held for resale are carried at the lower of cost or market on an aggregate basis. A portion of these loans are sold with limited recourse by the Corporation.

Past Due Loans Generally, a loan is considered past due when a payment is in arrears for a period of 10 or 15 days, depending on the type of loan. Delinquent notices are issued at this point and collection efforts will continue on loans past due beyond 60 days which have not been satisfied. Past due loans are continually evaluated with determination for charge-off being made when no reasonable chance remains that the status of the loan can be improved.

Non-Accrual Loans Generally, a loan is classified as non-accrual, with the accrual of interest on such a loan discontinued when the contractual payment of principal or interest has become 90-days past due or management has serious doubts about further collectibility of principal or interest, even though the loan currently is performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well-secured. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed, and unpaid interest accrued in prior years is charged against the allowance for loan losses. Certain non-accrual loans may continue to

perform wherein payments are still being received with those payments generally applied to principal. Non-accrual loans remain under constant scrutiny and if performance continues, interest income may be recorded on a cash basis based on management s judgment as to collectibility of principal.

Impaired Loans A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement. Under current accounting standards, the allowance for loan losses related to impaired loans is based on discounted cash flows using the loan s effective interest rate or the fair value of the collateral for certain collateral dependent loans. The recognition of interest income on impaired loans is the same as for non-accrual loans discussed above.

Allowance for Loan Losses The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is maintained at a level established by management to be adequate to absorb estimated potential loan losses. Management s periodic evaluation of the adequacy of the allowance for loan losses is based on the Corporation s past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower s ability to repay (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires material estimates, including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change.

In addition, an allowance is provided for possible credit losses on off-balance sheet credit exposures. The allowance is estimated by management and is classified in other liabilities.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation computed principally on the straight-line method over the estimated useful lives of the assets. Maintenance and minor repairs are charged to operations as incurred. The cost and accumulated depreciation of the premises and equipment retired or sold are eliminated from the property accounts at the time of retirement or sale, and the resulting gain or loss is reflected in current operations.

MORTGAGE SERVICING RIGHTS

The Bank originates and sells real estate loans to investors in the secondary mortgage market. After the sale, the Bank retains the right to service these loans. When originated mortgage loans are sold and servicing is retained, a servicing asset is capitalized based on relative fair value at the date of sale. Servicing assets are amortized as an offset to other fees in proportion to, and over the period of, estimated net servicing income. The unamortized cost is included in other assets in the accompanying consolidated balance sheets. The servicing rights are periodically evaluated for impairment based on their relative fair value.

JUNIOR SUBORDINATE DEBENTURES

During 2006, CFC issued $4,640,000 in junior debentures due December 15, 2036 to Columbia Financial Statutory Trust I (Trust). On July 18, 2008, the Corporation became the successor to CFC and to this Trust, respectively. The Corporation owns all of the $140,000 in common equity of the Trust and the debentures are the sole asset of the Trust. The Trust, a wholly-owned unconsolidated subsidiary of the Corporation, issued $4,500,000 of floating-rate trust capital securities in a non-public offering in reliance on Section 4 (2) of the Securities Act of 1933. The floating-rate capital securities provide for quarterly distributions at a variable annual coupon rate, reset quarterly, based on the 3-month LIBOR plus 1.75%. The coupon rate was 2.00% at December 31, 2009. The securities are callable by the Corporation, subject to any required regulatory approval, at par, after five years. The Corporation unconditionally guarantees the trust capital securities. The terms of the junior subordinated debentures and the common equity of the trust mirror the terms of the trust capital securities issued by the Trust.

INTANGIBLE ASSETS GOODWILL

Goodwill represents the excess of the purchase price over the fair market value of net assets acquired. The Corporation has recorded net goodwill of $7,937,000 at December 31, 2009 and 2008 related to the 2008 acquisition of Columbia Financial Corporation and it s subsidiary, First Columbia Bank & Trust Co. In accordance with current accounting standards, goodwill is not amortized. Management performs an annual evaluation for impairment. Any impairment of goodwill results in a charge to income. The Corporation periodically assesses whether events or changes in circumstances indicate that the carrying amounts of goodwill and other intangible assets may be impaired. Goodwill is tested for impairment at the reporting unit level and an impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. The Company employs general industry practices in evaluating the impairment of its goodwill and other intangible assets. The Company calculates the value of goodwill using a combination of the following valuation methods: dividend discount analysis under the income approach, which calculates the present value of all excess cash flows plus the present value of a terminal value, the price/earnings multiple under the market approach and the change in control premium to market price approach. Based upon these reviews, management determined there was no impairment of goodwill during 2009. No assurance can be given that future impairment tests will not result in a charge to earnings.

INTANGIBLE ASSETS CORE DEPOSIT

The Corporation has an amortizable intangible asset related to the deposit premium paid for the acquisition of Columbia Financial Corporation s subsidiary, First Columbia Bank & Trust Co. This intangible asset is being amortized on a sum of the years digits method over 10 years and has a carrying value of $2,768,000 as of December 31, 2009. At December 31, 2008, the intangible asset had a carrying value of $3,411,000. The recoverability of the carrying value is evaluated on an ongoing basis, and permanent declines in value, if any, are charged to expense. Amortization of the core deposit intangible amounted to $643,000 and $280,000 for

the years ended December 31, 2009 and 2008, respectively. The Corporation did not have a core deposit intangible as of December 31, 2007.
The estimated amortization expense of the core deposit intangible over its remaining life is as follows:

For the Year Ended:	
2010	$ 576,000
2011	509,000
2012	442,000
2013	374,000
2014	308,000
Thereafter	559,000
Total	$ 2,768,000

OTHER REAL ESTATE OWNED

Real estate properties acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value on the date of foreclosure establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less cost to sell and is included in other assets. Revenues derived from and costs to maintain the assets and subsequent gains and losses on sales are included in other non-interest income and expense. The amount of other real estate owned was $29,000 and $373,000 as of December 31, 2009 and 2008, respectively and is included in other assets in the accompanying consolidated balance sheets.

BANK OWNED LIFE INSURANCE

The Corporation invests in Bank Owned Life Insurance (BOLI). Purchase of BOLI provides life insurance coverage on certain employees with the Corporation being owner and primary beneficiary of the policies.

INVESTMENTS IN LIMITED PARTNERSHIPS

The Corporation is a limited partner in three partnerships at December 31, 2009 that provide low income elderly housing in the Corporation s geographic market area. The investments are accounted for under the effective yield method. Under the effective yield method, the Corporation recognizes tax credits as they are allocated and amortizes the initial cost of the investment to provide a constant effective yield over the period that the tax credits are allocated to the Corporation. Under this method, the tax credits allocated, net of any amortization of the investment in the limited partnerships, are recognized in the consolidated statements of income as a component of income tax expense. The amount of tax credits allocated to the Corporation were $187,000 and the amortization of the investments in limited partnerships was $158,000 in 2009. The amount of tax credits allocated to the Corporation were $93,000 and the amortization of the investments in limited partnerships was $73,000 in 2008. The carrying value of the Corporation s investments in limited partnerships was $687,000 and $845,000 at December 31, 2009 and 2008, respectively.

INVESTMENT IN INSURANCE AGENCY

The Corporation owns a 50 percent interest in a local insurance agency, a corporation organized under the laws of the Commonwealth of Pennsylvania. The income or loss from this investment is accounted for under the equity method of accounting. The carrying value of this investment as of December 31, 2009 and 2008 was $232,000 and $218,000, respectively, and is included in other assets in the accompanying consolidated balance sheets.

INCOME TAXES

The provision for income taxes is based on the results of operations, adjusted primarily for tax-exempt income. Certain items of income and expense are reported in different periods for financial reporting and tax return purposes. Deferred tax assets and liabilities are determined based on the differences between the consolidated financial statement and income tax basis of assets and liabilities measured by using the enacted tax rates and laws expected to be in effect when the timing differences are expected to reverse. Deferred tax expense or benefit is based on the difference between deferred tax asset or liability from period to period.

PER SHARE DATA

Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding at the end of each period. Diluted earnings per share is calculated by increasing the denominator for the assumed conversion of all potentially dilutive securities. The Corporation does not have any securities which have or will have a dilutive effect, so accordingly, basic and diluted per share data are the same.

CASH FLOW INFORMATION

For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand and due from banks, interest-bearing deposits in other banks and federal funds sold. The Corporation considers cash classified as interest-bearing deposits with other banks as a cash equivalent because they are represented by cash accounts essentially on a demand basis. Federal funds are also included as a cash equivalent because they are generally purchased and sold for one-day periods.

TREASURY STOCK

The purchase of the Corporation s common stock is recorded at cost. At the date of subsequent reissue, the treasury stock account is reduced by the cost of such stock on a last-in first-out basis.

TRUST ASSETS AND INCOME

Property held by the Corporation in a fiduciary or agency capacity for its customers is not included in the accompanying consolidated financial statements because such items are not assets of the Corporation and the Bank. Trust Department income is generally recognized on a cash basis and is not materially different than if it was reported on an accrual basis.

ACCUMULATED OTHER COMPREHENSIVE INCOME

The Corporation is required to present accumulated other comprehensive income in a full set of general-purpose financial statements for all periods presented. Accumulated other comprehensive income is comprised of unrealized holding gains on the available for sale investment securities portfolio. The Corporation has elected to report the effects of other comprehensive income as part of the Consolidated Statement of Changes in Stockholders Equity.

ADVERTISING COSTS

It is the Corporation s policy to expense advertising costs in the period in which they are incurred Advertising expense for the years ended December 31, 2009, 2008, and 2007 was approximately $199,000, $145,000, and $104,000, respectively.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for reporting and disclosure in these consolidated financial statements through March 9, 2010, the date the consolidated financial statements were available to be issued. No material subsequent events have occurred since December 31, 2009 that require recognition or disclosure in the consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

FASB ASC 105-10 In June 2009, the Financial Accounting Standards Board (FASB) issued Statement No. 168 *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (FASB ASC 105-10, Generally Accepted Accounting Principles). SFAS No. 168 replaces SFAS No. 162 and establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Rules and interpretive releases of the Securities and Exchange Commission under federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB Accounting Standards Codification (ASC) will be effective for financial statements that cover interim and annual periods ending after September 15, 2009. Other than resolving certain minor inconsistencies in current GAAP, the FASB Accounting Standards Codification is not intended to change GAAP, but rather to make it easier to review and research GAAP applicable to a particular transaction or accounting issue. Technical references to generally accepted accounting principles included in the Notes to Consolidated Financial Statements are provided under the new FASB ASC structure with the prior terminology included parenthetically.

