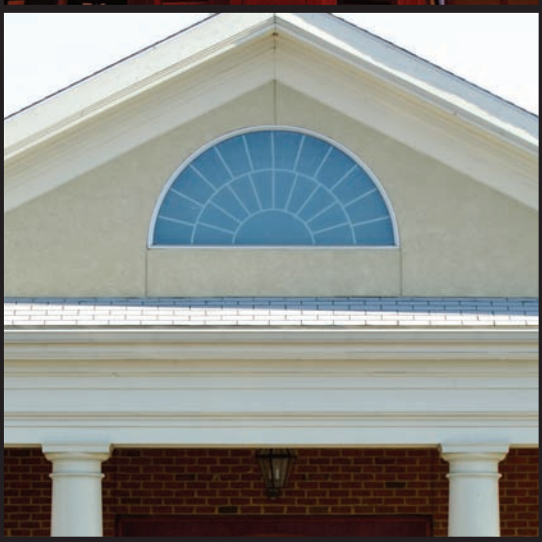
2007
ANNUAL
REPORT



The Test of Time

KISH BANCORP
expect more

Sustained Performance is Our Hallmark

Chairman's Letter to the Shareholders

Consistent long-term performance for customers and shareholders has been a Kish Bancorp hallmark for many years. Through good and difficult economic times, the corporation has delivered excellent shareholder returns by implementing long-term strategies that position the company for the future. The secret to the corporation's success: consistently focusing resources on satisfying customer needs. The corporation's sustained growth and financial performance have demonstrated that a customer-centered business model will stand the test of time. In 2007, the corporation reaffirmed the value of adhering to this enduring philosophy.

Kish Bancorp is pleased to report that in 2007 the company's focus on long-term objectives produced a year of solid earnings growth and continued expansion in core businesses. As you review the highlights and financial statements on the ensuing pages, please consider that it is the cumulative impact of performance in all parts of Kish's business that produced positive financial results for the year. Although we are especially pleased to report earnings per share growth of 6.2%, and return on shareholder's equity of 13.3%, there were other key metrics that supported our positive results for 2007. Each of these measures can be compared to national peer group averages comprised of more than 1,100 community banks. Not only do these ratios reflect well on Kish's performance for 2007, but they provide good indicators for the 2008 outlook as well.

Following are examples of where Kish Bancorp ranks relative to peers for some selected metrics used in banking to measure performance. Income from mortgage originations, investment services, deposit services and insurance services now ranks Kish Bank's total non-interest income among the top one-third of banks in the national peer group. Expense and cost control measures were an important objective for the bank in 2007 as Kish grew into overhead related to recently constructed branches in Lewistown and State College. Kish's lower occupancy expense and net overhead ratios also rank in the top one-third of the national peer group. Loan quality measures continued to strengthen and are approaching all time highs. The ratio of net losses to total loans now rank Kish in the 28th percentile of the national peer group, while delinquent loans 30-89 days rank Kish in the 20th percentile. The bank had no losses on residential mortgage loans in 2007 for the second year. These are excellent rankings that bode well for the future, especially against the backdrop of a national meltdown in subprime mortgage loans. Kish Bank does not make, nor are we invested in, subprime mortgage loans.

Strong financial performance not only benefits Kish shareholders, but our customers and communities as well. The achievement of positive financial results supports the Bancorp's investment in a strong operational infrastructure and a growing branch network. In 2007, Kish implemented remote deposit capture technology for business customers and after careful evaluation, is implementing a new investment platform for Kish investment services clients. We are presently engaged in a complete revamping of the Kish Bank website, recognizing the critical importance of this delivery channel in the years ahead. We continue to expand our network of customer service facilities as we seek to reach more customers in Central Pennsylvania. Recently, we finalized negotiations on a parcel of land for a new financial center adjacent to the new Home Depot store on North Atherton Street in State College. With its opening in early 2009, Kish will be positioned to deliver the full "Kish Experience" to the State College area. Kish also continues to add market share in Mifflin and Huntingdon counties where Kish ranks first and third respectively in deposit market share.

Exceptional service and a full range of financial products is not all that Kish delivers to the region, however. The Corporation's close alignment with local communities and the efforts of a caring staff translates to over $100,000 in contributions a year and more than 1,000 volunteer hours to support local charitable organizations, educational activities for our young people, economic development activities, and programs that support the arts. Indeed, doing business with Kish means doing good for our communities.

These comments would not be complete without an acknowledgement of the tremendous commitment of the entire team of Kish professionals. The accomplishments achieved for Kish customers and surrounding communities would not be possible without the dedication of Kish team members who deliver on all our promises. Attracting and retaining the best people available will continue to be a key focus for Kish Bancorp in 2008.

For more than 100 years Kish Bancorp has stood *the test of time* because of a consistent approach to performance for our shareholders, communities and employees. The Kish team recognizes that customer and shareholder loyalty are qualities found in great companies; we strive to earn this loyalty every day. As we move into 2008, count on Kish Bancorp to continue delivering on our promises to our shareholders, customers and communities.

Sincerely,

William P. Hayes

William P. Hayes
Chairman, President and Chief Executive Officer

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Delivering on our Promises

The 2006 Kish Bancorp Annual Report stated, "Sustained long-term performance for customers and shareholders cannot be achieved by managing from quarter-to-quarter, or by pursuing growth strategies that do not endure." Kish's focus on long-term performance is critical to our mission to deliver for Kish customers and shareholders. To achieve this goal, Kish will continue to look for opportunities to grow core businesses while investigating ways to expand the bank's geographic footprint and service lines. This perspective targets high-performance financial results, sustained growth and shareholder returns that will differentiate Kish Bancorp over the long term. It is our promise to employees, customers and shareholders.

Focused on What Our Customers Need

Listening

In an environment where each day brings new financial market volatility and increased economic concerns, Kish Bancorp has continued to focus on meeting and exceeding customer needs. Kish professionals listen, seeking first to understand and then to offer appropriate solutions. This is the model that has sustained the strong growth and consistent financial performance of Kish Bancorp.

Innovating

Innovation is essential to growth. In 2007, Kish researched new products and services to enhance the Expect More foundation of the "Kish Experience". The result was a reshaping of the bank's retail checking account products and online banking services. Kish introduced business customers to a time-saving service called remote deposit capture, a method of scanning customer checks for direct electronic deposit without coming to the bank. To gain their insights, Kish engaged customers in focus group interviews, customer surveys, branch open houses and customer events. In short, Kish customers helped drive processes and products that streamlined and improved service delivery.

Sustaining our Commitment

Kish sustains excellence by tracking progress on our key goals, responding quickly to market opportunities and consistently delivering on our brand promise. The commitment of Kish Bancorp to local communities reflects the same focus. Regional Board members provide local insight into community needs. Kish's involvement in economic development keeps employees close to the community and local businesses. Kish's complete array of banking services, insurance, investment management, and travel services ensures that customers have ready access to a wide range of financial solutions. This "Kish Experience" is the ultimate reason Kish customers **Expect More** from Kish Bank.

> *Without the financial support of Kish Bank, the Science in Motion Program at Juniata College could not have been sustained. We are grateful for Kish's contribution which supports this dynamic program that brings science experiments and high-tech equipment to high school science programs throughout the region.*
>
> Thomas R. Kepple Jr.
> *Juniata College*

Kish is with you.

Financial Highlights

Solid earnings growth reflected in our financial results for the year 2007 is particularly notable given the significant turmoil in the financial markets during the year. The corporation's net income rose by 2.2% to $3,934,000 compared to $3,848,000 in 2006. Earnings per share rose to $7.37 per share, a 6.2% increase compared to $6.94 per share the prior year.

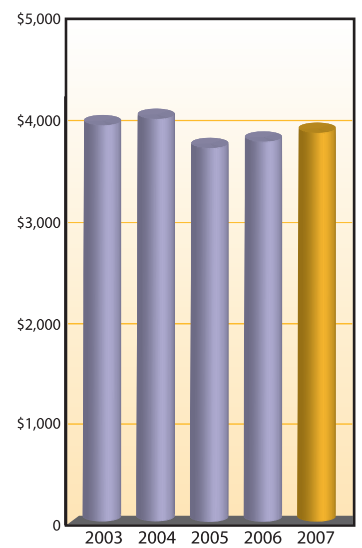
Net interest income, after provision for loan losses, was $11,929,000, up 3.9% from $11,482,000 in 2006. Growth in this category is a result of both an increase in net interest income and a reduction in the provision for loan losses, which is a direct result of the continued strong credit quality of our loan portfolio.

Non-interest income declined by 3.9% year over year from $4,618,000 to $4,439,000. However, if we exclude gains from investing and trading activities, non-interest income actually grew by 2.2%, led by earnings growth in the investment services division and increases in retail and lending service fees. Kish Agency revenues declined during 2007, in spite of a growing policy count, due to generally reduced premiums on property and casualty policies in the insurance industry. Gains from investing and trading activities declined to $165,000 in 2007 compared to $437,000 the prior year, reflecting the growing distress in the financial markets during the year.

