Phoenix Bancorp, Inc.

Consolidated Financial Statements
December 31, 2010

Phoenix Bancorp, Inc. and Subsidiary

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Independent Auditor's Report
on the Financial Statements

To the Board of Directors and Shareholders
Phoenix Bancorp, Inc. and Subsidiary
Minersville, Pennsylvania

We have audited the accompanying consolidated balance sheet of Phoenix Bancorp, Inc. and Subsidiary (the "Company") as of December 31, 2010, and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Phoenix Bancorp, Inc. and Subsidiary as of and for the year ended December 31, 2009 were audited by other auditors, whose report dated March 5, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Phoenix Bancorp, Inc. and Subsidiary as of December 31, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Blue Bell, Pennsylvania
March 4, 2011

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Phoenix Bancorp, Inc. and Subsidiary

Consolidated Balance Sheets
December 31, 2010 and 2009

		2010		2009
Assets				
Cash and Due from Banks	**$**	**2,444,000**	$	2,168,000
Interest-Bearing Deposits with Other Banks		**226,000**		2,000
Federal Funds Sold		**1,800,000**		2,992,000
Cash and cash equivalents		**4,470,000**		5,162,000
Certificates of Deposit		**979,000**		100,000
Securities Held-to-Maturity, at amortized cost (fair value $4,966,000 and $1,508,000 as of December 31, 2010 and 2009, respectively)		**5,066,000**		1,500,000
Securities Available-for-Sale, at fair value		**9,439,000**		12,487,000
Restricted Stock, at cost		**363,000**		12,000
Loans Receivable (net of allowance for loan losses of $1,059,000 and $857,000 as of December 31, 2010 and 2009, respectively)		**91,065,000**		84,558,000
Accrued Interest Receivable		**324,000**		330,000
Premises and Equipment, net		**2,320,000**		2,218,000
Intangible Assets, net		**181,000**		261,000
Goodwill		**689,000**		689,000
Bank Owned Life Insurance		**2,072,000**		-
Prepaid FDIC Assessment		**433,000**		539,000
Other Assets		**281,000**		406,000
	$	**117,682,000**	$	108,262,000
Liabilities and Shareholders' Equity				
Liabilities				
Demand deposits	**$**	**19,713,000**	$	22,094,000
Savings and NOW deposits		**41,986,000**		31,042,000
Time deposits		**41,832,000**		45,407,000
Total deposits		**103,531,000**		98,543,000
Borrowings		**3,000,000**		-
Accrued interest payable		**107,000**		133,000
Other liabilities		**420,000**		272,000
Total liabilities		**107,058,000**		98,948,000
Commitments and Contingencies (Notes 6 and 14)				
Shareholders' Equity				
Common stock, $10 par value; 1,000,000 shares authorized; 30,942 shares issued and outstanding at December 31, 2010 and 27,500 shares issued and outstanding at December 31, 2009		**309,000**		275,000
Additional paid-in capital		**4,791,000**		3,727,000
Retained earnings		**7,439,000**		7,093,000
Treasury stock, 7,558 shares at cost		**(1,953,000)**		(1,953,000)
Accumulated other comprehensive income		**38,000**		172,000
		10,624,000		9,314,000
	$	**117,682,000**	$	108,262,000

See Notes to Consolidated Financial Statements.

Phoenix Bancorp, Inc. and Subsidiaries

Consolidated Statements of Operations
Years Ended December 31, 2010 and 2009

	2010	2009
Interest income		
Loans	**$ 5,017,000**	$ 4,668,000
Trading securities	**-**	6,000
Securities held-to-maturity	**45,000**	40,000
Securities available-for-sale	**358,000**	531,000
Federal funds sold and certificates of deposit	**17,000**	11,000
Total interest income	**5,437,000**	5,256,000
Interest expense		
Savings and NOW deposits	**226,000**	191,000
Time deposits	**928,000**	1,236,000
Borrowings	**12,000**	-
Total interest expense	**1,166,000**	1,427,000
Net interest income	**4,271,000**	3,829,000
Provision for loan losses	**312,000**	767,000
Net interest income after provision for loan losses	**3,959,000**	3,062,000
Noninterest income		
Service charges and fees on deposits	**492,000**	561,000
Other income	**109,000**	18,000
Loss on sale of premises and equipment	**(1,000)**	(18,000)
Loss on sale of foreclosed assets	**-**	(5,000)
Gains on securities available-for-sale	**150,000**	-
Total noninterest income	**750,000**	556,000
Noninterest expenses		
Salaries and employee benefits	**2,222,000**	2,095,000
Occupancy expense	**434,000**	450,000
FDIC assessments	**188,000**	153,000
Other assessments and taxes	**116,000**	117,000
Amortization of intangible assets	**80,000**	80,000
Director fees	**95,000**	95,000
Professional fees	**187,000**	254,000
Data processing	**321,000**	324,000
Office supplies	**70,000**	77,000
Postage and courier	**50,000**	55,000
Telephone	**39,000**	37,000
Other expenses	**201,000**	282,000
Total noninterest expenses	**4,003,000**	4,019,000
Income (loss) before provision (benefit) for income taxes	**706,000**	(401,000)
Provision (benefit) for income taxes	**183,000**	(198,000)
Net income (loss)	**$ 523,000**	$ (203,000)
Earnings (loss) per share	**$ 22.58**	$ (10.15)
Weighted average shares outstanding	**$ 23,157**	$ 19,942

See Notes to Consolidated Financial Statements.