FASB ASC 805 - In December 2007, the FASB issued new guidance impacting FASB ASC 805, *Business Combinations* (SFAS No. 141(R) Business Combinations). The new guidance establishes principles and requirements for how an acquiring corporation (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquired, (2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

The Corporation was required to prospectively apply FASB ASC 805 to all business combinations completed on or after January 1, 2009. Early adoption is not permitted. For business combinations in which the acquisition date was before the effective date, the provisions of FASB ASC 805 will apply to the subsequent accounting for deferred income tax valuation allowances and income tax contingencies and will require any changes in those amounts to be recorded in earnings. The Corporation adopted FASB

ASC 805 for any business combinations occurring at or subsequent to January 1, 2009. The adoption of this standard did not have a material impact on the Corporation s consolidated financial condition, results of operations or liquidity.

FASB ASC 810-10 - In December 2007, the FASB issued FASB ASC 810-10, Consolidation (Statement No. 160 *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51*). FASB ASC 810-10 establishes new accounting and reporting standards for noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. The new standard will require entities to classify noncontrolling interests as a component of stockholders equity and will require subsequent changes in ownership interest in a subsidiary to be accounted for as an equity transaction. Additionally, the new standard will require entities to recognize a gain or loss upon the loss of control of a subsidiary and to remeasure any ownership interest retained at fair value on that date. This statement also requires expanded disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. The new standard is effective on a prospective basis for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, except for the presentation and disclosure requirements, which are required to be applied retrospectively. Early adoption is not permitted. The adoption of this standard did not have a material impact on the Corporation s consolidated financial condition, results of operations or liquidity.

FASB ASC 815-10 In March 2008 the FASB issued FASB ASC 815-10, Derivatives and Hedging (Statement No. 161-*Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133*). FASB ASC 815-10 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related items are accounted for and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. The new standard became effective for the Corporation on January 1, 2009. The adoption of this standard did not have a material impact on the Corporation s consolidated financial position or results of operations.

FASB ASC 855 In May 2009, the FASB issued FASB ASC 855, Subsequent Events (Statement No. 164 *Subsequent Events)*. FASB ASC 855 established the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements and the circumstances under which an entity shall recognize events or transactions that occur after the balance sheet date. FASB ASC 855 also requires disclosure of the date through which subsequent events have been evaluated. The Corporation adopted this standard for the interim reporting period ending June 30, 2009. The adoption of this standard did not have a material impact on the Corporation s consolidated financial position or results of operations.

FASB ASC 860 In June 2009, the FASB issued new guidance impacting FASH ASC 860, Transfers and servicing (Statement No. 166 *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140*). The new guidance removes the concept of a qualifying special-purpose entity and limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. The new standard will become effective for the Corporation on January 1, 2010. The Corporation is currently evaluating the impact of adopting the new standard on the consolidated financial statements.

FASB ASC 810-10 In June 2009, the FASB issued new guidance impacting FASB ASC 810-10, Consolidation (Statement No. 167 *Amendments to FASB Interpretation No. 46 (R*). The new guidance amends tests for variable interest entities to determine whether a variable interest entity must be consolidated. FASB ASC 810-10 requires an entity to perform an analysis to determine whether an entity s variable interest or interests give it a controlling financial interest in a variable interest entity. This standard requires ongoing reassessments of whether an entity is the primary beneficiary of the variable interest entity and enhanced disclosures that provide more transparent information about an entity s involvement with a variable interest entity. The new guidance will become effective for the Corporation on January 1, 2010 and the Corporation is currently evaluating the impact of adopting the standard on the consolidated financial statements.

FASB ASC 715-20-50 In December 2008, the FASB issued new guidance impacting FASB ASC 715-20-50, Compensation Retirement Benefits Defined Benefit Plans General (FASB Staff Position No. 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets*). This provides guidance on an employer s disclosures about

plan assets of a defined benefit pension or other postretirement plan. The guidance requires disclosure of the fair value of each major category of plan assets for pension plans and other postretirement benefit plans. This standard becomes effective for the Corporation on December 31, 2009. The implementation of this new guidance did not have a material impact on the Corporation s consolidated financial statements.

FASB ASC 825-10-50 In April 2009, the FASB issued new guidance impacting FASB ASC 825-10-50, Financial Instruments (FASB Staff Position No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*). This guidance amends existing GAAP to require disclosures about fair values of financial instruments for interim reporting periods as

well as in annual financial statements. The guidance also amends existing GAAP to require those disclosures in summarized financial information at interim reporting periods. The Corporation adopted this standard for the interim reporting period ending March 31, 2009 and it did not have a material impact on the Corporation s consolidated financial position or results of operations.

FASB ASC 320-10 In April 2009, the FASB issued new guidance impacting FASB ASC 320-10, Investments Debt and Equity Securities (FASB Staff Position No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*). This guidance amends the other-than-temporary impairment guidance in U. S. generally accepted accounting principles for debt securities. If an entity determines that it has an other-than temporary impairment on a security, it must recognize the credit loss on the security in the income statement. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. FASB ASC 320-10 expands disclosures about other-than-temporary impairment and requires that the annual disclosures in existing generally accepted accounting principles be made for interim reporting periods. The Corporation adopted this guidance for the interim reporting period ending March 31, 2009 and it did not have a material impact on the Corporation s consolidated financial position or results of operations..

FASB ASC 820 In April 2009, the FASB issued new guidance impacting FASB ASC 820, Fair Value Measurements and Disclosures (FASB Staff Position No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or* L*iability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*). This provides additional guidance on determining fair value when the volume and level of activity for the asset or liability have significantly decreased when compared with normal market activity of the asset or liability. A significant decrease in the volume or level of activity for the asset or liability is an indication that transactions or quoted prices may not be determinative of fair value because transactions may not be orderly. In that circumstance, further analysis of transactions or quoted prices is needed, and an adjustment to the transactions or quoted prices may be necessary to estimate fair value. The Corporation adopted this guidance for the interim reporting period ending March 31, 2009 and it did not have a material impact on the Corporation s consolidated financial position or results of operations.

SAB 111 In April 2009, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 111 (SAB 111). SAB 111 amends Topic 5.M. in the Staff Accounting Bulletin series entitled *Other Than Temporary Impairment of Certain Investments in Debt and Equity Securities*. On April 9, 2009, the FASB issued new guidance impacting FASB ASC 320-10, Investments Debt and Equity Securities (FASB Staff Position No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*). SAB 111 maintains the previous views related to equity securities an amends Topic 5.M. to exclude debt securities from its scope. SAB 111 was effective for the Corporation as of March 31, 2009. There was no material impact to CCFNB Bancorp, Inc. s consolidated financial position or results of operations upon adoption.

SAB 112 In June 2009, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 112 (SAB 112). SAB 112 revises or rescinds portions of the interpretative guidance included in the Staff Accounting Bulletin series in order to make the interpretive guidance consistent with recent pronouncements by the FASB, specifically FASB ASC 805 and FASB ASC 810-10 (SFAS No. 141 (R) and SAFAS No. 160). SAB 112 was effective for the Corporation as of June 30, 2009. There was no material impact to CCFNB Bancorp, Inc. s consolidated financial position or results of operations upon adoption.

FASB ASC 323 In November 2008, the FASB Emerging Issues Task Force reached a consensus on FASB ASC 323, Investments Equity Method and Joint Ventures (Issue No. 08-6, *Equity Method Investment Accounting Considerations*). The new guidance clarifies the accounting for certain transactions and impairment considerations involving equity method investments. An equity investor shall not separately test an investee s underlying assets for impairment but will recognize its share of any impairment charge recorded by an investee in earning and consider the effect of the impairment on its investment. An equity investor shall account for a share issuance by an investee as if the investor had sold a proportionate share of its investment, with any gain or loss recognized in earnings. The new guidance became effective for the Corporation on January 1, 2009 and did not have a material impact on the Corporation s consolidated financial position or results of operations.

FASB ASC 350 In November 2008, the FASB Emerging Issues Task Force reached a consensus on FASB ASC 350, Intangibles Goodwill and Other (Issue No. 08-7, *Accounting for Defensive Intangible Assets*). The new guidance clarifies how to account for defensive intangible assets subsequent to initial measurement. The guidance applies to acquired intangible assets in situations in which an entity does not intend to actively use an asset but intends to hold the asset to prevent others from obtaining access to the asset. A defensive intangible asset should be accounted for as a separate unit of accounting with an expected life that reflects the consumption of the expected benefits related to that asset. The benefit from holding a defensive intangible asset is the direct and indirect cash flows resulting from the entity preventing others from using the asset. The new guidance was effective for intangible assets acquired on or after January 1, 2009 and did not have a material impact on the Corporation s consolidated financial position or results of operations.

FASB ASC 260-10 In June 2008, the FASB issued new guidance impacting FASB ASC 260-10, Earnings Per Share (FSP No. EITF 03-06-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*). This new guidance concluded that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders and therefore are considered participating securities for purposes of computing earning per share. Entities that have participating securities that are not convertible into common stock are required to use the two-class method of computing earnings per share. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. This new guidance was effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. This new guidance became effective for the Corporation on January 1, 2009 and did not have a material impact on the Corporation s consolidated financial position or results of operations.

FASB ASC 820-10 In August 2009, the FASB issued an update (ASC No. 1009-05, Measuring Liabilities at Fair Value) impacting FASB ASC 820-10, Fair Value Measurements and Disclosures. The update provides clarification about measuring liabilities at fair value in circumstances where a quoted price in an active market for an identical liability is not available and the valuation techniques that should be used. The update also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. This update became effective for the Corporation for the reporting period ending September 30, 2009 and did not have a material impact on the Corporation s consolidate financial position or results of operations.

FASB ASC 820-10 In September 2009, the FASB issued an update (ASC No. 2009-12, Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)) impacting FASB ASC 820-10, Fair Value Measurements and Disclosures. The amendments in this update permit, as a practical expedient, a reporting entity to measure the fair value of an investment (or its equivalent) if the net asset value of the investment is calculated in a manner consistent with the measurement principles of Topic 946, Financial Services-Investment Companies. The amendments in this update also require disclosures by major category of investment about the attributes of investments within the scope of the amendments in this update, such as the nature of an restrictions on the ability to redeem an investment on the measurement date. This update becomes effective for the Corporation for interim an annual reporting periods ending after December 15, 2009. The implementation of this standard did not have a material impact on the Corporation s consolidated financial statements.

FASB ASC 505-20 In January 2010, the FASB issued an update (ASC No. 2010-01, Accounting for Distributions to Shareholders with Components of Stock and Cash) impacting FASB ASC 505-20, Equity Stock Dividends and Stock Splits. The amendments in this update clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in earnings per share and is not a stock dividend. This update became effective for the Corporation for interim and annual periods ending after December 15, 2009 and did not have a material impact on the Corporation s consolidated financial position or results of operations.