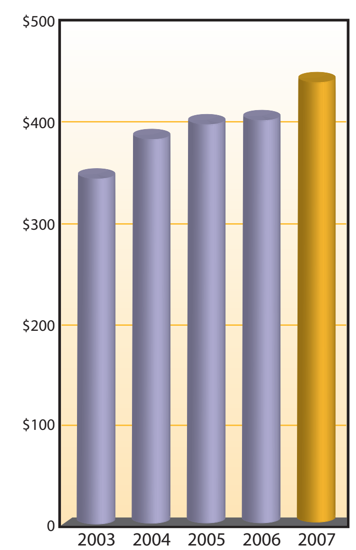
Total non-interest expenses increased $185,000, a 1.6% increase compared to the prior year. Salaries and benefit expenses rose 3.8%, as we added to staff during the year in order to serve our growing number of customers and support geographic growth. Excluding salaries and benefit expenses, total non-interest expense declined by $51,000 as a result of an ongoing management focus on expense evaluation and control. 2007 was the first full year for the operation of our Business Banking office located at 1600 University Drive, State College, a location from which we serve a growing number of Business Banking customers in the Centre region. Our expense control results for the year should be evaluated taking the addition of this new location and investment in growing the franchise into consideration.

Total loans outstanding grew by $18.3 million, up by 6.3% to $309.1 million at year end. During the same period, deposits grew by $12.3 million, an increase of 3.9%. Total deposits at the end of the year stood at $331.7 million. Deposit growth for most of the year was somewhat stronger than the year end numbers suggest, due to our decision to exercise pricing discipline in the face of year end pricing pressure due to credit market dislocations. Total assets ended the year at $454,092,000, up 9.8% from $413,429,000 the prior year. In addition to loan growth, total assets rose as a result of growth in our investment portfolio by $19.8 million, a 23.5% increase year over year. Borrowings increased by $27.6 million year over year, with cash flow from borrowings being utilized to fund loan growth and to finance investment activities. Our return on earning assets increased during the year but at a pace somewhat slower than the cost of our liabilities, resulting in a 7 basis point reduction in our net interest margin. Due to strong capital management strategies, return on average equity increased to 13.32% in 2007, compared to 12.99% in 2006.

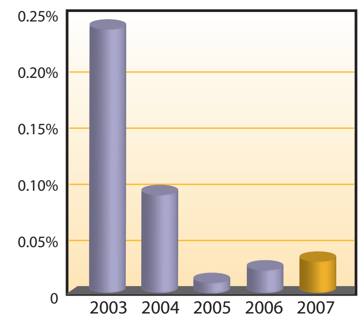
Net Income



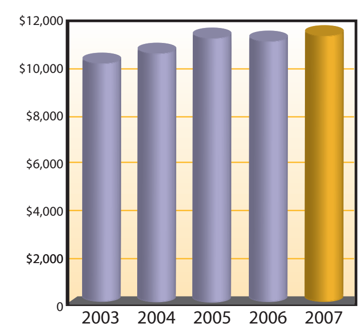
Total Assets (in millions)



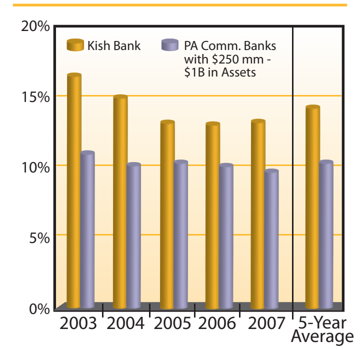
Net Loan Losses as a Percent of Net Assets



Non Interest Expense



Return on Shareholder's Equity - Kish Bank vs. Community Banks



2007 ANNUAL REPORT

Report of Independent Auditors

Five-year Summary

For the Year	2007	2006	2005	2004	2003
Net Income	$3,933,582	$3,848,451	$3,779,252	$4,073,977	$4,001,184
Net Income Before Taxes	4,826,174	4,743,720	4,484,562	4,988,427	4,746,748
Total Dividends Declared*	1,629,120	1,527,572	1,397,675	964,680	1,135,858
At Year End (In $000s)					
Total Assets	$454,092	$413,429	$411,964	$396,456	$356,556
Total Loans (Net)	305,729	287,622	267,477	229,062	194,064
Total Deposits	331,688	319,352	300,591	281,793	248,762
Stockholders' Equity	30,323	29,687	28,338	28,663	26,391
Loan Loss Reserve	3,001	2,963	2,708	2,347	2,437
Net Loan Losses	140	94	23	371	854
Ratio Analysis					
Return on Average Assets	0.92%	0.93%	0.95%	1.09%	1.19%
Return on Average Equity	13.32%	12.99%	13.29%	15.33%	16.46%
Dividend Declared/Net Income*	41.42%	39.69%	36.98%	23.68%	28.39%
Loan/Deposits	92.17%	90.06%	88.98%	81.29%	78.01%
Primary Capital/Total Assets	7.34%	7.90%	7.54%	7.82%	8.09%
Net Loan Losses to Total Loans (Net)	0.05%	0.03%	0.01%	0.16%	0.44%
Per Share Data					
Basic Earnings	$7.37	$6.94	$6.69	$7.16	$6.99
Fully Diluted Earnings	7.35	6.90	6.63	7.08	6.94
Dividends Paid*	3.03	2.75	2.47	2.24	1.44
Equity (Book Value)	57.50	54.03	50.61	50.36	46.35
Equity Plus Loan Loss Reserve	63.19	59.43	55.44	54.48	50.63
Average Shares Outstanding	534,916	554,671	564,733	569,322	572,452

*In 2004, Kish Bancorp changed the dividend declaration date to coincide with the month in which the dividend was paid. In 2003, Kish Bancorp converted to a quarterly dividend from a semi-annual dividend in previous years. Both changes caused year-over-year comparisons to be distorted.

KISH BANCORP
expect more

Vision Statement

Our vision is to be the standard by which financial service providers are judged.

Mission Statement

Our mission is to create superior, long-term shareholder returns through an unwavering focus on fulfilling clients financial needs.

Kish Bancorp, Inc.
Consolidated Audited Financial Statements
December 31, 2007

Page Number

Notice of Annual Meeting

The 2008 Annual Meeting of the Shareholders of Kish Bancorp, Inc. will be held Tuesday, May 13, 2008, at 5:30 p.m. at the Kishacoquillas Valley National Bank, 4225 East Main Street, Belleville, Pennsylvania.

Financial Highlights

Market and Dividend Information for 2007

In 2007, four quarterly dividends totaling $3.03 were paid. $0.74 per share was paid on January 31, April 30, and July 31, and $0.81 per share was paid October 31. These dividends were paid to shareholders of record on January 1, April 1, July 1, and October 1. In addition, a dividend of $0.81 per share was declared on January 2, 2008, payable on January 31, 2008, to shareholders of record as of January 1, 2008.

Stock in Kish Bancorp, Inc. is not actively traded on a national securities exchange. During 2007, trades occurred in the local over-the-counter market. To the extent of management's knowledge, sale prices ranged from $75.55 to $90.00 per share. At year-end, a bid price of $76.50 per share was available.

At December 31, 2007 and December 31, 2006 there were 416 shareholders of record.

The following firms are market makers in the Corporation's stock:
Ferris, Baker Watts, Inc., 100 Light Street, Baltimore, MD 21202
877-840-0012
Hill Thompson Magid and Co., Inc., 15 Exchange Place Suite 800, Jersey City, NJ 07302 866-291-6316

Report of Independent Auditors
Board of Directors and Stockholders
Kish Bancorp, Inc.

We have audited the accompanying consolidated balance sheet of Kish Bancorp, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 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 financial position of Kish Bancorp, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, Kish Bancorp, Inc. and subsidaries have adopted Financial Accounting Standards Board Statement No. 157, *Disclosures About Fair Value of Financial Instruments*, and Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, as of January 1, 2007.

S.R. Snodgrass, A.C.

Wexford, PA
March 24, 2008

	December 31, 2007	December 31, 2006
ASSETS		
Cash and due from banks	$ 7,988,058	$ 7,822,835
Interest-bearing deposits with other institutions	441,409	439,106
Cash and cash equivalents	8,429,467	8,261,941
Certificates of deposits in other financial institutions	6,297,009	4,968,730
Trading securities	18,420,971	-
Investment securities available for sale	85,084,823	83,755,815
Investment securities held to maturity (market value of $249,500 and $253,125)	250,000	250,000
Loans held for sale	398,000	181,050
Loans	308,729,633	290,584,686
Less allowance for loan losses	3,000,861	2,962,724
Net loans	305,728,772	287,621,962
Premises and equipment	8,329,329	8,613,709
Goodwill	1,712,078	1,712,078
Regulatory stock	3,741,100	3,189,600
Bank-owned life insurance	9,082,591	8,735,343
Accrued interest and other assets	6,617,582	6,138,525
TOTAL ASSETS	$ 454,091,722	$ 413,428,753
LIABILITIES		
Deposits:		
Non-interest-bearing	$ 38,425,189	$ 36,258,258
Interest-bearing demand	8,327,290	6,552,232
Savings	23,615,231	25,979,865
Money market	91,822,856	92,495,510
Time	169,497,292	158,066,594
Total deposits	331,687,858	319,352,459
Short-term borrowings	22,442,247	6,755,017
Other borrowings	65,623,879	53,678,782
Accrued interest and other liabilities	4,014,431	3,955,874
TOTAL LIABILITIES	423,768,415	383,742,132
STOCKHOLDERS' EQUITY		
Common stock, $.50 par value; 2,000,000 shares authorized, 610,000 shares issued	305,000	305,000
Additional paid-in capital	855,213	972,940
Retained earnings	36,739,324	35,026,141
Accumulated other comprehensive income (loss)	50,052	(931,052)
Unearned restricted stock (1,292 shares)	(110,991)	-
Treasury stock, at cost (82,671 and 60,594 shares)	(7,515,291)	(5,686,408)
TOTAL STOCKHOLDERS' EQUITY	30,323,307	29,686,621
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 454,091,722	$ 413,428,753

See accompanying notes to consolidated financial statements.