Phoenix Bancorp, Inc. and Subsidiary

Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2010 and 2009

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Shareholders' Equity
Balance, January 1, 2009	$ 275,000	$ 3,727,000	$ 7,405,000	$ 157,000	$ (1,953,000)	$ 9,611,000
Cash dividends paid - $5.50 per share	-	-	(109,000)	-	-	(109,000)
Comprehensive loss:						
Net loss - 2009	-	-	(203,000)	-	-	(203,000)
Other comprehensive income						
Change in net unrealized gains on securities available-for-sale, net of re-classification adjustment and tax effect	-	-	-	15,000	-	15,000
Total comprehensive loss	-	-	-	-	-	(188,000)
Balance, December 31, 2009	275,000	3,727,000	7,093,000	172,000	(1,953,000)	9,314,000
Cash dividends paid - $7.80 per share	-	-	(177,000)	-	-	(177,000)
Issuance of common stock, 3,442 shares at $325 per share, net of offering costs of $20,000	34,000	1,064,000	-	-	-	1,098,000
Comprehensive income:						
Net income - 2010	-	-	523,000	-	-	523,000
Other comprehensive income						
Change in net unrealized gains on securities available-for-sale, net of re-classification adjustment and tax effect	-	-	-	(134,000)	-	(134,000)
Total comprehensive income	-	-	-	-	-	389,000
Balance, December 31, 2010	$ 309,000	$ 4,791,000	$ 7,439,000	$ 38,000	$ (1,953,000)	$ 10,624,000

See Notes to Consolidated Financial Statements.

Phoenix Bancorp, Inc. and Subsidiary

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

	2010	2009
Cash Flows from Operating Activities		
Net income (loss)	**$ 523,000**	$ (203,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	**221,000**	199,000
Net amortization (accretion) of premiums and discounts on investment securities	**31,000**	(4,000)
Provision for loan losses	**312,000**	767,000
Amortization of intangible assets	**80,000**	80,000
Loss on sale of premises and equipment	**1,000**	18,000
Gains on securities available-for-sale	**(150,000)**	-
Loss on sale of foreclosed assets	**-**	5,000
Earnings on Bank owned life insurance	**(72,000)**	-
Decrease (increase) in deferred income taxes	**52,000**	(213,000)
Proceeds from maturities of trading securities	**-**	5,994,000
Purchases of trading securities	**-**	(3,997,000)
Changes in:		
Accrued interest receivable	**6,000**	(56,000)
Other assets	**250,000**	(554,000)
Accrued interest payable	**(26,000)**	(46,000)
Other liabilities	**147,000**	282,000
Net cash provided by operating activities	**1,375,000**	2,272,000
Cash Flows from Investing Activities		
Purchases of certificates of deposit	**(879,000)**	-
Purchases of securities held-to-maturity	**(5,066,000)**	(3,500,000)
Proceeds from maturities, calls, and paydowns of securities held-to-maturity	**1,500,000**	2,000,000
Purchases of securities available-for-sale	**(12,701,000)**	(4,320,000)
Proceeds from sale of securities available-for-sale	**3,771,000**	-
Proceeds from maturities, calls, and paydowns of securities available-for-sale	**11,893,000**	6,761,000
Purchases of restricted stock	**(351,000)**	-
Purchases of bank-owned life insurance	**(2,000,000)**	-
Net increase in loans	**(6,819,000)**	(14,701,000)
Purchases of premises and equipment	**(324,000)**	(242,000)
Proceeds from sale of premises and equipment	**-**	89,000
Proceeds from sale of foreclosed assets	**-**	37,000
Net cash used in investing activities	**(10,976,000)**	(13,876,000)
Cash Flows from Financing Activities		
(Decrease) increase in demand deposits	**(2,381,000)**	10,671,000
Increase in savings, NOW and time deposits	**7,369,000**	1,209,000
Proceeds from issuance of common stock	**1,098,000**	-
Proceeds from borrowings	**3,000,000**	-
Dividends paid	**(177,000)**	(109,000)
Net cash provided by financing activities	**8,909,000**	11,771,000
(Decrease) increase in cash and cash equivalents	**(692,000)**	167,000
Cash and Cash Equivalents, January 1	**5,162,000**	4,995,000
Cash and Cash Equivalents, December 31	**$ 4,470,000**	$ 5,162,000
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	**$ 1,191,000**	$ 1,474,000
Income taxes paid	**$ 28,000**	$ -
Transfer from loans to foreclosed assets	**$ -**	$ 42,000

See Notes to Consolidated Financial Statements.

Note 1. Summary of Significant Accounting Policies

Description of Business: Phoenix Bancorp, Inc. is a bank holding company headquartered in Minersville, Pennsylvania. Through its wholly owned subsidiary, Miners Bank (collectively "the Company"), the Company provides individuals, corporations and other businesses, commercial and retail banking services, principally loans and deposits. Phoenix Bancorp, Inc. was incorporated in 1987 under the laws of the Commonwealth of Pennsylvania for the sole purpose of becoming the holding company of Miners Bank (the "Bank"). Phoenix is subject to regulation by the Federal Reserve Bank of Philadelphia.

Miners Bank (the "Bank") is a commercial bank incorporated in 1935 under the laws of the Commonwealth of Pennsylvania. The Bank is chartered by the Pennsylvania Department of Banking and insured by the Federal Deposit Insurance Corporation. The Bank maintains its principal office in Minersville, Pennsylvania but also has branch offices in Frackville, Gordon, and Tremont, Pennsylvania. The Bank provides financial services primarily to Schuylkill County and the surrounding Pennsylvania counties.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Phoenix Bancorp, Inc. ("Phoenix") and its wholly-owned subsidiary, Miners Bank ("Miners"). All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates: The preparation of financial statements 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 the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of deferred tax assets, and the determination of goodwill impairment.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand, interest bearing deposits with banks and federal funds sold, all of which mature within ninety days.

Investment Securities: Management determines the appropriate classification of investments at the time of purchase. As of December 31, 2010 and 2009, the Company classifies its securities into two categories, available for sale and held to maturity.

Securities are classified as held to maturity based on management's intent and ability to hold them to maturity. Such securities are stated at cost, adjusted for unamortized purchase premiums and discounts using the level yield method.

Securities that are classified as available for sale are stated at fair value. Unrealized gains and losses on securities available for sale are excluded from results of operations and are reported as other comprehensive income or loss, a separate component of shareholders' equity, net of taxes. Securities classified as available for sale include securities that may be sold in response to changes in interest rates, changes in prepayment risks or for asset/liability management purposes.