FASB ASC 810-10 In January 2010, the FASB issued an update (ASC No. 2010-02, Accounting and Reporting for Decreases in Ownership of a Subsidiary a Scope Clarification) impacting FASB ASC 810-10, Consolidation. The amendments in this update address implementation issues related to the changes of ownership provisions originally issued as FASB Statement 160. It also improves the disclosures related to retained investments in a deconsolidated subsidiary or a preexisting interest held by an acquirer in a business combination. This update became effective for the Corporation for interim and annual periods ending after December 15, 2009 and did not have a material impact on the Corporation s consolidated financial position or results of operations.

FASB ASC 820-10- In January 2010, the FASB issued an update (ASC No. 2010-06, Improving Disclosures about Fair Value Measurements) impacting FASB ASC 820-10, Fair Value Measurements and Disclosures. The amendments in this update require new disclosures about significant transfers in and out of Level 1 and Level 2 fair value measurements. The amendments also require a reporting entity to provide information about activity for

purchases, sales, issuances and settlements in Level 3 fair value measurements and clarify disclosures about the Level of disaggregation and disclosures about inputs and valuation techniques. This update becomes effective for the Corporation for interim and annual reporting periods beginning after December 15, 2009. The Corporation is currently evaluating the impact of adopting the new guidance on the consolidated financial statements.

RECLASSIFICATIONS

Certain amounts in the consolidated financial statements of the prior years have been reclassified to conform with presentations used in the 2009 consolidated financial statements. Such reclassifications had no effect on the Corporation s consolidated financial condition or net income.

2. RESTRICTED CASH BALANCES

The Bank is required to maintain average clearing balances with the Federal Reserve Bank. The amount required at December 31, 2009 was $150,000.

3. INVESTMENT SECURITIES AVAILABLE-FOR-SALE

The amortized cost, related estimated fair value, and unrealized gains and losses for investment securities were as follows at December 31, 2009 and 2008:

	2009			
(In Thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
Obligation of U.S.Government Corporations and Agencies:				
Mortgage-backed	**$ 134,762**	**$ 4,212**	**$ (118)**	**$ 138,856**
Other	**68,323**	**421**	**(405)**	**68,339**
Obligations of state and political subdivisions	**11,265**	**116**	**(7)**	**11,374**
Total debt securities	**214,350**	**4,749**	**(530)**	**218,569**
Marketable equity securities	**2,093**	**41**	**(437)**	**1,697**
Total investment securities AFS	**$ 216,443**	**$ 4,790**	**$ (967)**	**$ 220,266**

	2008			
(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Obligation of U.S.Government Corporations and Agencies:				
Mortgage-backed	$ 116,357	$ 1,808	$ (119)	$ 118,046
Other	63,031	1,049		64,080
Obligations of state and political subdivisions	9,944	67	(17)	9,994
Total debt securities	189,332	2,924	(136)	192,120
Marketable equity securities	2,623	73	(403)	2,293
Total investment securities AFS	$ 191,955	$ 2,997	$ (539)	$ 194,413

Securities available-for-sale with an aggregate fair value of $95,579,000 and $109,881,000 at December 31, 2009 and 2008, respectively, were pledged to secure public funds, trust funds, securities sold under agreements to repurchase and other balances of $73,734,000 and $73,114,000 at December 31, 2009 and 2008, respectively, as required by law.

The amortized cost and estimated fair value of investment securities, by expected maturity, are shown below at December 31, 2009. Expected maturities on debt securities will differ from contractual maturities, because some borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Other securities and marketable equity securities are not considered to have defined maturities and are included in the Due after ten years category:

Weighted

(In Thousands)	Amortized Cost	Estimated Fair Value	Average Yield
Due in one year or less	$ 1,478	$ 1,478	3.64%
Due after one year to five years	58,261	58,397	2.99%
Due after five years to ten years	29,743	30,316	4.80%
Due after ten years	126,961	130,075	4.51%
Total	$ 216,443	$ 220,266	

There were no aggregate investments with a single issuer (excluding the U. S. Government and its Agencies) which exceeded ten percent of consolidated stockholders equity at December 31, 2009. The quality rating of all obligations of state and political subdivisions were A or higher, as rated by Moody s or Standard and Poors. The only exceptions were local issues which

were not rated, but were secured by the full faith and credit obligations of the communities that issued these securities. All of the state and political subdivision investments were actively traded in a liquid market.

Proceeds from sales, maturities and redemptions of investments in debt and equity securities classified as available-for-sale during 2009, 2008 and 2007 were $92,463,000, $51,807,000, and $35,799,000, respectively. For the year ended December 31, 2009, the Corporation recognized gross losses on these sales in the amount of $316,000. The Corporation did not realize a gross gain for the year ended December 31, 2009. Gross gains realized on these sales for the years ended December 31, 2008 and 2007 were $6,000 and $41, respectively. There were no gross losses on the 2008 and 2007 sales.

Management evaluates securities for other-than-temporary impairment (OTTI) at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. Investment securities classified as available for sale or held-to-maturity are generally evaluated for OTTI under FASB ASC 320 (SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities). In determining OTTI under the FASB ASC 320 (SFAS No. 115) model, management considers many factors, including (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

When other-than-temporary-impairment occurs, the amount of the other-than-temporary-impairment recognized in earnings depends on whether an entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss. If an entity intends to sell or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment shall be recognized in earnings equal to the entire difference between the investment s amortized cost basis and its fair value at the balance sheet date. If an entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis less any current-period loss, the other-than-temporary impairment shall be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total other-than-temporary- impairment related to the other factors shall be recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the other-than-temporary-impairment recognized in earnings shall become the new amortized cost basis of the investment.

The following summary shows the gross unrealized losses and fair value, aggregated by investment category of those individual securities that have been in a continuous unrealized loss position for less than or more than 12 months as of December 31, 2009 and 2008:

	2009					
	Less than Twelve Months		**Twelve Months or Greater**		**Total**	
(In Thousands)	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
Obligations of U.S. Government Corporations and Agencies:						
Mortgage-backed	**$ 8,105**	**$ 117**	**$ 51**	**$ 1**	**$ 8,156**	**$ 118**
Other	**28,876**	**405**			**28,876**	**405**
Obligations of state and political subdivisions	**1,856**	**7**			**1,856**	**7**

Total debt securities	**38,837**		**529**		**51**		**1**	**38,888**	**530**
Equity securities	**366**		**159**		**806**		**278**	**1,172**	**437**
Total	**$ 39,203**	**$**	**688**	**$**	**857**	**$**	**279**	**$ 40,060**	**$ 967**

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	2008					
	Less than Twelve Months		Twelve Months or Greater		Total	
(In Thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Obligations of U.S. Government Corporations and Agencies:						
Mortgage-backed	$ 12,894	$ 114	$ 1,481	$ 5	$ 14,375	$ 119
Other				0		
Obligations of state and political subdivisions	1,004	17			1,004	17
Total debt securities	13,898	131	1,481	5	15,379	136
Equity securities	1,327	304	617	99	1,944	403
Total	$ 15,225	$ 435	$ 2,098	$ 104	$ 17,323	$ 539

At December 31, 2009, the Corporation had a total of 279 debt securities and 45 equity security positions. At December 31, 2009, there were a total of 39 individual debt securities and 13 individual equity securities that were in a continuous unrealized loss position for less than twelve months. At December 31, 2009, there were a total of 1 debt security and 18 individual equity securities in a continuous loss position for greater than twelve months.

The Corporation invests in various forms of agency debt including mortgage-backed securities and callable agency debt. The fair market value of these securities is influenced by market interest rates, prepayment speeds on mortgage securities, bid to offer spreads in the market place and credit premiums for various types of agency debt. These factors change continuously and therefore the market value of these securities may be higher or lower than the Corporation s carrying value at any measurement date. The Corporation does not consider the debt securities contained in the previous table to be other-than-temporarily impaired since it has both the intent and ability to hold the securities until a recovery of fair value, which may be maturity.

The Corporation s marketable equity securities consist of common stock positions in various Commercial Banks, Savings and Loans/Thrifts, and Diversified Financial Service Corporations varying in asset size and geographic region. The Corporation s equity securities represent less than 1 percent of the total available for sale investments as of December 31, 2009. The following tables display the Corporation s holdings of these securities by asset size and geographic region as of December 31, 2009:

	December 31, 2009			
(In Thousands) Asset size($)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Under $1 Billion	$ 414	$ 12	$ (61)	$ 365
$1 to $5 Billion	213		(68)	145
$6 to $100 billion	780	13	(233)	560
Over $100 Billion	686	16	(75)	627
	$ 2,093	$ 41	$ (437)	$ 1,697

	December 31, 2009			
(In Thousands) Geographic Region	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Eastern U.S.	$ 1,003	$ 20	$ (248)	$ 775
Southeastern U.S.	110		(17)	93
Western U.S.	53		(27)	26
National	927	21	(145)	803
	$ 2,093	$ 41	$ (437)	$ 1,697

The fair market value of the equity securities tends to fluctuate with the overall equity markets as well as the trends specific to each institution. The equity securities portfolio is reviewed in a similar manner as that of the debt securities with greater emphasis placed on the length of time the market value has been less than the carrying value and the financial sector outlook. The Corporation also reviews dividend payment activities, levels of non performing assets and loan loss reserves, and whether or not the issuer is participating in the TARP Capital Purchase Program. The starting point for the equity analysis is the length and severity of market value decline. The Corporation and an independent consultant monitor the entire portfolio monthly with particular attention given to securities in a continuous loss position of at least ten percent for over twelve months. During 2009, impairment was recognized on several securities which management believed that a sufficient amount of credit damage had occurred relative to the issuer s capital position to render the security unlikely to recover to our cost within the near term. For the year ended December 31, 2009, the Corporation recorded an other -than-temporary loss totaling $69,000 related to the investment in equity securities. Securities with an unrealized loss that were determined to be other-than-temporary were written down to fair value, with the write-down recorded as a realized loss included in security (losses) gains. The Corporation evaluated the near-term prospects of the issuer in relation the severity and duration of the market value decline as well as the other attributes listed above. Based on that evaluation and the Corporation s ability and intent to hold these equity securities for a reasonable period of time sufficient for a forecasted recovery of fair value, the Corporation does not consider these equity securities to be other-than-temporarily impaired at December 31, 2009.

4. LOANS

Major classifications of loans at December 31, 2009 and 2008 consisted of:

(In Thousands)	**2009**	2008
Commercial, financial and agricultural	$ 37,642	$ 27,165
Tax-exempt	18,055	16,762
Real estate	253,463	262,539
Real estate construction	13,526	5,307
Installment loans to individuals	7,725	8,202
Add (deduct): Unearned discount	(15)	(24)
Unamortized loan costs, net of fees	93	117
Gross loans	$ 330,489	$ 320,068

Real estate loans held-for-sale in the amount of $267,000 at December 31, 2009 and $72,000 at December 31, 2008 are included in real estate loans above and are carried at the lower of cost or market.