	Year Ended December 31, 2007	2006
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	$ 20,742,547	$ 19,341,751
Exempt from federal income tax	695,902	669,555
Interest and dividends on investment securities:		
Taxable	2,518,723	2,096,421
Exempt from federal income tax	1,502,153	1,492,274
Interest-bearing deposits with other institutions	154,074	170,170
Other dividend income	329,295	361,483
Total interest and dividend income	25,942,694	24,131,654
INTEREST EXPENSE		
Deposits	10,375,121	8,812,941
Short-term borrowings	548,969	495,355
Other borrowings	2,911,327	2,992,926
Total interest expense	13,835,417	12,301,222
NET INTEREST INCOME	12,107,277	11,830,432
Provision for loan losses	178,000	348,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	11,929,277	11,482,432
NONINTEREST INCOME		
Service fees on deposit accounts	1,350,040	1,405,801
Trading securities gains, net	107,978	-
Investment securities gains, net	57,077	436,518
Gain on sale of loans, net	440,296	244,056
Earnings on bank owned life insurance	331,248	306,008
Insurance commissions	805,773	822,475
Travel agency commissions	286,586	351,854
Other	1,060,124	1,051,737
Total noninterest income	4,439,122	4,618,449
NONINTEREST EXPENSE		
Salaries and employee benefits	6,510,586	6,274,935
Occupancy and equipment	1,337,390	1,383,086
Data processing	1,160,384	990,907
Professional fees	131,450	139,366
Advertising	209,991	189,419
Other	2,192,424	2,379,448
Total noninterest expense	11,542,225	11,357,161
Income before income taxes	4,826,174	4,743,720
Income taxes	892,592	895,269
NET INCOME	$ 3,933,582	$ 3,848,451
EARNINGS PER SHARE		
Basic	$ 7.37	$ 6.94
Diluted	7.35	6.90

See accompanying notes to the consolidated financial statements.

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Restricted Stock	Treasury Stock	Total Stockholders' Equity	Comprehensive Income
Balance, December 31, 2005	$ 305,000	$ 991,161	$ 32,705,261	$ (961,024)	$ -	$ (4,702,050)	$ 28,338,348	
Net income			3,848,451				3,848,451	$ 3,848,451
Other comprehensive income:								
Unrealized gain on available-for-sale securities, net of reclassification adjustment, net of taxes of $18,675				29,972			29,972	29,972
Comprehensive income								$ 3,878,423
Cash dividends ($2.75 per share)			(1,527,571)				(1,527,571)	
Exercise of stock options (2,522 shares)		(18,880)				229,257	210,377	
Purchase of treasury stock (13,243 shares)						(1,228,510)	(1,228,510)	
Sale of treasury stock (165 shares)		659				14,895	15,554	
Balance, December 31, 2006	305,000	972,940	35,026,141	(931,052)	-	(5,686,408)	29,686,621	
Net income			3,933,582				3,933,582	$ 3,933,582
Other comprehensive income:								
Unrealized gain on available-for-sale securities, net of reclassification adjustment, net of taxes of $499,139				981,104			981,104	981,104
Comprehensive income								$ 4,914,686
Cumulative effect of adoption of Statement of Financial Accounting Standards No. 159, net of tax benefit of $304,598			(591,279)				(591,279)	
Stock option compensation expense		2,094					2,094	
Purchase of shares by RSP		(8,196)			(158,291)	166,487	-	
Amortization of unearned RSP shares					47,300		47,300	
Cash dividends ($3.03 per share)			(1,629,120)				(1,629,120)	
Exercise of stock options (2,875 shares)		(105,211)				262,418	157,207	
Purchase of treasury stock (27,645 shares)						(2,335,594)	(2,335,594)	
Sale of treasury stock (2,693 shares)		(6,414)				77,806	71,392	
Balance, December 31, 2007	$ 305,000	$ 855,213	$ 36,739,324	$ 50,052	$ (110,991)	$ (7,515,291)	$ 30,323,307	

Components of other comprehensive income:	2007	2006
Change in net unrealized gain on investments available for sale	$ 1,018,775	318,074
Realized gains included in net income, net of taxes of $19,406 and $148,416	(37,671)	(288,102)
Total	$ 981,104	29,972

See accompanying notes to consolidated financial statements.

	Year Ended December 31, 2007	Year Ended December 31, 2006
OPERATING ACTIVITIES		
Net income	$ 3,933,582	$ 3,848,451
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	178,000	348,000
Investment securities gains, net	(57,077)	(436,518)
Net change in investment securities held for trading	4,539,833	-
Proceeds from sale of loans held for sale	11,540,131	8,140,353
Origination of loans held for sale	(11,316,785)	(8,077,347)
Gain on sales of loans, net	(440,296)	(244,056)
Depreciation, amortization and accretion	808,538	959,393
Deferred income taxes	(111,701)	(16,688)
Decrease (increase) in accrued interest receivable	(518,171)	39,097
Increase in accrued interest payable	210,211	184,097
Earnings on bank-owned life insurance	(331,248)	(306,008)
Other, net	(509,370)	(218,880)
Net cash provided by operating activities	7,925,647	4,219,894
INVESTING ACTIVITIES		
Maturities of certificates of deposit	2,000,000	1,700,000
Purchase of certificates of deposit	(3,198,979)	-
Investment securities available for sale:		
Proceeds from sale of investments	1,830,284	15,980,517
Proceeds from repayments and maturities	2,526,241	5,623,864
Purchases	(28,021,683)	(5,161,670)
Investment securities held to maturity:		
Proceeds from repayments and maturities	-	250,000
Increase in loans, net	(18,284,810)	(20,493,222)
Purchase of regulatory stock	(2,773,600)	(985,600)
Redemption of regulatory stock	2,222,100	1,283,100
Proceeds from sale of other real estate owned	-	325,360
Purchases of premises and equipment	(323,474)	(480,004)
Sale of premises and equipment	34,189	49,972
Net cash used for investing activities	(43,989,732)	(1,907,683)
FINANCING ACTIVITIES		
Increase in deposits, net	12,335,399	18,761,227
Increase (decrease) in short-term borrowings, net	15,687,230	(6,019,983)
Proceeds from other borrowings	23,727,700	2,762,500
Repayments of other borrowings	(11,782,603)	(15,742,849)
Purchases of treasury stock	(2,335,594)	(1,228,510)
Proceeds from sale of treasury stock	71,392	15,554
Exercise of stock options	157,207	210,377
Cash dividends	(1,629,120)	(1,527,571)
Net cash provided by (used for) financing activities	36,231,611	(2,769,255)
Increase (decrease) in cash and cash equivalents	167,526	(457,044)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,261,941	8,718,985
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 8,429,467	$ 8,261,941
SUPPLEMENTAL INFORMATION		
Cash paid during the year for:		
Interest on deposits and borrowings	$ 13,625,206	$ 12,117,125
Income taxes	840,000	740,000

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting and reporting policies applied in the presentation of the accompanying consolidated financial statements follows:

Nature of Operations and Basis of Presentation

Kish Bancorp, Inc. (the "Company") is a diversified financial services organization whose principal activity is the ownership and management of its wholly owned subsidiaries, Kishacoquillas Valley National Bank (the "Bank"), Kish Travel Services, Inc., and the Bank's wholly owned subsidiary, Kish Agency, Inc. The Company generates commercial and agricultural, commercial mortgage, residential real estate, and consumer loans and deposit services to its customers located primarily in central Pennsylvania and the surrounding areas. The Bank operates under a national bank charter and provides full banking services. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") to the extent provided by law. Kish Agency, Inc. provides insurance products and services and is a wholly owned subsidiary. Kish Travel Services, Inc. is a Pennsylvania business established to provide travel services to its customers.

The consolidated financial statements include the accounts of Kish Bancorp, Inc., and its wholly owned subsidiaries, Kishacoquillas Valley National Bank and Kish Travel Services, Inc., after elimination of all material intercompany transactions and balances.

The accounting principles followed by the Company and the methods of applying these principles conform to U.S. generally accepted accounting principles and to general practice within the banking industry. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the consolidated balance sheet date and revenues and expenses for that period. Actual results could differ from those estimates.

Investment Securities

Investment securities are classified at the time of purchase, based on management's intention and ability, as securities held to maturity, available for sale, or trading. Debt securities acquired with the intent and ability to hold to maturity are stated at cost, adjusted for amortization of premium and accretion of discount, which are computed using the interest method and recognized as adjustments of interest income. Certain other debt securities have been classified as available for sale to serve principally as a source of liquidity. Unrealized holding gains and losses for available-for-sale securities are reported as a separate component of stockholders' equity, net of tax, until realized. Realized security gains and losses are computed using the specific identification method for debt securities and the average cost method for marketable equity securities. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in current earnings. Realized securities gains and losses are computed using the specific identification method. Interest and dividends on investment securities are recognized as income when earned.

Common stock of the Federal Home Loan Bank of Pittsburgh ("FHLB") and Federal Reserve Bank represents ownership in institutions that are wholly owned by other financial institutions. These equity securities are accounted for at cost and are shown separately on the Consolidated Balance Sheet.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Loans

Loans are stated at the principal amount outstanding, net of any unearned income, deferred loan fees, and the allowance for loan losses. Interest on consumer loans is credited to operations over the term of each loan using a method that approximates a level yield or the simple interest method. Interest income on mortgage loans is accrued on the amortized balance. Interest income on other loans is accrued on the principal amount outstanding. Loan fees that represent an adjustment to interest yield are deferred and amortized over the life of the loan. Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. Accrual of interest on loans is generally discontinued when it is determined that a reasonable doubt exists as to the collectibility of additional interest. When a loan is placed on nonaccrual status, unpaid interest is charged against income. Payments received on nonaccrual loans are either applied to principal or reported as interest income according to management's judgment as to the collectibility of principal. Loans are returned to accrual status when past due interest is collected and the collection of principal is probable.