The cost of investment securities is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization or accretion recorded as adjustments to interest and dividends are included in interest income from investments. Realized gains and losses are included in gains (losses) on investment securities in the statements of operations. Gains and losses on the sale of securities are recorded on the trade date and are determined based on the specific-identification method.

Note 1. Summary of Significant Accounting Policies (Continued)

Investment Securities (Continued): Management periodically evaluates securities for other-than-temporary impairment when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which fair value has been less than cost (2) the financial condition and near term prospects of the issuer, (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value and (4) whether it is not more likely than not that the Company will be required to sell the investment before recovery of its amortized cost basis, which may be maturity. Factors affecting the determination of whether an other-than-temporary impairment has occurred include a downgrading of the security by a rating agency, a significant deterioration in the financial condition of the issuer, whether the Company intends to sell the security, or it is more likely than not that the Company will be required to sell the security before recovery of the cost basis, which may be maturity. In instances when a determination is made that an other-than-temporary impairment exists but the investor does not intend to sell the debt security or it is more likely than not that it will not be required to sell the debt security prior to its anticipated recovery, the other-than-temporary impairment is separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income or loss.

Restricted Stock: The Company holds investments in the common stocks of Atlantic Central Bankers Bank ("ACBB") and Federal Home Loan Bank of Pittsburgh ("FHLB"). These investments in restricted stock are carried at cost. The stock has no quoted market value and is subject to redemption restrictions. Management reviews for impairment based on the ultimate recoverability of the cost basis in the stock. Management considers such criteria as the significance of the decline in net assets, if any, the length of time the situation has persisted, commitments by the institution to make payments required by law or regulation, the impact of legislative and regulatory changes on the customer base of the institution and the liquidity position of the institution. As of December 31, 2010 and 2009, the Company's holdings of restricted stock were not deemed impaired.

Certificates of Deposit: Certificates of deposit mature within one year and are carried at cost.

Loans: The Company makes commercial, real estate and consumer loans to customers. A substantial portion of the loan portfolio is represented by loans in Schuylkill County and neighboring counties in Pennsylvania. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area. Loans are stated at the outstanding principal amount, adjusted for the allowance for loan losses and any deferred fees or costs on originated loans. Interest income on loans is recognized as earned based on contractual interest rates applied to daily principal amounts outstanding.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures.

Note 1. Summary of Significant Accounting Policies (Continued)

Loans – Nonaccrual: Loans are placed on nonaccrual status and the accrual of interest income ceases, when a default of principal or interest exists for a period of ninety days except when, in management's judgment, the collection of principal and interest is reasonably anticipated (i.e. the loan is well secured and in the process of collection). Interest receivable on nonaccrual loans previously credited to interest income is reversed. Nonaccrual loans are generally not returned to accruing status until principal and interest payments have been brought current and full collectability is reasonably assured.

Concentration of Credit Risk: The Company's loans are generally to diversified customers in Schuylkill and surrounding counties. Loan participations purchased from community financial institutions in the region represent 43% of the portfolio. Generally, loans are collateralized by real estate and other assets of the borrower and are expected to be repaid from the cash flow or proceeds from collateral liquidation.

Loan Fees: Loan fees and direct costs associated with loan originations are netted and deferred. The deferred amount is recognized as an adjustment to loan interest over the term of the related loans on the interest method.

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

Such periodic assessments may, in management's judgment, require the Company to recognize additions or reductions to the allowance.

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

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience and expected losses given the Company's internal risk rating process. Other qualitative adjustments are made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not reflected in the historical loss or risk rating data. These qualitative factors include trends in classified loans, charge-offs, delinquencies and non-accruals, changes in loan policy and underwriting standards, changes in credit personnel, industry conditions, national and local economic conditions, concentrations, etc.

Interest Rate Risk: The Company is principally engaged in the business of attracting deposits from the general public and using these deposits, together with any borrowed funds, to make commercial, commercial mortgage, residential mortgage, and consumer loans, and to invest in overnight and term investment securities. Inherent in such activities is the potential for the Company to assume interest rate risk that results from differences in the maturities and re-pricing characteristics of assets and liabilities. For this reason, management regularly monitors the level of interest rate risk and the potential impact on net income.

Note 1. Summary of Significant Accounting Policies (Continued)

Bank Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed and charged to expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized to expense over the shorter of the term of the respective lease or the estimated useful life of the improvements.

Foreclosed Assets: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosures, valuations are periodically performed and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations, changes in the valuation allowance and realized gains and losses are included in other income. The Bank held no foreclosed assets at December 31, 2010 and 2009.

Bank Owned Life Insurance and Benefit Liability: The Company invests in bank owned life insurance ("BOLI") as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Company on a chosen group of employees as more fully described in Note 11.

Intangible Assets: Premiums paid for deposit liabilities assumed in branch acquisitions are being amortized over the remaining life of the deposit base acquired using a straight line method, which approximates the interest method. Core deposit intangible assets are being amortized on a straight line basis over the average expected life of the deposit base acquired (five to seven years), as more fully described in Note 7.

Goodwill: Goodwill represents the excess of the cost over fair value of net assets in a business acquisition accounted for as a purchase in 2003. Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset may be impaired. As of December 31, 2010 and 2009, management has determined that goodwill was not impaired.

Treasury Stock: Treasury stock is recorded at cost. The subsequent disposition or sale of the treasury stock is recorded using the average cost inventory method.

Income Taxes: Income tax accounting results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Bank determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities. Enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the deferred tax asset will not be realized.

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued): When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that ultimately would be sustained. The benefit of a tax position is recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment.

Interest and penalties associated with unrecognized tax benefits would be recognized in income tax expense on the income statement.

Earnings (Loss) Per Share: Earnings (loss) per share are computed by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during the period, adjusted for treasury stock. The Bank's basic and diluted earnings (loss) per share are the same since there are no dilutive potential shares of common stock or common stock equivalents outstanding.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Comprehensive Income (Loss): Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income (loss). However, certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as other comprehensive income (loss), a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income (loss).