The aggregate amount of demand deposits that have been reclassified as loan balances at December 31, 2009 and 2008 are $99,000 and $94,000, respectively.

Non-accrual loans at December 31, 2009, 2008 and 2007 were $4,361,000, $4,453,000,and $77,000, respectively. The gross interest that would have been recorded if all non-accrual loans during the year had been current in accordance with their original terms and the amounts actually recorded in income were as follows:

(In Thousands)	**2009**	2008	2007
Gross interest due under terms	**$ 285**	$ 320	$ 10
Amount included in income	**(241)**	(116)	(4)
Interest income not recognized	**$ 44**	$ 204	$ 6

At December 31, 2009, 2008 and 2007, the recorded investment in loans that are considered to be impaired was $4,839,000, $4,453,000 and $77,000, respectively. No additional charge to operations was required to provide for these impaired loans as the specifically allocated allowance of $494,000 at December 31, 2009, is estimated by management to be adequate to provide for the loan loss allowance associated with these impaired loans. The portion of the allowance for loan losses allocated for impaired loans was $198,000 and $5,000 at December 31, 2008 and

2007, respectively. The average recorded investment in impaired loans during the years ended December 31, 2009, 2008 and 2007 was approximately $4,956,000, $1,905,000 and $55,000, respectively.

Loans past due 90 days or more and still accruing interest amounted to $77,000 at December 31, 2007. There were no loans past due 90 days and still accruing interest at December 31, 2009 and 2008.

At December 31, 2009, there were no significant commitments to lend additional funds with respect to non-accrual and restructured loans.

Changes in the allowance for loan losses for the years ended December 31, 2009, 2008 and 2007 were as follows:

(In Thousands)	**2009**	2008	2007
Balance, beginning of year	**$ 3,758**	$ 1,437	$ 1,456
Provision charged to operations	**1,025**	750	30
Allowance acquired		1,683	
Loans charged off	**(599)**	(148)	(85)
Recoveries	**26**	36	36
Balance, end of year	**$ 4,210**	$ 3,758	$ 1,437

From time to time, the Bank may agree to modify the contractual terms of a borrower s loan. In cases where such modifications represent a concession to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring. Loans modified in a troubled debt restructuring are placed on nonaccrual status until the Bank determines the future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate a period of performance according to the restructured terms of six months. At December 31, 2009, there were no significant loans modified in troubled debt restructurings.

5. MORTGAGE SERVICING RIGHTS

The Bank sells real estate mortgages. The mortgage loans sold which are serviced for others are not included in the accompanying Consolidated Balance Sheets. The unpaid principal balances of mortgage loans serviced for others were $57,154,000 and $39,702,000 at December 31, 2009 and 2008, respectively. The balances of amortized mortgage servicing rights included in other assets at December 31, 2009 and 2008 were $344,000 and $206,000, respectively. Valuation allowances were not provided since fair values were determined to exceed carrying values. Fair values were determined using a discount rate of 6% and average expected lives of 3 to 6 years.

The following summarizes mortgage servicing rights capitalized and amortized:

(In Thousands)	**2009**	2008
Balance, beginning of year	**$ 206**	$ 49
Servicing asset additions and acquisition	**214**	201
Amortization	**(76)**	(44)
Balance, end of year	**$ 344**	$ 206

The Bank does not require custodial escrow accounts in connection with the foregoing loan servicing.

6. PREMISES AND EQUIPMENT

A summary of premises and equipment at December 31, 2009 and 2008 follows:

(In Thousands)	**2009**	2008
Land	**$ 1,704**	$ 1,514
Premises	**11,305**	12,550
Furniture and equipment	**9,803**	9,696
Leasehold improvements	**64**	64
Total	**22,876**	23,824
Less accumulated depreciation and amortization	**10,293**	11,215
Net premises and equipment	**$ 12,583**	$ 12,609

Depreciation amounted to $1,023,000, $693,000 and $409,000 in 2009, 2008 and 2007, respectively.

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7. DEPOSITS

Major classifications of deposits at December 31, 2009 and 2008 consisted of:

(In Thousands)	**2009**	2008
Demand deposits	**$ 55,734**	$ 52,460
Interest-bearing demand deposits	**71,396**	63,776
Savings	**101,537**	92,385
Time deposits over $100,000	**71,720**	58,379
Other time deposits	**161,901**	167,309
Total deposits	**$ 462,288**	$ 434,309

The following is a schedule reflecting remaining maturities of time deposits of $100,000 and over at December 31, 2009:

(In Thousands)	
2010	$ 37,817
2011	7,473
2012	21,833
2013	2,379
2014	2,218
Total	$ 71,720

Interest expense related to time deposits of $100,000 or more was $1,915,000 in 2009, $1,581,000 in 2008 and $1,369,000 in 2007.

8. SHORT-TERM BORROWINGS

Securities sold under agreements to repurchase and Federal Home Loan Bank advances generally represented overnight or less than 30-day borrowings. U.S. Treasury tax and loan notes for collections made by the Bank were payable on demand. Short-term borrowings consisted of the following at December 31, 2009 and 2008:

	2009			
(In Thousands)	**Ending Balance**	**Weighted Average Balance**	**Maximum Month End Balance**	**Average Rate**
Securities sold under agreements to repurchase	**$ 51,682**	**$ 47,873**	**$ 56,253**	**0.76%**
Other short-term borrowings		**352**	**5,400**	**0.64%**
U.S. Treasury tax and loan notes	**315**	**601**	**994**	**0.00%**
Total	**$ 51,997**	**$ 48,826**	**$ 62,647**	**0.75%**

	2008			
(In Thousands)	Ending Balance	Weighted Average Balance	Maximum Month End Balance	Average Rate

Securities sold under agreements to repurchase	$ 54,462	$ 41,573	$ 62,692	1.77%
Other short-term borrowings		849	5,400	1.04%
U.S. Treasury tax and loan notes	1,000	490	1,000	1.38%
Total	$ 55,462	$ 42,912	$ 69,092	1.76%

9. LONG-TERM BORROWINGS

Long-term borrowings consist of advances due to the FHLB Pittsburgh. Under terms of a blanket agreement, the loans were secured by certain qualifying assets of the Bank which consisted principally of first mortgage loans. The carrying value of these collateralized items was $164,173,000 at December 31, 2009. The Bank has lines of credit with Federal Reserve Bank Discount Window , Wells Fargo Bank, and FHLB Pittsburgh in the aggregate amount of $169,173,000 at December 31, 2009. The unused portion of these lines of credit was $154,045,000 at December 31, 2009. Long-term borrowings consisted of the following at December 31, 2009 and 2008:

(In Thousands)	**2009**	2008
Loan dated June 25, 1998 in the original amount of $72,000 for a 30-year term requiring monthly payments of $425 including interest at 5.86%.	**$ 58**	$ 60
Loan dated February 23, 1999 in the original amount of $29,160 for a 20-year term requiring monthly payments of $179 including interest at 5.50%.	**21**	22
Loan dated August 20, 1999 in the original amount of $32,400 for a 20-year term requiring monthly payments of $199 including interest at 5.50%.	**24**	25
Loan dated January 27, 2000 in the original amount of $5,000,000 for a 10-year term with a 1-year conversion date, at the discretion of FHLB, and a 3-month conversion frequency thereafter. At December 31, 2009 the interest rate was 6.00%.	**5,000**	5,000
Loan dated August 16, 2000 in the original amount of $2,000,000 for a 10-year term with a 6-month conversion date, at the discretion of FHLB, and a 3-month conversion frequency thereafter. At December 31, 2009 the interest rate was 5.93%.	**2,000**	2,000
Loan dated September 20, 2000 in the original amount of $2,000,000 for a 10-year term with a 3-year conversion date, at the discretion of FHLB, and a 3-month conversion frequency thereafter. At December 31, 2009 the interest rate was 6.10%.	**2,000**	2,000
Loan dated December 13, 2000 in the original amount of $32,092 for a 20-year term requiring monthly payments of $197 including interest at 5.50%.	**25**	26
Three FHLB Fixed Rate Community Lending Program loans dated May 7, 2009 in the original amount of $1,000,000 each for terms ranging from 3 to 5 years. At December 31, 2009 the interest rates ranged from 2.03% to 2.94%.	**3,000**	
Three FHLB Fixed Rate Community Lending Program loans dated July 15, 2009 in the original amount of $1,000,000 each for terms ranging from 3 to 5 years. At December 31, 2009 the interest rates ranged from 1.99% to 3.04%.	**3,000**	
Total	**$ 15,128**	$ 9,133

The following is a schedule reflecting remaining maturities of long-term debt at December 31, 2009:

(In Thousands)	
2010	$ 9,005
2011	5
2012	2,005
2013	2,006
2014	2,006
Thereafter	101
Total	$ 15,128

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10. COMPREHENSIVE INCOME

The components of the change in other comprehensive income and related tax effects are as follows:

	Years Ended December 31,		
(In Thousands)	**2009**	2008	2007
Unrealized holding gains on available-for-sale investment securities	**$ 1,750**	$ 2,671	$ 262
Reclassification adjustment for (losses) gains realized in income	**(385)**	(431)	1
Change in unrealized gains before tax effect	**1,365**	2,240	263
Tax effect	**464**	762	89
Net change in unrealized gains	**$ 901**	$ 1,478	$ 174

11. STOCKHOLDERS EQUITY AND STOCK PURCHASE PLANS

The Amended Articles of Incorporation contain a provision that permits the Corporation to issue warrants for the purchase of shares of common stock, par value $1.25 per share (the Common Stock), at below market prices in the event any person or entity acquires 25% or more of the Common Stock.