Allowance for Loan Losses

The allowance for loan losses represents the amount which management estimates is adequate to provide for probable losses inherent in its loan portfolio, as of the balance sheet date. The allowance method is used in providing for loan losses. Accordingly, all loan losses are charged to the allowance, and all recoveries are credited to it. The allowance for loan losses is established through a provision for loan losses charged to operations. The provision for loan losses is based on management's periodic evaluation of individual loans, economic factors, past loan loss experience, changes in the composition and volume of the portfolio, and other relevant factors. The estimates used in determining the adequacy of the allowance for loan losses, including the amounts and timing of future cash flows expected on impaired loans, are particularly susceptible to change in the near term.

Impaired loans are commercial and commercial real estate loans for which it is probable the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement. The Company individually evaluates such loans for impairment and does not aggregate loans by major risk classifications. The definition of "impaired loans" is not the same as the definition of "nonaccrual loans," although the two categories overlap. The Company may choose to place a loan on nonaccrual status due to payment delinquency or uncertain collectibility, while not classifying the loan as impaired, provided the loan is not a commercial or commercial real estate classification. Factors considered by management in determining impairment include payment status and collateral value. The amount of impairment for these types of loans is determined by the difference between the present value of the expected cash flows related to the loan using the original interest rate and its recorded value, or as a practical expedient in the case of collateralized loans, the difference between the fair value of the collateral and the recorded amount of the loans. When foreclosure is probable, impairment is measured based on the fair value of the collateral.

Mortgage loans secured by one-to-four family properties and all consumer loans are large groups of smaller-balance homogenous loans and are measured for impairment collectively. Loans that experience insignificant payment delays, which are defined as 90 days or less, generally are not classified as impaired. Management determines the significance of payment delays on a case-by-case basis taking into consideration all circumstances concerning the loan, the creditworthiness and payment history of the borrower, the length of the payment delay, and the amount of shortfall in relation to the principal and interest owed.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is principally computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 7 years for furniture, fixtures, and equipment and 31 to 39½ years for building premises and leasehold improvements. Expenditures for maintenance and repairs are charged against income as incurred. Costs of major additions and improvements are capitalized.

Intangible Assets

Intangible assets include core deposit intangibles. The core deposit intangibles are being amortized over a ten-year life on a straight-line basis. The recoverability of the carrying value of intangible assets is evaluated on an ongoing basis and permanent declines in value, if any, are charged to expense.

Goodwill

The Company accounts for goodwill in accordance with Statement of Financial Accounting Standards ("FAS") No. 142, *Goodwill and Other Intangible Assets*. This statement, among other things, requires a two-step process for testing the impairment of goodwill on at least an annual basis. This approach could cause more volatility in the Company's reported net income because impairment losses, if any, could occur irregularly and in varying amounts. The Company performs an annual impairment analysis of goodwill. Based on the fair value of the reporting unit, estimated using the expected present value of future cash flows, no impairment of goodwill was recognized in 2007 and 2006.

Bank-Owned Life Insurance (BOLI)

The Company purchased life insurance policies on certain key employees. BOLI is recorded at its cash surrender value, or the amount that can be realized.

Real Estate Owned

Real estate acquired by foreclosure is included with other assets on the Consolidated Balance Sheet at the lower of the recorded investment in the property or its fair value minus estimated costs of sale. Prior to foreclosure, the value of the underlying collateral is written down by a charge to the allowance for loan losses if necessary. Any subsequent write-downs are charged against operating expenses. Operating expenses of such properties, net of related income and losses on their disposition, are included in other expense.

Treasury Stock

Treasury stock is carried at cost. Sales are determined by the first-in, first-out method.

Advertising Costs

Advertising costs are expensed as the costs are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Earnings Per Share

The Company provides dual presentation of basic and diluted earnings per share. Basic earnings per share are calculated utilizing net income as reported in the numerator and average shares outstanding in the denominator. The computation of diluted earnings per share differs in that the dilutive effects of any stock options, warrants, and convertible securities are adjusted in the denominator.

Fair Value

Effective January 1, 2007, the Company determines the fair market values of its financial instruments based on the fair value hierarchy established in FAS No. 157, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. The Company carries trading securities at fair value in accordance with FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, using Level 2 measurement criteria.

Level 1 — Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

For more information on the fair value of the Company's financial instruments see Note 17 – Fair Value Disclosures.

Stock Options

During the year ended December 31, 2005, the Company accelerated their vesting and all shares outstanding became fully vested. Options granted subsequent to December 31, 2005, vest at a rate of one third per year for three years. As of December 31, 2007, the Company recorded compensation expense of $2,094 related to share-based compensation awards. No compensation expense related to share-based compensation awards was recorded during the year-ended December 31, 2006. At December 31, 2007, there was approximately $12,256 in unrecognized compensation cost related to unvested share-based compensation awards granted. That cost is expected to be recognized over the next two years.

FAS 123R requires that the cash flows from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for stock-based awards (excess tax benefits) be classified as financing cash flows. Accordingly, $36,019 and $14,736 excess tax benefits have been classified as a financing cash inflow for the years ended December 31, 2007 and 2006, in the Consolidated Statements of Cash Flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Options (Continued)

For purposes of computing stock compensation expense, the Company estimated the fair values of stock options using the Black-Scholes option-pricing model. The model requires the use of subjective assumptions that can materially affect fair value estimates. The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the option and each vesting date. The fair value of each stock option granted was estimated using the following weighted-average assumptions:

Grant Year	Expected Dividend Yield	Risk-Free Interest Rate	Expected Volatility	Expected Life (in years)
2007	3.09 %	4.80 %	10.40 %	9.11

The weighted-average fair value of each stock option granted for 2007 was $13.40. The total intrinsic value of options exercised during the years ended December 31, 2007 and 2006, was $10,465 and $9,180, respectively.

Mortgage Servicing Rights ("MSRs")

The Company has agreements for the express purpose of selling loans in the secondary market. The Company maintains servicing rights for most of these loans. Originated MSRs are recorded by allocating total costs incurred between the loan and servicing rights based on their relative fair values. MSRs are amortized in proportion to the estimated servicing income over the estimated life of the servicing portfolio. MSRs are a component of other assets on the Consolidated Balance Sheet. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. All sales are made with limited recourse.

Cash Flow Information

The Company has defined cash and cash equivalents as those amounts included in the balance sheet captions "Cash and due from banks" and "Interest-bearing deposits with other institutions" that have original maturities of less than 90 days.

Reclassification of Comparative Amounts

Certain items previously reported have been reclassified to conform to the current year's format. Such reclassifications did not affect net income or stockholders' equity.

2. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2007, the Company adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS No. 157), and FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. FAS No. 157 defines fair value, establishes a framework for measuring fair value under U.S. generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under FAS No. 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FAS No. 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The impact of adopting FAS No. 159 reduced the beginning balance of retained earnings as of January 1, 2007 by $591,279, net-of-tax. Subsequent changes in fair value of these financial assets and liabilities are recognized in earnings when they occur. For additional information on the fair value of certain financial assets and liabilities, see the Fair Value section of this note and Note 17 – Fair Value Disclosures.

3. EARNINGS PER SHARE

There are no convertible securities that would affect the numerator in calculating basic and diluted earnings per share; therefore, net income as presented on the Consolidated Statement of Income will be used as the numerator. The following table sets forth the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computation.

	2007	2006
Weighted-average common shares outstanding	610,000	610,000
Average treasury stock shares	(75,610)	(55,329)
Average unearned nonvested RSP shares	(938)	-
Weighted-average common shares and common stock equivalents used to calculate basic earnings per share	533,452	554,671
Additional common stock equivalents (stock options) used to calculate diluted earnings per share	1,464	2,913
Weighted-average common shares and common stock equivalents used to calculate diluted earnings per share	534,916	557,584

Options to purchase 44,919 shares of common stock at a price of $79.00 to $96.75, as of December 31, 2007 and 2006, and 1,259 shares of restricted stock ranging in price from $87.43 to $93.00, were not included in the computation of diluted earnings per share. Options to purchase 2,618 shares of common stock at a price of $96.75 as of December 31, 2006, were not included in the computation of diluted earnings per share. To include these shares would have been antidilutive.

4. TRADING SECURITIES

Year-end trading securities, at estimated fair value, were as follows:

	2007
Held for Trading	
U.S. government agency securities	$ 16,996,710
Corporate securities	1,424,261
Total	$ 18,420,971

The net gain on trading securities, which includes amounts realized from sale transactions and mark to market adjustments, totaled $107,978 as of December 31, 2007.