Subsequent Events: The Company has evaluated subsequent events for recognition or disclosure through March 4, 2011, the date the consolidated financial statements were available to be issued, and has determined that no such events have occurred that would warrant inclusion or disclosure in these financial statements.

Reclassifications: Certain amounts relating to 2009 have been reclassified to conform to the 2010 reporting format.

Note 2. Recent Accounting Pronouncements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*: New authoritative accounting guidance (Accounting Standards Update No. 2010-6) provides amendments to ASC Topic 820 that require new disclosures as follows: 1) A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers, and 2) In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances and settlements (that is, on a gross basis rather than as one net number). The new authoritative guidance also clarifies existing disclosures as follows: 1) A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. 2) A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. These new disclosures and clarifications of existing disclosures were effective for the Company's financial statements in 2010 (except for the disclosures about the purchases, sales, issuances, and settlements in the roll forward activity of Level 3 fair value measurements, which are effective for 2011) and did not have a significant impact on the Company's financial statements.

FASB ASC Topic 860, *Transfers and Servicing*: On January 1, 2010, the Company adopted the authoritative accounting guidance under ASC Topic 860, *Transfers and Servicing*, which amends prior accounting guidance to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. The new authoritative accounting guidance expands the meaning of the term "participating interests" and changes the requirements for derecognizing financial assets. The new authoritative accounting guidance also requires additional disclosures about all continuing involvements with transferred financial assets such as loan participations sold including information about gains and losses resulting from transfers during the period.

In July 2010, the FASB issued Accounting Standards Update (ASU) 2010-20, *Receivables* (Topic 310) ("Update") covering disclosures about the credit quality of financing receivables and the allowance for credit losses. This Update is intended to provide additional information and greater transparency to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. The Update requires increased disclosures on the nature of the credit risk inherent in the entity's portfolio of financing receivables, how that risk is analyzed and assessed in arriving at the allowance for credit losses and the changes and reasons for those changes in the allowance for credit losses. Entities will need to provide a roll forward schedule of the allowance for credit losses for the reporting period with ending balances further disaggregated on the basis of impairment methods, the related recorded investments in financing receivables, the nonaccrual status of financing receivables by class and the impaired financing receivables by class. The Update will also require additional disclosures on credit quality indicators of financing receivables, the aging of past due financing receivables by class, the nature and extent of troubled debt restructurings by class with their effect on the allowance for credit losses, the nature and extent of financing receivables modified as troubled debt restructurings by class for the past 12 months that defaulted during the reporting period and significant purchases and sales of financing receivables during the reporting period. The amendments in this Update are effective for the Company at December 31, 2011. The amendments in this Update encourage, but do not require, comparative disclosures for earlier reporting periods that ended before initial adoption. The adoption of ASU 2010-20 will result in significantly expanded disclosures about the allowance for loan losses and credit quality.

Note 3. Cash and Due from Banks

The Company maintains various deposit accounts with other banks to meet normal funds transaction requirements, to satisfy minimum deposit requirements, and to compensate other banks for certain correspondent services. The Federal Deposit Insurance Corporation insures these accounts up to $250,000 per account. Management is responsible for assessing the credit risk of its correspondent banks. The withdrawal or usage restrictions of these balances did not have a significant impact on the operations of the Company as of December 31, 2010 and 2009.

Note 4. Investment Securities

The amortized cost and fair value of securities at December 31 were as follows:

	2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities held-to-maturity:				
State and political subdivisions	$ 5,066,000	$ 16,000	$ 116,000	$ 4,966,000
Securities available-for-sale:				
State and political subdivisions	$ 3,032,000	$ 24,000	$ 39,000	$ 3,017,000
U.S. government-sponsored enterprises ("GSE")	5,014,000	14,000	21,000	5,007,000
Mortgage-backed - GSE - residential	1,335,000	80,000	-	1,415,000
	$ 9,381,000	$ 118,000	$ 60,000	$ 9,439,000

	2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities held-to-maturity:				
U.S. government-sponsored enterprises	$ 1,500,000	$ 8,000	$ -	$ 1,508,000
Securities available-for-sale:				
State and political subdivisions	$ 2,875,000	$ 57,000	$ 5,000	$ 2,927,000
U.S. government-sponsored enterprises	3,121,000	1,000	29,000	3,093,000
Mortgage-backed - GSE - residential	6,229,000	238,000	-	6,467,000
	$ 12,225,000	$ 296,000	$ 34,000	$ 12,487,000

For the year ended December 31, 2010, proceeds from sales of securities available for sale amounted to $3,771,000. Gross realized gains were $150,000 for security sales. There were no gross realized losses in 2010. There were no sales of securities available for sale in 2009.

Securities with an approximate fair value of $4,756,000 and $5,318,000 at December 31, 2010 and 2009, respectively, were pledged to secure public deposits, trust funds and for other purposes required or permitted by law.

Note 4. Investment Securities (Continued)

The amortized cost and fair value of securities at December 31, 2010, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	Amortized Cost	Fair Value
Securities held-to-maturity		
Due within five through ten years	$ 5,066,000	$ 4,966,000
Securities available-for-sale:		
Due within one year or less	$ -	$ -
Due within one through five years	5,954,000	5,931,000
Due within five through ten years	1,799,000	1,802,000
Due after ten years	293,000	291,000
Mortgage-backed - GSE - residential	1,335,000	1,415,000
	$ 9,381,000	$ 9,439,000

The following table presents gross unrealized losses and fair value of investments aggregated by investment category and length of time that individual securities have been in a continuous unrealized position at December 31, 2010 and 2009:

	Less than 12 Months		12 Months or More		Total	
December 31, 2010	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale:						
U.S. government-sponsored enterprises	$ 1,976,000	$ 21,000	$ -	$ -	$ 1,976,000	$ 21,000
State and political subdivisions	2,194,000	39,000	-	-	2,194,000	39,000
	$ 4,170,000	$ 60,000	$ -	$ -	$ 4,170,000	$ 60,000
Held to Maturity	$ 4,171,000	$ 116,000	$ -	$ -	$ 4,171,000	$ 116,000
December 31, 2009						
Available-for-Sale:						
U.S. government-sponsored enterprises	$ 1,891,000	$ 29,000	$ -	$ -	$ 1,891,000	$ 29,000
State and political subdivisions	140,000	1,000	288,000	4,000	428,000	5,000
	$ 2,031,000	$ 30,000	$ 288,000	$ 4,000	$ 2,319,000	$ 34,000

None of the securities held to maturity were in an unrealized loss position as of December 31, 2009.