The Corporation offers employees a stock purchase plan. The maximum number of shares of the Common Stock to be issued under this plan is 20,000. In addition, the Corporation may choose to purchase shares on the open market to facilitate this plan. During 2009 the plan was amended to allow participating employees to elect quarterly deductions of at least 1% of base pay, but not more than 10% of base pay, to cover purchases of shares under this plan. A participating employee shall be deemed to have been granted an opportunity to purchase a number of shares of the Common Stock equal to the quarterly aggregate amount of payroll deductions elected by the employee divided by the lower of 90% of the fair market value of Common Stock on the average of the last ten days prior to the offering date or 90% of the fair market value of common Stock on the average of the last ten days prior to purchase date as defined by the plan. Stock issued to participating employees under the plan for the most recent three year period was:

		Average Per Share	
	Number of Shares	Employees Purchase Price	Market Value of Shares
Year Issued:			
2009	**3154**	**$ 20.96**	**$ 22.55**
2008	606	$ 22.86	$ 25.40
2007	557	$ 25.50	$ 28.33

The Corporation also offers to its stockholders a Dividend Reinvestment and Stock Purchase Plan. Under the plan, the Corporation registered with the Securities and Exchange Commission 500,000 shares of the Common Stock to be sold pursuant to the plan. The price per share for purchases under this plan is determined at each quarterly dividend payment date by the reported average mean between the bid and asked prices for the shares at the close of trading in the over-the-counter market on the trading day immediately preceding the quarterly dividend payment date. Participation in this plan by shareholders began in June 1995. Shares issued under this plan for the most recent three year period were:

(In Thousands, Except Per Share Data)	Number of Shares	Total Proceeds
Year:		
2009	**14,616**	**$ 319**
2008	11,652	$ 254

2007	8,315	$	222

12. INCOME TAXES

The provision for income tax expense consisted of the following components:

	For the Years Ended December 31,		
(In Thousands)	**2009**	2008	2007
Currently payable	**$ 1,980**	$ 1,155	$ 913
Deferred tax (benefit)	**75**	(259)	(25)
Total income tax provision	**$ 2,055**	$ 896	$ 888

A reconciliation of the actual provision for federal income tax expense and the amounts which would have been recorded based upon the statutory rate of 34% follows:

(In Thousands)	**2009**		2008		2007	
	Amount	**%**	Amount	%	Amount	%
Provision at statutory rate	**$ 2,697**	**34.0%**	$ 1,351	34.0%	$ 1,202	34.0%
Tax-exempt income	**(409)**	**(5.2)**	(327)	(8.2)	(236)	(6.7)
Bank-owned life insurance income-net	**(152)**	**(1.9)**	(124)	(3.1)	(97)	(2.7)
Tax credit from limited partnerships less amortization, net	**(46)**	**(0.6)**	(68)	(1.7)		
Non-decuctible expenses	**268**	**3.4**	51	1.3	32	0.9
Other, net	**(303)**	**(3.8)**	13	0.2	(13)	(0.4)
Effective income tax and rate	**$ 2,055**	**25.9%**	$ 896	22.5%	$ 888	25.1%

The net deferred tax liability recorded by the Corporation consisted of the following tax effects of temporary timing differences at December 31, 2009 and 2008:

(In Thousands)	**2009**	2008
Deferred tax assets:		
Allowance for loan losses	**$ 1,101**	$ 991
Allowance for off balance sheet losses	**3**	3
Deferred compensation and director s fees	**418**	488
Non-accrual loan interest	**21**	106
Investment in limited partnerships	**106**	96
Impairment losses on investment securities	**378**	445
* Property valuation	**280**	309
Capital loss carryforward	**238**	41
Total	**2,545**	2,479
Deferred tax liabilities:		
Loan fees and costs	**(32)**	(39)
Bond accretion	**(73)**	(63)

Depreciation	**(598)**	(609)
Investment in insurance agency	**(22)**	(17)
* Intangibles	**(905)**	(843)
* Other	**(308)**	(224)
Unrealized investment security gains	**(1,299)**	(836)
Total	**(3,237)**	(2,631)
Deferred tax liability, net	**$ (692)**	$ (152)

The above net deferred tax liability is included in other liabilities on the accompanying consolidated balance sheets. Those items noted with an (*) resulted from the 2008 acquisition of Columbia Financial Corporation, see Note 15. It is anticipated that all

tax assets shown above will be realized, accordingly, no valuation allowance was provided. The Corporation has a capital loss carryforward in the amount of $699,000 as of December 31, 2009.

The Corporation and the Bank file a consolidated federal income tax return. The Corporation is also required to file a separate state income tax return and has available state operating loss carryforwards totaling $734,000. The losses expire through 2028. The related deferred net state tax asset in the amount of $73,000 has been fully reserved and is not reflected in the net tax asset since management is of the opinion that such assets will not be realized in the foreseeable future.

13. EMPLOYEE BENEFIT AND DEFERRED COMPENSATION PLANS

EMPLOYEE BENEFIT PLANS

The Bank maintains a 401K salary deferral profit sharing plan for the benefit of its employees. Under the salary deferral component, employees may elect to contribute a percentage of compensation up to the maximum amount allowable not to exceed the limits of IRS Code Section 401(K). The Corporation matches 100% of employee contributions up to 4% of compensation. Under the profit sharing component, contributions are made at the discretion of the Bank s Board of Directors. Matching contributions amounted to $195,000, $157,000 and $91,000 for the years ended December 31, 2009, 2008 and 2007, respectively. There were no discretionary contributions for the years ended December 31, 2009, 2008 and 2007.

DEFERRED COMPENSATION PLANS

Directors

During 1990, the Bank entered into agreements with two directors to establish non-qualified deferred compensation plans for each of these directors. In 1994, additional plans were established for these two directors plus another director. These plans were limited to four-year terms. The Bank may, however, enter into subsequent similar plans with its directors. Each of the participating directors deferred the payment to himself of certain directors fees to which he was entitled. Each director s future payment was based upon the cumulative amount of deferred fees together with interest currently accruing thereon at the rate of 8% per annum, subject to change by the Board of Directors. The total accrued liability as of December 31, 2009 and 2008 was $0 and $204,000, respectively, relating to these directors deferred compensation agreements. During 2009, an amendment to two of the plans allowed for the complete payout of the plans on January 2, 2009 at the then deferred amount of $191,000. Final payment was made on January 2, 2009 in the amount of $13,000 to another former Director, which payment completed all payouts of these plans.

During 2003, the directors were given the option of receiving or deferring their directors fees under a non-qualified deferred compensation plan which allows the director to defer such fees until the year following the expiration of the directors term. Payments are then made over specified terms under these arrangements up to a ten-year period. Interest is to accrue on these deferred fees at a 5-year certificate of deposit rate, which was 4.62% in 2008. The certificate of deposit rate will reset in January 2013. Three directors have elected to participate in this program and the total accrued liability as of December 31, 2009 and 2008 was $243,000, and $232,000, respectively.

Total directors fees, including amounts currently paid for the years ended December 31, 2009, 2008 and 2007 were $284,000, $244,000 and $188,000, respectively.

During 2008, the directors were given the option of receiving or deferring their directors fees under a non-qualified deferred compensation plan with the same features as the above plan. The interest rate that will be paid beginning with the January 2009 director pay, is 4% for a 5-year period and will reset in January 2014. Two directors elected to participate in this plan for 2009. Total accrued liability as of December 31, 2009 and 2008 was $33,000 and $0. The same two directors have elected to participate in this plan for 2010.

Officers

In 1992, the Bank entered into agreements with two executive officers to establish non-qualified deferred compensation plans. Each officer deferred compensation in order to participate in this deferred compensation plan. If the officer continued to serve as an officer of the Bank until he attained 65 years of age, the Bank agreed to pay him 120 guaranteed consecutive monthly payments commencing on the first day of the month following the officer s 65th birthday. Each officer s guaranteed monthly payment was based upon the future value of life insurance purchased with the compensation the officer has deferred. The Bank obtained life insurance (designating the Bank as the beneficiary) on the life of each participating officer in an amount which is intended to cover the Bank s obligations under this

deferred compensation plan, based upon certain actuarial assumptions. During 2002, the agreements with the two executive officers were modified. Under one agreement, the executive officer receives $225,000 payable monthly over a 10-year period commencing in February 2003. Under another agreement, another executive officer receives $175,000 payable monthly over a 10-year period commencing in April 2003. This second agreement also provided post-employment health care benefits to the executive officer until the attainment of age 65. As of December 31, 2009 and 2008, the net cash value of insurance

policies was $464,000 and $438,000, respectively, and the total accrued liability, equal to the present value of these obligations, was $117,000 and $150,000, respectively, relating to these executive officers deferred compensation plans.

In April 2003, the Bank entered into non-qualified deferred compensation agreements with three officers to provide supplemental retirement benefits commencing with the executive s retirement and ending 15 years thereafter. One participant began payout during 2009 with amount received being $8,000 during 2009 and $20,000 each year thereafter. The deferred compensation expense related to these agreements for the years ended December 31, 2009, 2008 and 2007 was $113,000, $119,000 and $110,000 respectively, and the total accrued liability as of December 31, 2008 and 2007 was $658,000 and $553,000, respectively.

In 2009, the Bank entered into a non-qualified deferred compensation agreement with one senior officer to provide supplemental retirement benefits commencing with the executive s retirement and ending 15 years thereafter. The deferred compensation expense related to this agreement for the year ended December 31, 2009 was $12,000 and the total accrued liability as of December 31, 2009 was $12,000.

The Bank entered into agreements to provide post-retirement benefits to employees in the form of life insurance payable to the employee s estate upon their death through endorsement split dollar life insurance arrangements. The Corporation adopted the guidance in FASB ASC 715-60-35 Compensation Retirement Benefits Post Retirement effective January 1, 2007 to recognize the liability for future benefits in the amount of $12,000. The post- retirement benefit expense related to these split dollar arrangements amounted to $23,000 and $72,000 for the years ended December 31, 2009 and 2008. The total accrued liability for the split dollar post retirement benefits amounted to $166,000 and $297,000 for the years ended December 31, 2009 and 2008, respectively.

Total deferred compensation and split dollar post retirement benefit expense for current and retired officers for the years ended December 31, 2009, 2008 and 2007 was $155,000, $187,000 and $120,000, respectively, and the total accrued liability under the officers deferred compensation and split dollar post retirement plans as of December 31, 2009 and 2008 was $953,000 and $1,000,000, respectively.

14. LEASE COMMITMENTS AND CONTINGENCIES

The Corporation leases facilities and office equipment under operating leases expiring through 2016. Rental expense under operating leases totals approximately $149,000 in 2009, $78,000 in 2008 and $36,000 in 2007. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of 1 year as of December 31, 2009 are as follows:

(In Thousands)	
2010	$ 214
2011	272
2012	275
2013	121
2014	41
Thereafter	10
Total	$ 933

In 2008, the Corporation purchased the license to utilize banking software, and entered into contractual commitments to pay annual license fees associated with the software. The license fee was waived for the first year and future fees are payable based on the Bank s asset size. As part of the agreement, the second and third year license fees will be based on the Bank s asset size as of March 31, 2008. The Corporation estimates the annual fees for the years ended December 31, 2010 and 2011 will amount to $97,000 and $159,000, respectively.