5. INVESTMENT SECURITIES

The amortized cost and fair value of investment securities are as follows:

2007	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
U.S. government agency securities	$ 6,444,199	$ 50,318	$ (7,052)	$ 6,487,465
Obligations of state and political subdivisions	42,912,251	308,918	(219,208)	43,001,961
Corporate securities	16,989,386	57,405	(369,440)	16,677,351
Mortgage-backed securities	15,830,406	218,075	(5,544)	16,042,937
Total debt securities	82,176,242	634,716	(601,244)	82,209,714
Equity securities	2,832,524	325,572	(282,987)	2,875,109
Total	$ 85,008,766	$ 960,288	$ (884,231)	$ 85,084,823

2007	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to Maturity				
Corporate securities	$ 250,000	$ -	$ (500)	$ 249,500

2006	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
U.S. government agency securities	$ 10,131,332	$ 141	$ (213,527)	$ 9,917,946
Obligations of state and political subdivisions	38,259,176	124,639	(544,251)	37,839,564
Corporate securities	21,931,623	46,141	(586,414)	21,391,350
Mortgage-backed securities	12,176,263	11,319	(383,897)	11,803,685
Total debt securities	82,498,394	182,240	(1,728,089)	80,952,545
Equity securities	2,661,607	278,286	(136,623)	2,803,270
Total	$ 85,160,001	$ 460,526	$ (1,864,712)	$ 83,755,815

2006	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to Maturity				
Corporate securities	$ 250,000	$ 3,125	$ -	$ 253,125

5. INVESTMENT SECURITIES (Continued)

The following table shows the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, at December 31, 2007 and 2006.

2007

	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government agency securities	$ -	$ -	$ 2,242,970	$ (7,052)	$ 2,242,970	$ (7,052)
Obligations of states and political subdivisions	468,906	(3,337)	19,161,455	(215,871)	19,630,361	(219,208)
Corporate securities	2,512,850	(104,249)	10,435,946	(265,691)	12,948,796	(369,940)
Mortgage-backed securities	-	-	985,064	(5,544)	985,064	(5,544)
Total debt securities	2,981,756	(107,586)	32,825,435	(494,158)	35,807,191	(601,744)
Equity securities	743,075	(138,951)	483,258	(144,036)	1,226,333	(282,987)
Total	$ 3,724,831	$ (246,537)	$ 33,308,693	$ (638,194)	$ 37,033,524	$ (884,731)

2006

	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government agency securities	$ -	$ -	$ 9,867,804	$ (213,527)	$ 9,867,804	$ (213,527)
Obligations of states and political subdivisions	1,876,128	(2,757)	25,032,019	(541,494)	26,908,147	(544,251)
Corporate securities	1,294,857	(11,357)	18,552,391	(575,057)	19,847,248	(586,414)
Mortgage-backed securities	-	-	10,667,973	(383,897)	10,667,973	(383,897)
Total debt securities	3,170,985	(14,114)	64,120,187	(1,713,975)	67,291,172	(1,728,089)
Equity securities	742,118	(60,202)	564,808	(76,421)	1,306,926	(136,623)
Total	$ 3,913,103	$ (74,316)	$ 64,684,995	$ (1,790,396)	$ 68,598,098	$ (1,864,712)

The policy of the Company is to recognize an other-than-temporary impairment of securities where the fair value has been significantly below cost for three consecutive quarters. For fixed maturity investments with unrealized losses due to interest rates where the Company has the positive intent and ability to hold the investment for a period of time sufficient to allow a market recovery, declines in value below cost are not assumed to be other than temporary. There are 119 positions that are temporarily impaired at December 31, 2007. The Company reviews its position quarterly and has asserted that at December 31, 2007 and 2006, the declines outlined in the above table represent temporary declines and the Company does have the intent and ability to hold those securities to maturity or to allow a market recovery.

The Company has concluded that any impairment of its investment securities portfolio is not other than temporary but is the result of interest rate changes, sector credit changes, or Company-specific rating changes that are not expected to result in the noncollection of principal and interest during the period. The Company recorded a $94,389 and $12,660 impairment loss as of December 31, 2007 and 2006, respectively.

5. INVESTMENT SECURITIES (Continued)

The amortized cost and estimated market values of debt securities at December 31, 2007, by contractual maturity, are shown below. Expected maturities of mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (in thousands):

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 8,350,602	$ 8,318,511	$ -	$ -
Due after one year through five years	10,526,708	10,551,683	-	-
Due after five years through ten years	36,662,910	36,620,514	-	-
Due after ten years	26,636,022	26,719,006	250,000	249,500
Total	$ 82,176,242	$ 82,209,714	$ 250,000	$ 249,500

Investment securities with a carrying value of $51,948,809 and $42,865,229 at December 31, 2007 and 2006, respectively, were pledged to secure deposits and other purposes as required by law.

The following is a summary of proceeds received, gross gains, and gross losses realized on the sale of investment securities available for sale for the years ended December 31:

	2007	2006
Proceeds from sales	$ 1,830,284	$ 15,980,517
Gross gains	209,176	801,368
Gross losses	(57,710)	(352,190)
Other-than-temporary loss	(94,389)	(12,660)

6. LOANS

Major classifications of loans are summarized as follows:

	2007	2006
Commercial and agricultural	$ 69,590,633	$ 67,919,324
Real estate mortgages:		
Residential	117,763,660	110,629,456
Construction	17,416,069	11,944,586
Commercial	95,831,584	91,197,957
Installment	6,516,975	6,971,623
Lines of credit	1,610,712	1,921,740
	308,729,633	290,584,686
Less allowance for loan losses	3,000,861	2,962,724
Net loans	$ 305,728,772	$ 287,621,962

Mortgage loans serviced by the Company for others amounted to $67,939,878 and $63,641,020 at December 31, 2007 and 2006, respectively.

6. LOANS (Continued)

Changes in the allowance for loan losses for the years ended December 31 are as follows:

	2007	2006
Balance, January 1	$ 2,962,724	$ 2,708,332
Add:		
Provisions charged to operations	178,000	348,000
Recoveries	61,692	32,626
Less loans charged off	(201,555)	(126,234)
Balance, December 31	$ 3,000,861	$ 2,962,724

The Company had nonaccrual loans, inclusive of impaired loans, of $2,359,773 and $2,767,507 at December 31, 2007 and 2006, respectively. Interest income on loans would have increased by approximately $90,060 and $24,920 during 2007 and 2006, respectively, if these loans had performed in accordance with their original terms.

	2007	2006
Impaired loans		
With a related allowance for loan losses	$ 2,185,684	$ 3,182,462
Without a related allowance for loan losses	96,336	257,781
Related allowance for loan losses	779,000	1,109,000
Average recorded balance of impaired loans	2,646,006	2,453,057
Interest income recognized on impaired loans	151,546	203,698

The Company grants residential, commercial, and consumer loans to customers throughout its trade area that is concentrated in central Pennsylvania. Such loans are subject to, at origination, credit risk assessment by management following the Company's lending policy. Although the Company has a diversified loan portfolio at December 31, 2007 and 2006, a substantial portion of its debtors' ability to honor their loan agreements is dependent upon the economic stability of its immediate trade area.

In the normal course of business, loans are extended to directors, executive officers, and their associates. A summary of loan activity for those directors, executive officers, and their associates with loan balances in excess of $120,000 for the year ended December 31, 2007, is as follows:

2006	Additions	Amounts Collected	2007
$ 4,726,335	$ 4,740,538	$ 4,633,055	$ 4,833,818

7. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

	2007	2006
Land and land improvements	$ 793,458	$ 793,458
Building and leasehold improvements	8,948,859	8,854,386
Furniture, fixtures, and equipment	3,424,305	3,264,472
	13,166,622	12,912,316
Less accumulated depreciation	4,837,293	4,298,607
Total	$ 8,329,329	$ 8,613,709

Depreciation and amortization charged to operations was $573,429 in 2007 and $615,972 in 2006.

8. INTANGIBLE ASSETS

A summary of intangible assets is as follows:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Balance at December 31, 2005	$ 401,676	$ (324,756)	$ 76,920
Amortization expense	-	(40,176)	(40,176)
Balance at December 31, 2006	$ 401,676	$ (364,932)	$ 36,744
Amortization expense	-	(36,744)	(36,744)
Balance at December 31, 2007	$ 401,676	$ (401,676)	$ -

The net intangible asset balance was fully amortized during the year ending December 31, 2007.

9. GOODWILL

As of each of the years ended December 31, 2007 and 2006, goodwill had a gross carrying amount of $2,326,091 and an accumulated amortization amount of $614,013, resulting in a net carrying amount of $1,712,078 for each year. There was no amortization expense for 2007 and 2006.

The gross carrying amount of goodwill was tested for impairment in the third quarter, after the annual forecasting process. Due to an increase in overall earning asset growth, operating profits and cash flows were greater than expected. Based on fair value of the reporting unit, estimated using the expected present value of future cash flows, no goodwill impairment loss was recognized in the current year.

10. DEPOSITS

The scheduled maturities of time deposits approximate the following:

Year Ending December 31,	Amount
2008	$ 126,461,484
2009	18,660,520
2010	9,374,306
2011	4,017,096
2012	7,785,310
Thereafter	3,198,576
	$ 169,497,292

The aggregate amount of time certificates of deposit with a minimum denomination of $100,000 and individual retirement accounts with a minimum denomination of $250,000 was $43,767,881 and $570,543, respectively, at December 31, 2007. Time certificates of deposit in excess of $100,000 and individual retirement accounts in excess of $250,000 are not federally insured.