Note 4. Investment Securities (Continued)

The fair value of securities with unrealized losses by length of time that the individual securities have been in a continuous loss position at December 31, 2010 and 2009, consist of 22 and 4 securities, respectively. The unrealized loss on these investments was caused by movement in interest rates.

Should the impairment of any of these securities become other-than-temporary, the cost basis of the investment will be reduced and the loss attributable to credit impairment recognized in net income in the period in which the other-than-temporary impairment is identified.

Note 5. Loans

Loans are summarized as follows:

	December 31,	
	2010	2009
Commercial loans	$ 50,551,000	$ 41,263,000
Residential real estate loans	29,016,000	31,474,000
Consumer loans	12,074,000	12,682,000
State and political subdivision loans	2,056,000	2,261,000
Total loans	93,697,000	87,680,000
Less:		
Unearned income	1,502,000	2,270,000
Deferred loan (costs) fees, net	71,000	(5,000)
Allowance for loan losses	1,059,000	857,000
Loans, net	$ 91,065,000	$ 84,558,000

Changes in the allowance for loan losses were as follows:

	2010	2009
Balance, January 1	$ 857,000	$ 306,000
Provision for loan losses	312,000	767,000
Charge-offs	(111,000)	(217,000)
Recoveries	1,000	1,000
Balance, December 31	$ 1,059,000	$ 857,000

Note 5. Loans (Continued)

Below is a summary of the Bank's impaired loan information:

	December 31,	
	2010	2009
Impaired loans without a valuation allowance	$ 362,000	$ 442,000
Impaired loans with a valuation allowance	248,000	698,000
Total impaired loans	$ 610,000	$ 1,140,000
Valuation allowance related to impaired loans	$ 9,000	$ 88,000
Total non-accrual loans	1,092,000	623,000
Total loans past due ninety days or more and still accruing	-	-
Average investment in impaired loans	465,000	742,000
Interest income recognized on impaired loans	17,000	10,000
Interest income recognized on a cash basis on impaired loans	17,000	10,000

Note 6. Premises and Equipment

Premises and equipment are summarized as follows:

	December 31,		Estimated
	2010	2009	Useful Lives
Bank premises	$ 2,354,000	$ 2,430,000	25 years
Furniture and equipment	2,927,000	2,552,000	5 years
Land improvements	172,000	172,000	-
Total	5,453,000	5,154,000	
Less accumulated depreciation	3,133,000	2,936,000	
Property and equipment, net	$ 2,320,000	$ 2,218,000	

The Bank has a 10-year non-cancellable lease for its Frackville branch location which expires in 2011. Future minimum lease payments are $13,000 at December 31, 2010. Rent expense totaled $17,000 for 2010 and 2009.

Note 7. Intangible Assets

Intangible assets consist of the following:

	December 31, 2010	December 31, 2009
Deposit assumption premium, net of accumulated amortization of $588,000 in 2010 and $553,000 in 2009	$ 48,000	$ 83,000
Core deposit intangible asset, net of accumulated amortization of $316,000 in 2010 and $271,000 in 2009	133,000	178,000
Total	$ 181,000	$ 261,000

The estimated future amortization expense is as follows:

Years Ending December 31,	
2011	$ 80,000
2012	57,000
2013	44,000
Total	$ 181,000

Note 8. Deposits

Deposits consisted of the following:

	December 31, 2010	December 31, 2009
Demand deposits, noninterest-bearing	$ 19,713,000	$ 22,094,000
Demand deposits, interest-bearing (NOW)	19,706,000	12,582,000
Savings deposits	22,280,000	18,460,000
Time deposits of less than $100,000 or more	33,425,000	32,278,000
Time deposits of $100,000 or more	8,407,000	13,129,000
Total deposits	$ 103,531,000	$ 98,543,000

Note 8. Deposits (Continued)

At December 31, 2010, the scheduled maturities of time deposits are as follows:

Years Ending December 31,	
2011	$ 23,708,000
2012	6,765,000
2013	3,451,000
2014	955,000
2015	2,033,000
Thereafter	4,920,000
Total	$ 41,832,000

Note 9. Borrowings

In February 2010, the Company entered into a Master Agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) to receive advances with terms varying from 1 day through 3 years. Maximum borrowing capacity with the FHLB as of December 31, 2010 was $48,343,000, of which $3,000,000 was outstanding as follows:

Fixed Rate Advances:

Issue Date	Maturity Date	Amount	Interest Rate
11/09/2010	11/09/2017	$ 1,000,000	3.03%
11/09/2010	11/09/2015	1,000,000	2.37%
10/08/2010	10/08/2013	1,000,000	1.51%
Total Advances		$ 3,000,000	
Weighted Average Rate		2.303%	

Advances from FHLB are secured by qualifying assets of the Company.

Note 10. Income Taxes

The provision (benefit) for income taxes consists of the following:

	December 31,	
	2010	2009
Current	$ 131,000	$ 15,000
Deferred	52,000	(213,000)
Total	$ 183,000	$ (198,000)

Note 10. Income Taxes (Continued)

Applicable income taxes for financial reporting differ from the amount computed by applying the statutory federal tax rate to income taxes before federal taxes. The reasons for these differences are as follows:

	December 31,	
	2010	2009
Federal tax expanse (benefit) on income at statutory rates	$ 240,000	$ (136,000)
Non-deductible expenses	15,000	6,000
Tax-exempt income	(72,000)	(68,000)
	$ 183,000	$ (198,000)

The following temporary differences gave rise to the deferred tax assets and liabilities detailed below. Net deferred tax assets are included in other assets on the consolidated balance sheets as of December 31, 2010 and 2009.