15. ACQUISITION

On July 18, 2008, the Corporation completed its acquisition of Columbia Financial Corporation(CFC). Under the terms of the Agreement and Plan of Reorganization dated as of November 29, 2007, CFC merged with and into the Corporation; and the Corporations wholly-owned subsidiary, Columbia County Farmers National Bank merged

with and into the Bank. The Corporation acquired 100% of the outstanding shares of CFC for a total purchase price of $26,316,000. The transaction was accounted for in accordance with FASB ASC 805, Business Combinations (SFAS No. 141-Business Combinations). In connection therewith, the Corporation issued approximately 1,030,286 shares of its common stock and paid cash of approximately $3,000 in lieu of the issuance of fractional shares in exchange for all of the issued and outstanding shares of CFC common stock. Assets and liabilities of CFC are recorded at estimated fair values as of the acquisition date and the results of the acquired entity operations are included in

income from that date. The fair values of acquired assets and liabilities, including identified intangible assets, were finalized as quickly as possible following the acquisition. The CFC purchase price allocation is complete.

The following table shows the excess purchase price of the carrying value of net assets acquired, purchase price allocation and resulting goodwill recorded for this acquisition. Changes to the carrying amount of goodwill, premises and equipment and junior subordinate debentures, since the merger date, reflect additional information obtained about the fair value of the assets acquired and liabilities assumed.

(In Thousands)	
Purchase price	$ 26,316
Carrying value of net assets acquired	(17,855)
Excess of purchase price over carrying value of net assets acquired	8,461
Purchase accounting adjustments:	
Loans	30
Premises and equipment	853
Deposits	1,235
Severance and related costs	840
Deferred taxes	208
Subtotal	11,627
Core deposit intangibles	(3,690)
Goodwill	$ 7,937

The following table summarized the estimated fair value of net assets acquired:

(In Thousands)	
Assets	
Cash and cash equivalents	$ 5,157
Interest-bearing deposits in other banks	129
Federal funds sold	517
Investment securities	138,257
Loans, net of allowance for loan losses	160,724
Premises and equipment	6,492
Accrued interest receivable	1,534
Bank-owned life insurance	3,462
Investment in limited partnerships	919
Goodwill and other intangibles	11,627
Other assets	564
Total assets	$ 329,382
Liabilities	
Deposits	$ 264,692
Borrowings	31,883
Junior subordinate debentures	4,640
Accrued interest payable	764

Other liabilities	1,087
Total liabilities	$ 303,066
Fair value of net assets acquired	$ 26,316

The following unaudited pro forma consolidated financial information presents the combined results of operations of the Corporation as if the CFC acquisition had occurred as of the beginning of 2008 and 2007, respectively:

(In Thousands, Except Per Share Data)	For the Years Ended December 31, 2008	2007
Net interest income	$ 19,132	$ 18,047
Provision for loan losses	775	330
Net interest income after provision for loan losses	18,357	17,717
Non-interest income	4,739	4,137
Non-interest expense	16,923	16,181
Income before income tax provision	6,173	5,673
Income tax provision	1,743	1,297
Net income	$ 4,430	$ 4,376
Net income per common share	$ 1.97	$ 1.93
Average common shares outstanding	2,251,486	2,263,625

The pro forma results include amortization of fair value adjustments on loans, premises and equipment, deposits, and debt, and amortization of newly acquired intangibles. The proforma number of average shares outstanding includes adjustments for shares issued for the acquisitions but does not assume any incremental repurchases. The pro forma results presented do not reflect cost savings or revenue enhancements anticipated from the acquisition and are not necessarily indicative of what actually would have occurred if the acquisition had been completed as of the beginning of the periods presented, nor are they necessarily indicative of future consolidated results.

16. RELATED PARTY TRANSACTIONS

Certain directors and executive officers of the Corporation and the Bank, as well as companies in which they are principal owners (i.e., at least 10% ownership), were indebted to the Bank at December 31, 2009 and 2008. These loans were made on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. These loans did not present more than the normal risk of collectibility nor present other unfavorable features. A summary of the activity on these related party loans consisted of the following:

(In Thousands)	**Beginning Balance**	**Additions**	**Payments**	**Ending Balance**
2009	**$ 7,803**	**$ 1,441**	**$ (1,399)**	**$ 7,845**
2008	926	7,633	(756)	7,803

The above loans represent funds drawn and outstanding at the date of the accompanying consolidated financial statement. Commitments by the Bank to related parties on loan commitments and standby letters of credit for 2009 and 2008 presented an off-balance sheet risk to the extent of undisbursed funds in the amount of $3,139,000 and $2,696,000 respectively.

Deposits from certain officers and directors and/or their affiliated companies held by the Bank amounted to $3,756,000 and $9,745,000 at December 31, 2009 and 2008, respectively.

The total consolidated loans made by the bank at December 31, 2009, to its directors and executive officers as a group, members of their immediate families and companies in which they have a 10% or more ownership interest was $11,461,000 or approximately 17.7 percent of the Corporation s total consolidated capital accounts. This amount also represented the largest amount of all these loans in 2009. These loans did not involve more than the normal risk of collectability nor did they present other unfavorable features.

17. REGULATORY MATTERS

Dividends are paid by the Corporation to shareholders from its assets which are mainly provided by dividends from the Bank. However, national and state banking laws place certain restrictions on the amount of cash dividends allowed to be paid by the Bank to the Corporation. Generally, the Bank may not make dividends to the Corporation, if such payments would reduce the Bank s surplus to an amount below that of the Bank s capital. Accordingly, in 2010, the Bank may declare dividends to the Corporation in

the amount of $18,517,000. In addition, federal bank regulatory authorities have authority to prohibit the Bank from engaging in an unsafe or unsound practice in conducting its business. Depending upon the financial condition of the bank in question, the payment of dividends could be deemed to constitute an unsafe or unsound practice. The ability of the Bank to pay dividends in the future is currently influenced, and could be further influenced, by bank regulatory policies and capital guidelines. Accordingly, in 2010, without prior federal regulatory approval, the Corporation may declare dividends to Shareholders in the amount of the net income available to shareholders for the past four quarters, net of dividends paid during that period. As of December 31, 2009, the amount available for payment of dividends, without prior federal regulatory approval, was $3,559,000. Regulations also limit the amount of loans and advances from the Bank to the Corporation to 10% of total capital.

The Corporation is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation s consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation must meet specific capital guidelines that involve quantitative measures of the Corporation s assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Corporation s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier I Capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I Capital (as defined) to average assets (as defined). Management believes, as of December 31, 2009 and 2008, that the Corporation and the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2009, the Bank was categorized as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table.

The following table reflects the Corporation s actual consolidated capital amounts and ratios at December 31:

	2009		2008	
(In Thousands)	**Amount**	**Ratio**	Amount	Ratio
Total Capital				
(to Risk-weighted Assets)				
Actual	**$ 60,322**	**17.6%**	$ 55,851	16.5%
For Capital Adequacy Purposes	**27,394**	**8.0**	27,112	8.0
To Be Well-Capitalized	**34,243**	**10.0**	33,890	10.0
Tier I Capital				
(to Risk-weighted Assets)				
Actual	**$ 56,102**	**16.4%**	$ 52,083	15.4%
For Capital Adequacy Purposes	**13,697**	**4.0**	13,556	4.0
To Be Well-Capitalized	**20,546**	**6.0**	20,334	6.0
Tier I Capital				
(to Average Assets)				
Actual	**$ 56,102**	**9.8%**	$ 52,083	9.3%
For Capital Adequacy Purposes	**22,861**	**4.0**	22,476	4.0
To Be Well-Capitalized	**28,577**	**5.0**	28,095	5.0

The Corporation s capital ratios are not materially different from those of the Bank.

18. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of

involvement the Corporation has in particular classes of financial instruments. The Corporation does not engage in trading activities with respect to any of its financial instruments with off-balance sheet risk.

The Corporation may require collateral or other security to support financial instruments with off-balance sheet credit risk. The contract or notional amounts at December 31, 2009 and 2008 were as follows:

(In Thousands)	**2009**	2008
Financial instruments whose contract amounts repsresent credit risk:		
Commitments to extend credit	**$ 71,868**	$ 68,412
Standby letters of credit	**3,393**	3,064
Dealer floor plans	**932**	1,129
Loans held for sale	**267**	72

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management s credit evaluation of the counter-party. Collateral held varies but may include accounts receivable, inventory, property, plant, equipment and income-producing commercial properties.

Standby letters of credit and commercial letters of credit are conditional commitments issued by the Corporation to guarantee payment to a third party when a customer either fails to repay an obligation or fails to perform some non-financial obligation. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Corporation holds collateral supporting those commitments for which collateral is deemed necessary. The extent of collateral held for those commitments at December 31, 2009 varied from 0 percent to 100 percent. The average amount collateralized was 74.5 percent.

The Corporation s exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit is represented by the contractual notional amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations, as it does for on-balance sheet instruments.

The Corporation granted commercial, consumer and residential loans to customers primarily within Pennsylvania. Of the total loan portfolio, 80.8% was for real estate loans, principally residential. It was the opinion of management that this high concentration did not pose an adverse credit risk. Further, it is management s opinion that the remainder of the loan portfolio was balanced and diversified to the extent necessary to avoid any significant concentration of credit.

19. FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Corporation adopted FASB ASC 820-10 (SFAS No. 157), which, among other things, requires enhanced disclosures about assets and liabilities carried at fair value. FASB ASC 820-10 establishes a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The standard describes three levels of inputs that may be used to measure fair values:

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

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

Level III: Assets and liabilities that have little or no pricing observability as of the reported date. These items do not have two-way markets and are measured using management s best estimate of fair value, where the

inputs into determination of fair value require significant management judgment or estimation.

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The following table presents the assets reported on the consolidated statements of financial condition at their fair value as of December 31, 2009 and 2008 by level within the fair value hierarchy. As required by FASB ASC 820-10, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	December 31, 2009			
(In Thousands)	**Level I**	**Level II**	**Level III**	**Total**
Assets Measured on a Recurring Basis:				
Investment Securities, available-for-sale	**$ 1,697**	**$ 218,569**	**$**	**$ 220,266**

	December 31, 2008			
(In Thousands)	Level I	Level II	Level III	Total
Assets Measured on a Recurring Basis:				
Investment Securities, available-for-sale	$ 2,293	$ 192,120	$	$ 194,413

At December 31, 2009 and 2008, investments measured at fair value on a recurring basis and the valuation methods used are as follows:

	December 31, 2009			
(In Thousands)	**Level I**	**Level II**	**Level III**	**Total**
Available for sale securities				
Obligation of US Government Agencies				
Mortgage-backed	**$**	**$ 138,856**	**$**	**$ 138,856**
Other		**68,339**		**68,339**
Obligations of state and political subdivisions		**11,374**		**11,374**
Equity securities	**1,697**			**1,697**
	$ 1,697	**$ 218,569**	**$**	**$ 220,266**

	December 31, 2008			
(In Thousands)	Level I	Level II	Level III	Total
Available for sale securities				
Obligation of US Government Agencies				
Mortgage-backed	$	$ 118,046	$	$ 118,046
Other		64,080		64,080
Obligations of state and political subdivisions		9,994		9,994
Equity securities	2,293			2,293
	$ 2,293	$ 192,120	$	$ 194,413

The estimated fair values of equity securities classified as Level I are derived from quoted market prices in active markets; these assets consists mainly of stocks held in other banks. The estimated fair values of all debt securities classified as Level II are obtained from nationally-recognized third-party pricing agencies. The estimated fair values are derived primarily from cash flow models, which include assumptions for interest rates, credit losses, and prepayment speeds. The significant inputs utilized in the cash flow models are based on market data obtained

from sources independent of the Corporation (observable inputs), and are therefore classified as Level II within the fair value hierarchy.