Maturities on time deposits of $100,000 or more at December 31, 2007 are as follows:

Within three months	$ 27,028,165
Beyond three but within six months	13,139,333
Beyond six but within twelve months	4,937,074
Beyond one year	9,422,645
Total	$ 54,527,217

11. SHORT-TERM BORROWINGS

Short-term borrowings include overnight repurchase agreements through the FHLB, Federal Funds Sold, repurchase agreement with customers, and a $7,500,000 unsecured line of credit with a commercial bank. The outstanding balances and related information for short-term borrowings are summarized as follows:

	2007	2006
Balance at year-end	$ 22,442,247	$ 6,755,017
Average balance outstanding	9,955,846	8,834,545
Maximum month-end balance	22,442,247	13,160,095
Weighted-average rate at year-end	4.54%	5.89%
Weighted-average rate during the year	5.51%	5.61%

12. OTHER BORROWINGS

The following table sets forth information concerning other borrowings:

Description	Maturity range from	Maturity range to	Weighted-average interest rate	Stated interest rate range from	Stated interest rate range to	At December 31, 2007	At December 31, 2006
Adjustable rate	05/20/08	-	4.45 %	4.45 %	- %	$ 1,500,000	$ 1,500,000
Convertible	07/06/10	08/22/12	5.17	4.19	6.87	15,000,000	15,000,000
Fixed rate	01/05/08	11/14/17	4.79	3.59	7.48	32,501,646	21,523,946
Fixed rate amortizing	06/12/17	06/26/18	5.47	5.13	6.53	1,419,733	1,527,336
Mid-term repos	08/03/09	12/27/10	4.74	4.01	5.12	9,016,500	7,941,500
Note payable	03/17/35	11/23/35	6.32	6.11	6.52	6,186,000	6,186,000
						$ 65,623,879	$ 53,678,782

Maturities of other borrowings at December 31, 2007, are summarized as follows:

Year Ending December 31,	Amount	Weighted-Average Rate
2008	$ 8,833,920	4.59 %
2009	8,766,500	4.51
2010	11,708,315	5.86
2011	9,232,300	4.64
2012	16,840,261	4.70
2013 and after	10,242,583	5.74
	$ 65,623,879	5.02 %

Under the terms of the adjustable rate borrowing, the FHLB adjusts the interest rate weekly based on the published Federal Funds rate. The terms of the convertible borrowings allow the FHLB to convert the interest rate to an adjustable rate based on the three-month London Interbank Offered Rate ("LIBOR") after two years from the original date of the advance. These initial conversion dates range from July 2002 through August 2009. The fixed rate amortizing borrowings require monthly payments of principal and interest of $11,964 through June 2017 and $3,737 through June 2018.

Borrowing capacity consists of credit arrangements with the FHLB. FHLB borrowings are subject to annual renewal, incur no service charges, and are secured by a blanket security agreement on certain investment and mortgage-backed securities, outstanding residential mortgages, and the Bank's investment in FHLB stock. As of December 31, 2007, the Bank's maximum borrowing capacity with the FHLB was approximately $146 million.

12. OTHER BORROWINGS (Continued)

In March 2005, the Company formed a special purpose entity ("Entity") to issue $3,093,000 of fixed/floating rate subordinated debt securities with a stated maturity of March 17, 2035. These securities bear a fixed rate of 6.52 percent until March 2010, at which time the rate is determined quarterly and floats based on three-month LIBOR plus 2.00 percent. The Entity may redeem them, in whole or in part, at face value on or after March 17, 2010. The Company borrowed the proceeds from the Entity in March 2005 in the form of a $3,093,000 note payable, which is included in the liabilities section of the Company's balance sheet.

In September 2005, the Company formed an additional special purpose entity to issue $3,093,000 of fixed/floating rate subordinated debt securities with a stated maturity of November 23, 2035. These securities bear a fixed rate of 6.11 percent until November 2015, at which time the rate is determined quarterly and floats based on three-month LIBOR plus 1.50 percent. The Entity may redeem them, in whole or in part, at face value on or after November 23, 2010. The Company borrowed the proceeds from the Entity in September 2005 in the form of a $3,093,000 note payable, which is included in the liabilities section of the Company's balance sheet.

Under current accounting rules, the Company's minority interest in the Entity was recorded at the initial investment amount and is included in the other assets section of the balance sheet. The Entity is not consolidated as part of the Company's consolidated financial statements.

13. INCOME TAXES

The provision for federal income taxes consists of:

	2007	2006
Current payable	$ 1,004,293	$ 911,957
Deferred	(111,701)	(16,688)
Total provision	$ 892,592	$ 895,269

The tax effects of deductible and taxable temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	2007	2006
Deferred tax assets:		
Allowance for loan losses	$ 1,020,293	$ 1,007,326
Deferred compensation	325,690	355,318
Core deposit intangible assets	54,420	51,029
Alternative minimum tax carryforward	253,833	145,528
Unrealized loss on available-for-sale securities	-	479,633
Other	239,389	150,561
Deferred tax assets	1,893,625	2,189,395
Deferred tax liabilities:		
Premises and equipment	135,249	140,515
Goodwill	303,870	253,225
Deferred loan fees	169,170	163,125
Partnerships	65,610	44,872
unrealized gain on available-for-sale securities	23,347	-
Deferred tax liabilities	697,246	601,737
Net deferred tax assets	$ 1,196,379	$ 1,587,658

13. INCOME TAXES (Continued)

No valuation allowance was established at December 31, 2007 and 2006, in view of the Company's ability to carryback to taxes paid in previous years and certain tax strategies, coupled with the anticipated future taxable income as evidenced by the Company's earnings potential.

The reconciliation between the federal statutory rate and the Bank's effective consolidated income tax rate is as follows:

	2007		2006	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	$ 1,640,899	34.0 %	$ 1,612,865	34.0 %
Tax-exempt interest	(747,339)	(15.5)	(735,022)	(15.5)
Life insurance income	(105,219)	(2.2)	(98,141)	(2.1)
Other	104,251	2.2	115,567	2.5
Actual tax expense and effective rate	$ 892,592	18.5 %	$ 895,269	18.9 %

The Company adopted the provisions of FIN No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109*, effective January 1, 2007. FIN No. 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. FIN No. 48 also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest, and penalties. The adoption of FIN No. 48 did not have a significant impact on the Company's financial statements.

14. EMPLOYEE BENEFITS

Savings Plan

The Bank maintains a qualified 401(k) salary reduction and profit sharing plan that covers substantially all employees. Under the plan, employees make voluntary, pretax contributions to their accounts, and the Bank contributions to the plan are at the discretion of the Board of Directors. Contributions by the Bank charged to operations were $199,070 and $192,420 for the years ended December 31, 2007 and 2006, respectively. The fair value of plan assets includes $741,285 pertaining to the value of the Company's common stock that is held by the plans.

Deferred Compensation Plan

The Company has a nonqualified deferred compensation plan that allows directors to defer fees. Outstanding balances under this arrangement for 2007 and 2006 were $957,912 and $1,045,052, respectively, and are reported as "other liabilities" on the Consolidated Balance Sheet. Expenses related to this plan were $63,380 and $86,264 for December 31, 2007 and 2006, respectively.

14. EMPLOYEE BENEFITS (Continued)

Restricted Stock Plan

During 2007, the Board of Directors amended the 1988 Restricted Stock Plan (the "Plan") to vest shares evenly over six years. Employees and non-employee corporate directors are eligible to receive awards of restricted stock based upon performance related requirements. Awards granted under the Plan are in the form of the Company's common stock and are subject to certain vesting requirements including continuous employment or service with the Company. The Company has authorized 12,000 shares of the Company's common stock. The Plan assists the Company in attracting, retaining and motivating employees and non-employee directors to make substantial contributions to the success of the Company and to increase the emphasis on the use of equity as a key component of compensation. During 2007, 1,601 shares of restricted stock were awarded, 301 shares vested, and 126 shares were forfeited.

Stock Option Plan

The Company has a fixed director and employee stock-based compensation plan. The plan was amended on May 16, 2006, to approve an additional 100,000 shares, changing total options available to grand under the plan to 190,000 shares of common stock. The exercise price for the purchase of shares subject to a stock option may not be less than 100 percent of the fair market value of the shares covered by the option on the date of the grant. The term of stock options will not exceed ten years from the date of grant. Options granted subsequent to December 31, 2005, are primarily vested evenly over a three-year period from the grant date.

The following table presents share data related to the outstanding options:

	2007	Weighted-average Exercise Price	2006	Weighted-average Exercise Price
Outstanding, January 1	59,903	$ 87.01	62,977	$ 86.66
Granted	1,070	88.98	950	93.93
Exercised	(2,875)	42.15	(2,522)	77.49
Forfeited	(8,632)	89.05	(1,502)	92.65
Outstanding, December 31	49,466	$ 89.30	59,903	$ 87.01
Exercisable at year-end	48,571	$ 89.30	59,903	$ 87.01

14. EMPLOYEE BENEFITS (Continued)

Stock Option Plan (Continued)

The following table summarizes the characteristics of stock options at December 31, 2007:

		Outstanding			Exercisable	
Grant Date	Exercise Price	Shares	Contractual Average Life	Average Exercise Price	Shares	Average Exercise Price
12/23/98	62.50	1,600	0.97	62.50	1,600	62.50
01/27/00	76.00	2,947	2.08	76.00	2,947	76.00
01/11/01	79.00	3,778	3.03	79.00	3,778	79.00
01/24/02	90.00	5,682	4.06	90.00	5,682	90.00
02/21/02	91.00	8	4.14	91.00	8	91.00
02/27/03	90.00	4,524	5.16	90.00	4,524	90.00
08/01/03	90.00	1,110	5.58	90.00	1,110	90.00
09/02/03	90.00	2,222	5.67	90.00	2,222	90.00
12/29/03	91.25	3,292	6.00	91.25	3,292	91.25
03/16/04	91.25	3,700	6.21	91.25	3,700	91.25
05/26/04	94.00	734	6.40	94.00	734	94.00
06/30/04	96.75	2,618	6.50	96.75	2,618	96.75
01/05/05	93.00	8,493	7.01	93.00	8,493	93.00
02/03/05	93.00	380	7.09	93.00	380	93.00
02/09/05	93.00	26	7.11	93.00	26	93.00
02/10/05	95.00	100	7.11	95.00	100	95.00
02/24/05	96.00	42	7.15	96.00	42	96.00
03/29/05	96.00	3	7.24	96.00	3	96.00
04/26/05	96.00	441	7.32	96.00	441	96.00
07/08/05	96.00	333	7.52	96.00	333	96.00
12/08/05	95.00	1,770	7.94	95.00	1,770	95.00
12/10/05	95.25	3	7.94	95.25	3	95.25
12/16/05	95.00	150	7.96	95.00	150	95.00
12/22/05	95.00	4,440	7.98	95.00	4,440	95.00
01/25/07	88.00	545	9.07	88.00	-	88.00
02/23/07	90.00	525	9.15	90.00	175	90.00
		49,466			48,571	

15. COMMITMENTS

In the normal course of business, there are outstanding commitments and contingent liabilities such as commitments to extend credit, financial guarantees, and letters of credit that are not reflected in the accompanying consolidated financial statements. The Company does not anticipate any losses as a result of these transactions. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in the particular classes of financial instruments that consisted of the following:

	2007	2006
Commitments to extend credit	$ 61,745,048	$ 58,571,463
Standby letters of credit	5,323,999	5,368,175
Total	$ 67,069,047	$ 63,939,638

15. COMMITMENTS (Continued)

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. 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.

Standby letters of credit represent conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These instruments are issued primarily to support bid or performance-related contracts. The coverage period for these instruments is typically a one-year period with an annual renewal option subject to prior approval by management. Fees earned from the issuance of these letters are recognized upon expiration of the commitment period. For secured letters of credit, the collateral is typically Bank deposit instruments.

The Bank has committed to various operating leases for their branch and office facilities. Some of these leases include renewal options as well as specific provisions relating to rent increases. The minimum annual rental commitments under these leases outstanding at December 31, 2007, are as follows:

		Minimum Lease Payment
2008	$	116,360
2009		105,680
2010		73,640
2011		73,640
2012		73,640
Thereafter		1,071,880
Total	$	1,514,840

Rent expense under leases for each of the years ended December 31, 2007 and 2006, was $117,997 and $104,801, respectively.

Contingent Liabilities

The Bank is involved in various legal actions from the normal course of business activities. Management believes the liability, if any, arising from such actions will not have a material adverse effect on the Bank's financial position.

16. REGULATORY RESTRICTIONS

Restriction on Cash and Due From Banks

The Bank is required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank. The required reserve at December 31, 2007 and 2006, was $1,077,000 and $1,006,000, respectively.

Loans

Federal law prevents the Company from borrowing from the Bank unless the loans are secured by specific obligations. Further, such secured loans are limited in amount of 10 percent of the Bank's common stock and capital surplus.

16. REGULATORY RESTRICTIONS (Continued)

Dividends

The approval of the Comptroller of the Currency is required before a national bank can pay any dividends up to the Company if the total of all dividends declared in any calendar year would exceed net profits, as defined for that year, combined with its retained net profits for the two preceding calendar years less any required transfers to surplus. Under this formula, the amount available for payment of dividends in 2008, without prior approval of the Comptroller, is approximately $2.8 million plus net profits retained in 2008 up to the date of the dividend declaration.

17. REGULATORY CAPITAL

Federal regulations require the Company and the Bank to maintain minimum amounts of capital. Specifically, each is required to maintain certain minimum dollar amounts and ratios of Total and Tier I capital to risk-weighted assets and of Tier I capital to average total assets.

In addition to the capital requirements, the Federal Deposit Insurance Corporation Improvement Act ("FDICIA") established five capital categories ranging from "well capitalized" to "critically undercapitalized." Should any institution fail to meet the requirements to be considered "adequately capitalized," it would become subject to a series of increasingly restrictive regulatory actions.

As of December 31, 2007 and 2006, the FDIC categorized the Company and the Bank as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well capitalized financial institution, Total risk-based, Tier I risk-based, and Tier I Leverage capital ratios must be at least 10 percent, 6 percent, and 5 percent, respectively.

The Company's actual capital ratios are presented in the following table that shows the Company met all regulatory capital requirements.

	2007		2006	
	Amount	Ratio	Amount	Ratio
Total Capital (to Risk-Weighted Assets)				
Actual	$ 37,654,044	10.41 %	$ 37,908,526	11.12 %
For Capital Adequacy Purposes	28,937,988	8.00	27,261,735	8.00
To Be Well Capitalized	36,172,485	10.00	34,077,169	10.00
Tier I Capital (to Risk-Weighted Assets)				
Actual	$ 34,459,020	9.53 %	$ 34,707,054	10.18 %
For Capital Adequacy Purposes	14,468,994	4.00	13,630,867	4.00
To Be Well Capitalized	21,703,491	6.00	20,446,301	6.00
Tier I Capital (to Average Assets)				
Actual	$ 34,459,020	7.74 %	$ 34,707,055	8.39 %
For Capital Adequacy Purposes	17,805,071	4.00	16,545,015	4.00
To Be Well Capitalized	22,256,339	5.00	20,681,269	5.00

17. **REGULATORY CAPITAL (Continued)**

The Bank's actual capital ratios are presented in the following table which shows the Bank met all regulatory capital requirements.

	2007		2006	
	Amount	Ratio	Amount	Ratio
Total Capital (to Risk-Weighted Assets)				
Actual	$ 37,998,074	10.65 %	$ 37,255,743	11.08 %
For Capital Adequacy Purposes	28,540,339	8.00	26,907,683	8.00
To Be Well Capitalized	35,675,424	10.00	33,634,604	10.00
Tier I Capital (to Risk-Weighted Assets)				
Actual	$ 34,822,213	9.76 %	$ 34,118,019	10.14 %
For Capital Adequacy Purposes	14,270,170	4.00	13,453,841	4.00
To Be Well Capitalized	21,405,254	6.00	20,180,762	6.00
Tier I Capital (to Average Assets)				
Actual	$ 34,822,213	7.90 %	$ 34,118,019	8.33 %
For Capital Adequacy Purposes	17,629,440	4.00	16,389,427	4.00
To Be Well Capitalized	22,036,800	5.00	20,486,784	5.00

18. **FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS**

The Company adopted FAS No. 159 on January 1, 2007. FAS No. 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The Company elected to adopt the fair value option for certain debt securities identified with investment securities available for sale on the adoption date. FAS No. 159 requires that the difference between the carrying value before election of the fair value option and the fair value of these instruments be recorded as an adjustment to beginning retained earnings in the period of adoption. The impact of the adopting the fair value option to $22,960,804 of debt securities available for sale on January 1, 2007, resulted in a decrease of $591,279, which was net of a tax benefit of $304,598, being recognized as a cumulative effect adjustment to retained earnings. There was no change in the carrying amount of these debt securities available for sale as of December 31, 2006 and January 1, 2007. The amount of the cumulative effect adjustment to retained earnings was previously recognized in accumulated other comprehensive loss on the consolidated balance sheet. Following the election of FAS No. 159, these investment securities have been transferred to trading securities assets.

Fair Value Option Elections

Effective January 1, 2007, the Company elected the fair value option to account for $22,960,804 of debt securities available for sale through earnings. This election was made as a source of liquidity and an opportunity to minimize interest rate risk. Following election of the fair value option, these securities were reclassified to trading securities assets.

Fair Value Measurement

FAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. For additional information on how the Company measures fair value, see Note 1 – Summary of Significant Accounting Principles.

Trading account assets are measured on a recurring basis as Level 2 inputs in the consolidated financial statements.

18. **FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS (Continued)**

The estimated fair values of the Company's financial instruments at December 31 are as follows:

	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents	$ 8,429,467	$ 8,429,467	$ 8,261,941	$ 8,261,941
Certificates of deposit	6,297,009	6,297,009	4,968,730	4,968,730
Investment securities:				
Held for trading	18,420,971	18,489,415	-	-
Available for sale	85,084,823	85,084,823	83,755,815	83,755,815
Held to maturity	250,000	249,500	250,000	253,125
Loans held for sale	398,000	398,000	181,050	181,050
Net loans	305,728,772	302,684,743	287,621,962	286,080,942
Regulatory stock	3,741,100	3,741,100	3,189,600	3,189,600
Bank-owned life insurance	9,082,591	9,082,591	8,735,343	8,735,343
Accrued interest receivable	2,675,695	2,675,695	2,157,524	2,157,524
Mortgage servicing rights	617,799	615,156	503,599	515,492
Financial liabilities:				
Deposits	$ 331,687,858	$ 333,587,730	$ 319,352,459	$ 318,624,194
Short-term borrowings	22,442,247	22,442,247	6,755,017	6,755,017
Other borrowings	65,623,879	68,026,882	53,678,782	53,874,611
Accrued interest payable	1,834,993	1,834,993	1,624,782	1,624,782

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

Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced liquidation sale. If a quoted market price is available for a financial instrument, the estimated fair value would be calculated based upon the market price per trading unit of the instrument.

If no readily available market exists, the fair value estimates for financial instruments should be based upon management's judgment regarding current economic conditions, interest rate risk, expected cash flows, future estimated losses, and other factors as determined through various option pricing formulas or simulation modeling. As many of these assumptions result from judgments made by management based upon estimates, which are inherently uncertain, the resulting estimated fair values may not be indicative of the amount realizable in the sale of a particular financial instrument. In addition, changes in assumptions on which the estimated fair values are based may have a significant impact on the resulting estimated fair values.