	December 31,	
	2010	2009
Deferred tax assets:		
Intangible assets	$ 102,000	$ 100,000
Allowance for loan losses	323,000	249,000
Alternative minimum tax credit	16,000	47,000
Nonaccrual interest	15,000	7,000
Accrued deferred employee benefits	13,000	-
Other	10,000	12,000
Total deferred tax assets	479,000	415,000
Deferred tax liabilities:		
Depreciation	(160,000)	(70,000)
Goodwill	(111,000)	(95,000)
Deferred loan costs	(20,000)	(10,000)
Net unrealized gain on securities available-for-sale	(22,000)	(89,000)
Total deferred tax liabilities	(313,000)	(264,000)
Net deferred tax assets	$ 166,000	$ 151,000

The Bank's tax years that remain subject to examination by taxing authorities include 2007 through 2010. The Bank had no unrecognized tax benefits at December 31, 2010 and 2009. There were no interest and penalties recognized in the consolidated balance sheet and statement of income in 2010 and 2009.

Note 11. Employee Benefit Plans

Retirement Plan: The Bank sponsors a defined contribution retirement plan. Retirement plan expense was $84,000 in 2010 and $86,000 in 2009.

Bank Owned Life Insurance: Effective July 1, 2010, the Company adopted a split dollar life insurance plan covering certain eligible participating employees. The Company is the owner of the policies and benefits are split with beneficiaries chosen by the employee as defined in the BOLI agreement. The life insurance investment is carried at the cash surrender value of the underlying policies. Income generated from the increase in cash surrender value of the policies is included in other income on the statement of operations. The actuarial value of estimated liabilities payable to the beneficiaries was approximately $19,000 as of December 31, 2010 and is recorded in other liabilities.

Note 12. Comprehensive Income (Loss)

The components of other comprehensive income (loss) and related tax effects are as follows:

	2010	2009
Unrealized holding (losses) gains on available-for-sale securities	$ (54,000)	$ 23,000
Less reclassification adjustment for gains realized in income	150,000	-
Net unrealized (losses) gains	(204,000)	23,000
Tax effect	(70,000)	8,000
Net-of-tax amount	$ (134,000)	$ 15,000

The components of accumulated other comprehensive income and related tax effects are as follows:

	December 31,	
	2010	2009
Unrealized gains on available-for-sale securities	$ 60,000	$ 261,000
Tax effect	22,000	89,000
Net-of-tax accumulated other comprehensive income	$ 38,000	$ 172,000

Note 13. Related Party Transactions

In the ordinary course of business, the Company grants loans to executive officers, directors, significant shareholders (greater than 10%) and related interests of such persons. These transactions were made on substantially the same terms and at those rates prevailing at the time for comparable transactions with others. A summary of loan activity with officers, directors, board members and significant shareholders and related interests of such persons is as follows:

Note 13. Related Party Transactions (Continued)

	2010	2009
Balance, January 1	$ 804,000	$ 1,005,000
New loans	216,000	153,000
Repayments	(123,000)	-
Other changes	-	(354,000)
Balance, December 31,	$ 897,000	$ 804,000

Other changes arise from the separation from employment, reclassification of executive officers, or discontinuance of membership on the board of directors.

Related party deposits were $1,452,000 at December 31, 2010 and $1,772,000 at December 31, 2009. The Company pays legal fees to a director whose law firm provides legal services to the Company. The fees for these services were nominal in 2010 and 2009.

Note 14. Financial Instruments with Off-Balance-Sheet Risk

The Bank is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statement of financial condition. The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

Unless noted otherwise, the Company does not require collateral or other security to support financial instruments with off-balance-sheet credit risk.

Commitments to Extend Credit: 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. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty.

Unfunded commitments under commercial lines-of-credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit may or may not be collateralized and usually contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Standby Letters of Credit: Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support bonding and commercial business transactions. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds cash and marketable securities as full collateral supporting those commitments.

Note 14. Financial Instruments with Off-Balance-Sheet Risk (Continued)

Collateral Requirements: To reduce credit risk related to the use of credit-related financial instruments, the Bank might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Bank's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant and equipment and real estate.

The Company has not incurred any losses on its commitments in 2010 or 2009.

Financial instruments whose contract amount represents credit risk were as follows:

	2010	2009
Commitments to extend credit	$ 5,479,000	$ 5,118,000
Standby letters of credit	$ 153,000	$ 138,000

Note 15. Regulatory Matters

Capital Ratios: The Company 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 Company's financial statements. Under capital adequacy guidelines and the Regulatory framework for prompt correction action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classifications 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 Bank to maintain minimum amounts and ratios (set forth in the following table) 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, 2010 and 2009, the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2010, the most recent notification from the Federal Deposit Insurance Corporation categorized Miners as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based, Tier 1 leverage ratios as set forth in the table. There are no conditions or events since the notification that management believes have changed Miners' category. Miners and Phoenix's actual capital amounts and ratios are also presented in the table (in thousands).