The following table presents the assets reported on the consolidated statements of financial condition at their fair value on a non-recurring basis as of December 31, 2009 and 2008 by level within the fair value hierarchy. As required by FASB ASC 820-10, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

(In Thousands)	**Level I**	**Level II**	**Level III**	**Total**
	December 31, 2009			
Assets Measured on a Non-recurring Basis:				
Impaired Loans	**$**	**$ 4,839**	**$**	**$ 4,839**
Loans Held for Sale		**72**		**72**
Mortgage Servicing Rights		**344**		**344**
Other Real Estate Owned		**29**		**29**
	$	**$ 5,284**	**$**	**$ 5,284**

(In Thousands)	Level I	Level II	Level III	Total
	December 31, 2008			
Assets Measured on a Non-recurring Basis:				
Impaired Loans	$	$ 4,453	$	$ 4,453
Loans Held for Sale		267		267
Mortgage Servicing Rights		206		206
Other Real Estate Owned		373		373
	$	$ 5,299	$	$ 5,299

20. ESTIMATED FAIR VALUES OF FINANCIAL INSTRUMENTS

The Corporation is required to disclose estimated fair values for its financial instruments. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Fair value estimates derived through these techniques cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. FASB ASC 825-10 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation.

At December 31, 2009 and 2008, the carrying values and estimated fair values of financial instruments are presented in the table below:

	2009		2008	
(In Thousands)	**Carrying Amount**	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Financial Assets:				
Cash and short-term instruments	**$ 11,459**	**$ 11,459**	$ 15,485	$ 15,485
Investment securities	**220,266**	**220,266**	194,413	194,413
Restricted securities	**2,984**	**2,984**	2,167	2,167
Loans, net	**326,279**	**329,726**	316,310	317,203
Cash surrender value of bank owned life insurance	**11,440**	**11,440**	10,943	10,943
Accrued interest receivable	**2,043**	**2,043**	2,388	2,388

Financial Liabilities:				
Interest- bearing deposits	**406,554**	**410,168**	381,849	384,105
Noninterest- bearing deposits	**55,734**	**55,734**	52,460	52,460
Short-term borrowings	**51,997**	**51,997**	55,462	55,462
Long-term borrowings	**15,128**	**15,375**	9,133	9,452
Junior subordinate debentures	**4,640**	**4,640**	4,640	4,640
Accrued interest payable	**859**	**859**	1,075	1,075
Off-Balance Sheet Assets (Liabilities):				
Commitments to extend credit		**$ 71,868**		$ 68,412
Standby letters of credit		**3,393**		3,064
Dealer floor plans		**932**		1,129

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments:

CASH AND OTHER SHORT-TERM INSTRUMENTS

Cash and due from banks, interest bearing deposits with other banks, and Federal Funds sold had carrying values which were a reasonable estimate of fair value. Accordingly, fair values regarding these instruments were provided by reference to carrying values reflected on the consolidated balance sheets.

INVESTMENT SECURITIES

The fair value of investment securities which included mortgage backed securities were estimated based on bid prices published in financial newspapers or bid quotations received from securities dealers.

RESTRICTED SECURITIES

The carrying value of regulatory stock approximates fair value based on applicable redemption provisions.

LOANS

Fair values were estimated for categories of loans with similar financial characteristics. Loans were segregated by type such as commercial, tax-exempt, real estate mortgages and consumer. For estimation purposes, each loan category was further segmented into fixed and adjustable rate interest terms and also into performing and non-performing classifications.

The fair value of each category of performing loans was calculated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Fair value for non-performing loans was based on management s estimate of future cash flows discounted using a rate commensurate with the risk associated with the estimated future cash flows. The assumptions used by management were judgmentally determined using specific borrower information.

CASH SURRENDER VALUE OF BANK OWNED LIFE INSURANCE

The fair values are equal to the current carrying value.

ACCRUED INTEREST RECEIVABLE AND PAYABLE

The fair values are equal to the current carrying value.

DEPOSITS

The fair value of deposits with no stated maturity, such as Demand Deposits, Savings Accounts, and Money Market Accounts, was equal to the amount payable on demand at December 31, 2009 and 2008.

Fair values for fixed rate Certificates of Deposit were estimated using a discounted cash flow calculation that applied interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

SHORT-TERM BORROWINGS

The carrying amounts of federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings approximated their fair values.

LONG-TERM BORROWINGS

The fair values of long-term borrowings, other than capitalized leases, are estimated using discounted cash flow analyses based on the Corporation s incremental borrowing rate for similar instruments. The carrying amounts of capitalized leases approximated their fair values, because the incremental borrowing rate used in the carrying amount calculation was at the market rate.

COMMITMENTS TO EXTEND CREDIT AND STANDBY LETTERS OF CREDIT

Management estimated that there were no material differences between the notional amount and the estimated fair value of those off-balance sheet items, because they were primarily composed of unfunded loan commitments which were generally priced at market value at the time of funding.

21. PARENT COMPANY FINANCIAL INFORMATION

Condensed financial information for CCFNB Bancorp, Inc. (Parent Company only) was as follows:

BALANCE SHEETS

	December 31,		
	2009	2008	2007
Assets			
Cash	**$ 793**	$ 524	$ 131
Investment in subsidiary	**65,927**	61,568	30,091
Investment in other equity securities	**1,697**	2,292	1,037
Prepayments and other assets	**1,226**	942	402
Receivable from subsidiary	**109**	200	
Total Assets	**$ 69,752**	$ 65,526	$ 31,661
Liabilities and Stockholders Equity			
Junior subordinate debentures	**$ 4,640**	4,640	
Accrued expenses and other liabilities	**26**	$ 111	$ 15
Payable to subsidiary			19
Total Liabilities	**4,666**	4,751	34
Stockholders Equity			
Common stock	**2,838**	2,816	1,533
Surplus	**27,539**	27,173	2,271
Retained earnings	**32,723**	29,164	27,679
Accumulated other comprehensive income	**2,523**	1,622	144
Treasury stock	**(537)**		
Total Stockholders Equity	**65,086**	60,775	31,627
Total Liabilities and Stockholders Equity	**$ 69,752**	$ 65,526	$ 31,661

STATEMENTS OF INCOME

	Years Ended December 31,		
	2009	2008	2007
Income			
Dividends from subsidiary bank	**$ 2,818**	$ 2,359	$ 1,534
Dividends other	**55**	81	46
Securities losses, net	**(383)**	(431)	
Interest			1
Total Income	**2,490**	2,009	1,581
Operating expenses	**245**	202	89
Income Before Taxes and Equity in Undistributed			

Net Income of Subsidiary and Insurance Agency	**2,245**	1,807	1,492
Applicable income tax benefit	**(204)**	(206)	(21)
Income Before Equity in Undistributed Net Income of Subsidiary and Equity in Income from Insurance Agency	**2,449**	2,013	1,513
Equity in undistributed income of subsidiary	**3,414**	1,059	1,122
Equity in income from investment in insurance agency	**14**	6	12
Net Income	**$ 5,877**	$ 3,078	$ 2,647

STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2009	2008	2007
Operating Activities:			
Net income	**$ 5,877**	$ 3,078	$ 2,647
Adjustments to reconcile net income to net cash provided by operating activities:			
Securities losses (gains)	**314**	(6)	
Impairment losson securites	**69**	437	
Equity in undistributed net income of subsidiary	**(3,414)**	(1,059)	(1,122)
Increase in amounts due from subsidiary	**(44)**	(219)	
Decrease in income taxes and accrued expenses payable	**(230)**	(263)	(124)
Net Cash Provided By Operating Activities	**2,572**	1,968	1,401
Investing Activities:			
Purchase of equity securities		(153)	
Acquisition of bank cash		251	
Proceeds from sale of equity securities	**164**	51	
Net Cash Provided By Investing Activities	**164**	149	
Financing Activities:			
Acquisition of treasury stock	**(537)**	(398)	(658)
Proceeds from issuance of common stock	**388**	267	236
Cash dividends	**(2,318)**	(1,593)	(1,010)
Net Cash Used In Financing Activities	**(2,467)**	(1,724)	(1,432)
Increase (Decrease) in Cash and Cash Equivalents	**269**	393	(31)
Cash and Cash Equivalents at Beginning of Year	**524**	131	162
Cash and Cash Equivalents at End of Year	**$ 793**	$ 524	$ 131

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of CCFNB Bancorp, Inc.

We have audited the accompanying consolidated balance sheets of CCFNB Bancorp, Inc. and Subsidiary as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders equity, and cash flows for each of the years in the three-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Corporation s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Corporation is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CCFNB Bancorp, Inc. and Subsidiary as of December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

/s/ J. H. Williams & Co., LLP

J. H. Williams & Co., LLP

Kingston, Pennsylvania

March 9, 2010

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A(T). Controls and Procedures

(a) Disclosure Controls and Internal Controls.

Disclosure Controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 (Exchange Act), such as this report, is recorded, processed, summarized and reported within the time periods specified in the Commission s rules. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the CEO and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We have created a disclosure committee. The committee consists of nine key management personnel. The purpose of the committee is to verify that all internal controls and procedures are in place in each area of authority. Whistle-Blowing procedures have been put in place and communicated to all directors and employees. The disclosure committee meets quarterly.

We design Internal Control procedures with the objective of providing reasonable assurance that: (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported, all to permit the preparation of our financial statements in conformity with generally accepted accounting principals**.**

Limitations on the Effectiveness of Controls. Our management, including the CEO and Chief Financial Officer ,does not expect that our Disclosure Controls or our Internal Controls will prevent all error or all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits or controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Corporation and the Bank have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control system may become inadequate because of changes in conditions, or the degree of compliance with the policies and procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Scope of the Controls Evaluation. The CEO and Chief Financial Officer evaluation of our Disclosure Controls and Internal Controls included a review of such controls objectives and design, such control s implementation by us and the Bank and the effect of these controls on the information generated for use in this report. In the course of the Controls Evaluation, we sought to identify data errors, controls problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken. This type of evaluation will be done on a quarterly basis so that the conclusions concerning controls effectiveness can be reported in our Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. Our Internal Controls are also evaluated on an ongoing basis by our internal auditors, by other personnel in the Bank and by our external independent auditors in connection with their audit and review activities. The overall goals of these various evaluation activities are to monitor our Disclosure Controls and Internal Controls and to make modifications as necessary. Our intent in this regard is that the Disclosure Controls and Internal Controls will be maintained as dynamic systems that change (including with improvements and corrections) as conditions warrant.