Note 15. Regulatory Matters (Continued)

Capital Ratios (Continued): Federal and state banking regulations place certain restrictions on dividends paid and loans or advances made by Miners to Phoenix. The amount of total dividends, which may be paid at any date, is generally limited to the retained earnings of Miners. Furthermore, dividend payments would be prohibited if the effect thereof would cause Miners' capital to be reduced below applicable minimum capital requirements as discussed below.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2010:						
Total Risk Based Capital (to Risk Weighted Assets)						
Bank	$ 10,563	12.86%	≥ $ 6,571	≥ 8.00%	≥ $ 8,214	≥ 10.00%
Consolidated	10,743	13.08%	≥ 6,572	≥ 8.00%	N/A	N/A
Tier I Capital (to Risk Weighted Assets)						
Bank	$ 9,535	11.61%	≥ $ 3,286	≥ 4.00%	≥ $ 4,929	≥ 6.00%
Consolidated	9,716	11.83%	≥ 3,286	≥ 4.00%	N/A	N/A
Tier I Capital (to Average Assets)						
Bank	$ 9,535	8.49%	≥ $ 4,494	≥ 4.00%	≥ $ 5,618	≥ 5.00%
Consolidated	9,716	8.65%	≥ 4,495	≥ 4.00%	N/A	N/A
As of December 31, 2009:						
Total Risk Based Capital (to Risk Weighted Assets)						
Bank	$ 9,000	12.54%	≥ $ 5,742	≥ 8.00%	≥ $ 7,177	≥ 10.00%
Consolidated	8,191	11.41%	≥ 5,742	≥ 8.00%	N/A	N/A
Tier I Capital (to Risk Weighted Assets)						
Bank	$ 8,143	11.35%	≥ $ 2,871	≥ 4.00%	≥ $ 4,306	≥ 6.00%
Consolidated	9,716	13.54%	≥ 2,871	≥ 4.00%	N/A	N/A
Tier I Capital (to Average Assets)						
Bank	$ 8,143	7.64%	≥ $ 4,265	≥ 4.00%	≥ $ 5,331	≥ 5.00%
Consolidated	9,716	8.00%	≥ 4,265	≥ 4.00%	N/A	N/A

Note 16. Fair Value

Fair Value Measurements: Fair value is defined as an exit price representing the amount that would be received to sell an asset or settle a liability in an orderly transaction between market participants. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability. The classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities;

Note 16. Fair Value (Continued)

Fair Value Measurements (Continued):

Level 2: Valuation is determined from quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3: Valuation is derived from model-based and other techniques in which one significant input is unobservable in the market and which may be based on the Bank's own estimates about assumptions that a market participant would use to value the asset or liability.

The following table presents the Bank's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

December 31, 2010	Level 1	Level 2	Level 3	Total
Securities available-for-sale:				
State and political subdivisions	$ -	$ 3,017,000	$ -	$ 3,017,000
Mortgage-backed - GSE - residential	-	1,415,000	-	1,415,000
U.S. government-sponsored enterprises	-	5,007,000	-	5,007,000
Total	$ -	$ 9,439,000	$ -	$ 9,439,000

December 31, 2009	Level 1	Level 2	Level 3	Total
Securities available-for-sale:				
State and political subdivisions	$ -	$ 2,927,000	$ -	$ 2,927,000
Mortgage-backed - GSE - residential	-	6,467,000	-	6,467,000
U.S. government-sponsored enterprises	-	3,093,000	-	3,093,000
Total	$ -	$ 12,487,000	$ -	$ 12,487,000

Available-for-sale debt securities are measured at fair value using quoted prices from an independent third party that provides valuation services by using quotes for similar assets, with similar terms, in actively traded markets and are classified as Level 2 in the fair value hierarchy.

The following table presents the Bank's financial assets and liabilities subject to fair value adjustments on a nonrecurring basis by level within the fair value hierarchy (in thousands):

December 31, 2010	Level 1	Level 2	Level 3	Total
Financial Assets:				
Impaired loans, net	$ -	$ -	$ 239,000	$ 239,000

December 31, 2009	Level 1	Level 2	Level 3	Total
Financial Assets:				
Impaired loans, net	$ -	$ -	$ 610,000	$ 610,000

Note 16. Fair Value (Continued)

Fair Value Measurements (Continued): Impaired loans that are collateral dependent are written down to fair value through the establishment of specific reserves. These loans are measured at the fair value of collateral less estimated disposition costs. The collateral is primarily real estate whose value is based on appraisals performed by certified appraisers. These values are generally adjusted based on management's knowledge of changes in market conditions or other factors. Since the adjustments may be significant, are based on management's estimates and are generally unobservable, they have been classified as Level 3.

Fair Value of Financial Instruments: In addition to the disclosures of financial instruments recorded at fair value, generally accepted accounting principles require the disclosure of the estimated fair value of all the Bank's financial instruments. The majority of the Company's assets and liabilities are considered financial instruments. However, many of these instruments lack an available market. In addition, the Company's general practice and intent is to hold its financial instruments to maturity. The Bank has considered the fair value measurement criteria as described above for financial instruments measured on a recurring and non-recurring basis. Fair value estimates have been determined based on the methodologies management considers most appropriate for each financial instrument.

The carrying value of the following short-term financial instruments approximates their fair value. These instruments generally have limited credit exposure, no stated or short-term maturities and carry interest rates that approximate market.

- Cash and cash equivalents
- Certificates of deposit
- Restricted stock
- Accrued interest receivable
- Demand, savings and NOW deposits
- Accrued interest payable

The fair value methodology for securities available-for-sale is described above. Securities held-to-maturity are similarly measured using quoted prices from an independent third party that provides valuation services by using quotes for similar assets, with similar terms, in actively traded markets.

For short-term loans and variable rate loans which reprice within ninety days, the carrying value was considered to approximate fair value. For other types of loans, fair value was estimated by discounting cash flows using interest rates approximating current rates for similar loans and adjusted to reflect credit risk. Where quoted market prices are available, such market prices were used as estimates for fair value.

The fair values of time deposits were estimated by discounting contractual cash flows using the current market rates for instruments with similar maturities.

The estimated fair values of borrowings are based on the discounted value of estimated cash flows. The discount rate is estimated using current market rates for similar instruments.

The fair value of commitments to extend credit is estimated using the fees currently charged for similar agreements. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of standby letters of credit is based on fees currently charged for similar agreements plus the estimated cost to terminate or otherwise settle the obligations. Fair values of unrecognized financial instruments are considered immaterial.