Among other matters, we sought in our evaluation to determine whether there were any significant deficiencies or material weaknesses in our and the Bank s Internal Controls, or whether we had identified any acts of fraud involving personnel who have a significant role in our and the Bank s Internal Controls. This information was important both for the Controls Evaluation generally and because items 5 and 6 in the Section 302 Certifications of the CEO and Chief

Financial Officer require that the CEO and Chief Financial Officer disclose that information to our Board s Audit Committee and to our independent auditors and to report on related matters in this section of our Annual Report. In the professional auditing literature, significant deficiencies are referred to as reportable conditions . These are control issues that could have a significant adverse effect on the ability to record, process, summarize and report financial data in the financial statements. A material weakness is defined in the auditing literature as a

particularly serious reportable condition where the internal control does not reduce to a relatively low level the risk that misstatements caused by error or fraud may occur in amounts that would be material in relation to the financial statements and not be detected within a timely period by employees in the normal course of performing their assigned functions. In addition, we sought to deal with other controls matters in the Controls Evaluation, and in each case if a problem was identified, we considered what revision, improvement or correction to make in accord with our on-going procedures.

In accord with Commission requirements, the CEO and Chief Financial Officer note that, as of December 31, 2009, there have been no significant changes in Internal Controls or in other factors that could significantly affect Internal Controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

Conclusions. The Corporation s management, including the Corporation s chief executive officer and chief financial officer, have evaluated the effectiveness of the Corporation s disclosure controls and procedures, as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (Exchange Act). Based upon their evaluation, the chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, the Corporation s disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Corporation files or submits under the Exchange Act with Commission s is recorded, processed, summarized and reported within the time periods specified in the Commission s rules and forms, and is accumulated and communicated to the Corporation s management, including its chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) Management s Report on Internal Control Over Financial Reporting

Management of the Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. The Corporation s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a significant deficiency (as defined in Public Company Accounting Oversight Board Auditing Standard No. 2), or a combination of significant deficiencies, that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis by management or employees in the normal course of performing their assigned functions.

Management assessed the effectiveness of the Corporation s internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, management believes that, as of December 31, 2009, the Corporation s internal control over financial reporting was effective.

This annual report does not include an attestation report of the Corporation s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Corporation s registered public accounting firm pursuant to temporary rules of the Commission that permit the Corporation to provide only management s report in this annual report.

/s/ Lance O. Diehl
President
Chief Executive Officer
Date: March 9, 2010

/s/ Jeffrey T. Arnold
Chief Financial Officer and Treasurer

Date: March 9, 2010

(c) Changes to Internal Control Over Financial Reporting

There were no changes in the Corporation s internal control over financial reporting during the three months ended December 31, 2009 that have materially impacted, or are reasonably likely to material affect, the Corporation s internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors

For information relating to the directors of the Corporation, the section captioned Board of Directors in the Corporation s Proxy Statement for the 2010 Annual Meeting of Stockholders is incorporated by reference.

Executive Officers

For information relating to officers of the Corporation, the section captioned Executive Compensation in the Corporation s Proxy Statement for the 2010 Annual meeting of Stockholders is incorporated by reference.

Compliance with Section 16(a) of the Exchange Act

For information regarding compliance with Section 16(a) of the Exchange Act, the section captioned Stock Ownership in the Corporation s Proxy Statement for the 2010 Annual Meeting of Stockholders is incorporated by reference.

Disclosure of Code of Ethics

The Corporation has adopted a Code of Ethics that applies to directors, officers, and employees of the Corporation and the Bank. A copy of the Code of Ethics is posted on the Corporation s website at www.firstcolumbiabank.com. Copies of the Code of Ethics may be obtained without charge by writing to CCFNB Bancorp, Inc., 232 East Street, Bloomsburg, PA 17815; Attn: Mr. Jeffrey T. Arnold, CFO and Treasurer. The Corporation intends to satisfy the disclosure requirements under Item 10 of Form 8-K regarding an amendment to, or a waiver from, a provision of its Code of Ethics by posting such information on its website.

Corporate Governance

For information regarding the nominating and audit committees, the sections captioned Corporate Governance , Board of Directors and Audit Committee Report , in the Corporation s Proxy Statement for the 2010 Annual Meeting of Stockholders are incorporated by reference.

Item 11. Executive Compensation

For information regarding executive compensation, the section captioned Executive Compensation in the Corporation s Proxy Statement for the 2010 Annual meeting of Stockholders is incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Security Ownership of Certain Beneficial Owners Information required by this item is incorporated herein by reference to the section captioned Stock Ownership in the Corporation s Proxy Statement for the 2010 Annual Meeting of Stockholders.

Security Ownership of Management Information required by this item is incorporated herein by reference to the section captioned Stock Ownership in the Corporation s Proxy Statement for the 2010 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions, Director Independence

Certain Relationships and Related Transactions

For information relating to transactions with related persons, the section captioned Executive Compensation in the Corporation s Proxy Statement for the 2010 Annual Meeting of Stockholders is incorporated herein by reference.

Director Independence

For information regarding director independence, the section captioned Corporate Governance in the Corporation s Proxy Statement for the 2010 Annual Meeting of Stockholders is incorporated by reference.

14. Principal Accounting Fees and Services

For information regarding the principal accounting fees and expenses, the section captioned Independent Registered Public Accounting Firm in the Corporation s Proxy Statement for the 2010 Annual Meeting of Stockholders is incorporated by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. The following financial statements are incorporated by reference in Item 8:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheet as of December 31, 2009 and 2008
Consolidated Statement of Income for the Years Ended December 31, 2009, 2008 and 2007
Consolidated Statement of Changes in Stockholders Equity for the Years Ended December 31, 2009, 2008 and 2007
Consolidated Statement of Cash Flows for the Years Ended December 31, 2009, 2008 and 2007
Notes to Consolidated Financial Statements

2. All financial statement schedules are omitted because the required information is either not applicable, not required or is shown in the respective financial statement or in the notes thereto, which are incorporated by reference at subsection (a) (1) of this item.

3. The following exhibits are filed herewith, or, as indicated, incorporated by reference as a part of this report.

3.1	Amended and Restated Articles of Incorporation (1)
3.2	Amended Bylaws
10.1	Executive Employment Agreement of Lance O. Diehl (2)
10.2	Executive Employment Agreement of Edwin A. Wenner (3)
10.3	Form of Deferred Director Fees Agreement (4)
10.4	Supplemental Executive Retirement Plan Agreement and Amendment for Lance O. Diehl (5))
10.5	Supplemental Executive Retirement Plan Agreement and Amendment for Edwin A. Wenner (6)
10.6	Supplemental Executive Retirement Plan Agreement for Paul Page (7)
10.7	Executive Employment Agreement for Paul Page (8)
21	List of Subsidiaries of the Corporation
23	Consent of Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer

(1) Incorporated by reference to Exhibit 1 to Registrant s Current Report on Form 8-K, dated May 9, 2005, filed with the commission on May 10, 2005.

(2) Incorporated by reference to

Exhibit 10.6 to Registrant s Registration Statement on Form S-4 filed with the Commission on March 27, 2008.

(3) Incorporated by reference to Exhibit 10.7 to Registrant s Registration Statement on Form S-4 filed with the Commission on March 27, 2008.

(4) Incorporated by reference to Exhibit 10.3 to Registrant s Current Report on Form 8-K, dated December 14, 2004, filed with the Commission on December 15, 2004.

(5) Incorporated by reference to Exhibit 10.4 to Registrant s Current Report on Form 8-K, dated December 14, 2004, filed with the Commission on December 15, 2004.

(6) Incorporated by reference to Exhibit 10.5 to

Registrant s Current Report on Form 8-K, dated December 14, 2004, filed with the Commission on December 15, 2004.

(7) Incorporated by reference to Exhibit 1 to Registrant s Current Report on Form 8-K, dated May 27, 2009, filed with the Commission on May 28, 2009.
(8) Incorporated by reference to Exhibit 10.9 to Registrant s Registration Statement on Form S-4 filed with the Commission on March 27, 2008.

(b) See item 15(a)(3)
(c) None.

SIGNATURES

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

CCFNB BANCORP, INC.
(Registrant)

By: /s/ Lance O. Diehl Date: March 9, 2010

Lance O. Diehl
President and Chief Executive 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.

By: /s/ Robert W. Brewington, Jr. Date: March 9, 2010

Robert W. Brewington, Jr.
Director

By: /s/ Edward L. Campbell Date: March 9, 2010

Edward L. Campbell.
Director

By: /s/ Lance O. Diehl Date: March 9, 2010

Lance O. Diehl

President, Chief Executive Officer and
Director
(Principal Executive Officer)

By: /s/ Robert W. Dillon Date: March 9, 2010

Robert W. Dillon
Director

By: /s/ Frank D. Gehrig Date: March 9, 2010

Frank D. Gehrig
Director

By: /s/ William F. Gittler Date: March 9, 2010

William F. Gittler
Director

By: /s/ Glenn E. Halterman Date: March 9, 2010

Glenn E. Halterman
Director, Chairman of the Board

By: /s/ Elwood R. Harding, Jr. Date: March 9, 2010

Elwood R. Harding, Jr.
Director

By: /s/ Joanne I. Keenan Date: March 9, 2010

Joanne I. Keenan
Director

By: /s/ Willard H. Kile, Jr. Date: March 9, 2010

Willard H. Kile, Jr.
Director

By: /s/ W. Bruce McMichael, Jr. Date: March 9, 2010

W. Bruce McMichael, Jr.
Director

By: /s/ Mary Ann B. Naugle Date: March 9, 2010

Mary Ann B. Naugle
Director

By: /s/ Andrew B. Pruden Date: March 9, 2010

Andrew B. Pruden
Director

By: /s/ Charles B. Pursel Date: March 9, 2010

Charles B. Pursel
Director

By: /s/ Paul E. Reichart Date: March 9, 2010

Paul E. Reichart
Director, Vice Chairman of the Board

By: /s/ Steven H. Shannon Date: March 9, 2010

Steven H. Shannon
Director

By: /s/ Jeffrey T. Arnold Date: March 9, 2010

Jeffrey T. Arnold
Chief Financial Officer and Treasurer
(Principal Financial Officer)
(Principal Accounting Officer)

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