Note 16. Fair Value (Continued)

Fair Value of Financial Instruments (Continued): The following are the estimated fair values of the Bank's financial instruments as of December 31, recorded carrying values and a general description of the methods and assumptions used to estimate such fair values (in thousands):

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 4,470	$ 4,470	$ 5,162	$ 5,162
Certificates of deposit	979	979	100	100
Securities held-to-maturity	5,066	4,966	1,500	1,508
Securities available-for-sale	9,439	9,439	12,487	12,487
Restricted stock	363	363	12	12
Loans receivable	91,065	91,876	84,558	83,876
Accrued interest receivable	324	324	330	330
Financial liabilities:				
Demand, savings and NOW deposits	61,699	61,699	53,136	53,136
Time deposits	41,832	42,469	45,407	46,153
Borrowings	3,000	3,024	-	-
Accrued interest payable	107	107	133	133

McGladrey

Independent Auditor's Report
on the Supplementary Information

To the Board of Directors and Shareholders
Phoenix Bancorp, Inc. and Subsidiary
Minersville, Pennsylvania

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements for the year ended December 31, 2010 taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information for the year ended December 31, 2010 has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Blue Bell, Pennsylvania
March 4, 2011

McGladrey is the brand under which RSM McGladrey, Inc. and McGladrey & Pullen, LLP serve clients' business needs.
The two firms operate as separate legal entities in an alternative practice structure.

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Phoenix Bancorp, Inc. and Subsidiary

Consolidating Balance Sheet
December 31, 2010

	Phoenix Bancorp, Inc.	Miners Bank	Eliminations	Consolidated
Assets				
Cash and Due from Banks	$ 21,000	$ 2,444,000	$ (21,000)	$ 2,444,000
Federal Funds Sold	-	1,800,000	-	1,800,000
Interest Bearing Deposits with Other Banks	185,000	226,000	(185,000)	226,000
Certificates of Deposit	-	979,000	-	979,000
Securities Held-to-Maturity, at amortized cost	-	5,066,000	-	5,066,000
Securities Available-for-Sale, at fair value	-	9,439,000	-	9,439,000
Restricted Stock	-	363,000	-	363,000
Loans Receivable	-	91,065,000	-	91,065,000
Investment in Subsidiary	10,444,000	-	(10,444,000)	-
Accrued Interest Receivable	-	324,000	-	324,000
Premises and Equipment, net	-	2,320,000	-	2,320,000
Intangible Assets, net	-	181,000	-	181,000
Goodwill	-	689,000	-	689,000
Bank Owned Life Insurance	-	2,072,000	-	2,072,000
Prepaid FDIC Assessment	-	433,000	-	433,000
Other Assets	12,000	275,000	(6,000)	281,000
	$ 10,662,000	$ 117,676,000	$ (10,656,000)	$ 117,682,000
Liabilities				
Demand deposits	$ -	$ 19,734,000	$ (21,000)	$ 19,713,000
Savings and NOW deposits	-	42,171,000	(185,000)	41,986,000
Time deposits	-	41,832,000	-	41,832,000
Total deposits	-	103,737,000	(206,000)	103,531,000
Borrowings	-	3,000,000	-	3,000,000
Accrued interest payable	-	107,000	-	107,000
Other liabilities	38,000	389,000	(7,000)	420,000
Total liabilities	38,000	107,233,000	(213,000)	107,058,000
Shareholders' Equity				
Common stock	309,000	275,000	(275,000)	309,000
Additional paid-in capital	4,791,000	4,575,000	(4,575,000)	4,791,000
Retained earnings	7,439,000	5,555,000	(5,555,000)	7,439,000
Treasury stock	(1,953,000)	-	-	(1,953,000)
Accumulated other comprehensive income	38,000	38,000	(38,000)	38,000
	10,624,000	10,443,000	(10,443,000)	10,624,000
	$ 10,662,000	$ 117,676,000	$ (10,656,000)	$ 117,682,000

Phoenix Bancorp, Inc. and Subsidiaries

Consolidating Statement of Operations
Year Ended December 31, 2010

	Phoenix Bancorp, Inc.	Miners Bank	Eliminations	Consolidated
Interest income				
Loans	$ -	$ 5,017,000	$ -	$ 5,017,000
Trading securities	-	-	-	-
Securities held-to-maturity	-	45,000	-	45,000
Securities available-for-sale	-	358,000	-	358,000
Federal funds sold and certificates of deposit	3,000	17,000	(3,000)	17,000
Total interest income	3,000	5,437,000	(3,000)	5,437,000
Interest expense				
Savings and NOW deposits	-	229,000	(3,000)	226,000
Time deposits	-	928,000	-	928,000
Borrowings	-	12,000	-	12,000
Total interest expense	-	1,169,000	(3,000)	1,166,000
Net interest income	3,000	4,268,000	-	4,271,000
Provision for loan losses	-	312,000	-	312,000
Net interest income after provision for loan losses	3,000	3,956,000	-	3,959,000
Noninterest income				
Service charges and fees on deposits	-	492,000	-	492,000
Other income	-	109,000	-	109,000
Gain on securities available-for-sale	-	150,000	-	150,000
Loss on sale of premises and equipment	-	(1,000)	-	(1,000)
Total noninterest income	-	750,000	-	750,000
Noninterest expenses				
Salaries and employee benefits	-	2,222,000	-	2,222,000
Occupancy expense	-	434,000	-	434,000
FDIC assessments	-	188,000	-	188,000
Other assessments and taxes	-	116,000	-	116,000
Amortization of intangible assets	-	80,000	-	80,000
Director fees	11,000	84,000	-	95,000
Professional fees	8,000	179,000	-	187,000
Data processing	-	321,000	-	321,000
Office supplies	1,000	69,000	-	70,000
Postage and courier	-	50,000	-	50,000
Telephone	-	39,000	-	39,000
Other expenses	-	201,000	-	201,000
Total noninterest expenses	20,000	3,983,000	-	4,003,000
Income (loss) before provision (benefit) for income taxes	(17,000)	723,000	-	706,000
Provision (benefit) for income taxes	(7,000)	190,000	-	183,000
Income (loss) before equity in earnings of subsidiary	(10,000)	533,000	-	523,000
Equity in earnings of subsidiary	533,000	-	(533,000)	-
Net income	$ 523,000	$ 533,000	$ (533,000)	$ 523,000