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

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

Cash and Cash Equivalents, Certificates of Deposit, Regulatory Stock, Accrued Interest Receivable, Accrued Interest Payable, and Short-Term Borrowings

The fair value is equal to the current carrying value.

18. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS (Continued)

Investment Securities (Trading, Available for Sale, and Held to Maturity), Loans Held for Sale

The fair value of investment securities and loans held for sale is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities.

Net Loans and Deposits

Fair values for the loans are based on market prices, where available, or discounted cash flows using market-based credit spreads of comparable debt instruments or credit derivatives of the specific borrower or comparable borrowers. Results of discounted cash flow calculations may be adjusted, as appropriate, to reflect other market conditions or the perceived credit risk of the borrower. Demand, savings, and money market deposit accounts are valued at the amount payable on demand as of year-end. Fair values for time deposits are estimated using a discounted cash flow calculation that applies contractual costs currently being offered in the existing portfolio to current market rates being offered for deposits of similar remaining maturities.

Bank-Owned Life Insurance

The fair value is equal to the cash surrender value of the life insurance policies.

Other Borrowed Funds and Mortgage Servicing Rights

The fair value for mortgage servicing rights is estimated by discounting contractual cash flows and adjusting for prepayment estimates. Discount rates are based upon rates generally charged for such loans with similar characteristics. Fair values for other borrowed funds are estimated using a discounted cash flow calculation that applies contractual costs currently being offered in the existing portfolio to current market rates being offered for similar borrowings.

Commitments to Extend Credit

These financial instruments are generally not subject to sale, and estimated fair values are not readily available. The carrying value, represented by the net deferred fee arising from the unrecognized commitment or letter of credit, and the fair value, determined by discounting the remaining contractual fee over the term of the commitment using fees currently charged to enter into similar agreements with similar credit risk, are not considered material for disclosure. The contractual amounts of unfunded commitments and letters of credit are presented in Note 13.

19. PARENT COMPANY

Following are condensed financial statements for the Company.

CONDENSED BALANCE SHEET

	December 31, 2007	2006
ASSETS		
Cash and due from banks	$ 27,086	$ 163,844
Investment securities	3,018,199	3,009,756
Loans	397,499	397,499
Investment in subsidiaries	36,521,237	34,848,478
Other assets	1,562,418	1,080,047
TOTAL ASSETS	$ 41,526,439	$ 39,499,624
TOTAL LIABILITIES	$ 11,203,132	$ 9,813,003
STOCKHOLDERS' EQUITY	30,323,307	29,686,621
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 41,526,439	$ 39,499,624

CONDENSED STATEMENT OF INCOME

	Year ended December 31, 2007	2006
INCOME		
Dividends from subsidiaries	$ 3,037,000	$ 2,531,000
Interest and dividend income	162,210	177,848
Investment securities gains, net	79,796	216,776
Other income	29,088	29,394
Total income	3,308,094	2,955,018
EXPENSES		
Interest expense	652,359	653,469
Other expenses	170,960	207,278
Total expenses	823,319	860,747
Income before tax benefit and equity in undistributed net income of subsidiaries	2,484,775	2,094,271
Income tax benefit	(206,241)	(165,837)
Equity in undistributed net income of subsidiaries	1,242,566	1,588,343
NET INCOME	$ 3,933,582	$ 3,848,451

19. PARENT COMPANY (Continued)

CONDENSED STATEMENT OF CASH FLOWS

	Year ended December 31, 2007	2006
OPERATING ACTIVITIES		
Net income	$ 3,933,582	$ 3,848,451
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed net income of subsidiaries	(1,242,566)	(1,588,343)
Investment securities gains, net	(79,796)	(216,776)
Other	(359,291)	(57,141)
Net cash provided by operating activities	2,251,929	1,986,191
INVESTING ACTIVITIES		
Investment securities:		
Proceeds from sales	1,104,784	4,049,889
Purchases	(1,132,128)	(1,963,589)
Proceeds from maturities	-	250,000
Dissolution of subsidiary	24,772	-
Increase in loans, net	-	(153,238)
Net cash provided by (used for) investing activities	(2,572)	2,183,062
FINANCING ACTIVITIES		
Proceeds from other borrowings	1,350,000	-
Repayments of other borrowings	-	(1,563,813)
Purchase of treasury stock	(2,335,594)	(1,228,510)
Proceeds from sale of treasury stock	71,392	15,554
Exercise of stock options	157,207	210,377
Cash dividends	(1,629,120)	(1,527,571)
Net cash used for financing activities	(2,386,115)	(4,093,963)
Increase (decrease) in cash	(136,758)	75,290
CASH AT BEGINNING OF YEAR	163,844	88,554
CASH AT END OF YEAR	$ 27,086	$ 163,844

The People of Kish Bancorp, Inc.

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Richard C. Calkins, Vice Chairman
William L. Dancy, Secretary/Treasurer
Richard L. Kalin, Director
James J. Lakso, Director
Phyllis L. Palm, Director

Mifflin County Regional Board

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William L. Dancy, Member
Eric K. Fowler, M.D, Member
Nichola A. Hidlay, Member
Deborah S. Himes, Member
Robert E. Knable, Member
Alan Metzler, Member
Harvard K. McCardle, Member
John E. McCullough, Member
Gary Oden, Member
Phyllis L. Palm, Member
John Pannizzo, Member
Brian D. Schell, Member

Huntingdon County Regional Board

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Steve Houston, Member
Patricia G. Kepple, Member
James J. Lakso, Member
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Pamela Prosser, Member
Burgess A. Smith, Member
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Ashley H. Kranich, Member
Michael J. Krentzman, Member
Alison Kurtz, Member
Ellen L. Perry, Member
Karen P. Shute, Member

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Jeffrey D. Wilson, Chief Executive Officer
Holly Bowersox, Secretary, Treasurer
Lynn A. Thompson, Vice President, Commercial Lines
Richard C. Calkins, Member
William L. Dancy, Member
Robert S. McMinn, Member
Phyllis L. Palm, Member

Board of Directors of Kish Travel, Inc.

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Robert S. McMinn, President and Chief Executive Officer
Phyllis L. Palm, Member
Richard C. Calkins, Member

Executive Officers

William P. Hayes, Chairman, President and Chief Executive Officer
Robert S. McMinn, Executive Vice President Chief Operating Officer and General Counsel
James L. Shilling, Jr., Executive Vice President, Senior Lending Officer
Gerhard Royer, Vice President, Chief Credit Officer
Michael F. Allen, Executive Vice President, Market Leader, Senior Lending Officer for Centre County

Senior Officers

Larry E. Burger, Vice President, Commercial Relationship Manager
Cynthia A. Campbell, Vice President, Residential Mortgage Sales
Janet B. Chambers, Vice President, Marketing
Maxi E. Curry, Vice President, Investment Services
Wade E. Curry, Vice President, Investment Services
Suzanne M. Fisher, Vice President, Human Resources
Ann K. Guss, Vice President, Senior Mortgage Originator
Gregory T. Hayes, Vice President, Business Banking Representative
Christopher P. Kelly, Vice President, Technology Manager
John Q. Massie, Regional Vice President, Agricultural Loan Officer
Mark R. Merrifield, Regional Vice President
Amy Muchler, Senior Vice President, Operations and Branch Service Quality
Scott R. Reigle, Vice President, Accounting and Controls Manager
Cheryl Shope, Vice President, Regional Market Manager
Lynn A. Thompson, Vice President, Insurance Services
Lana Walker, Vice President, Commercial Relationship Manager
Jeffrey D. Wilson, Chief Executive Officer, Insurance Services

Officers

Stanley N. Ayers, Assistant Vice President, Credit Administration Manager
Nancy A. Benton, Business Service Support Specialist
Kathleen M. Boop, Assistant Vice President, Personal Lines Insurance Manager
Holly C. Bowersox, Accounting and Operations Manager
Kimberly A. Bubb, Business Services Support Manager
Katherine J. Clarke, Assistant Marketing Manager
David A. Coble, Assistant Vice President/Commercial Relationship Manager/Branch Manager
James L. Cordell, Assistant Vice President/ Branch Manager
John P. Cunningham, II, Assistant Vice President/ Branch Manager
JoAnna Cutshall, Assistant Vice President/ Financial Advisor
Terra Decker, Branch Manager
Lucinda K. Dell, Mortgage Administrator
Allana L. Hartung, Assistant Vice President/ Branch Manager
Carol K. Kennedy, Consumer Lending Officer
Marsha K. Kuhns, Assistant Vice President/Branch Support Services Manager
Beverly M. McClellan, Assistant Vice President, Senior Data Analyst
Peter Ort, Branch Manager
James H. Roth, Jr., Collections Officer
Melissa K. Royer, Assistant Vice President/Branch Operations Manager/Product Development
Frances H. Stevenson, Assistant Vice President/Trust Department Manager/Personal Banker
N. Robert Sunday, III, Business Banking Representative
Kayelene Sunderland, Assistant Vice President/Assistant Investment Services Manager
Ralph D. Varner, Facilities and Security Manager
Debra K. Weikel, Assistant Vice President, Mortgage Underwriter

Employees

Julia M. Alexander, Customer Service Teller
Jesse L. Banks, Personal Banker
Barry L. Bargo, Courier/Mail Clerk
Melissa D. Beale, Customer Service Teller
Stacey E. Beaver, Customer Service Teller
Steven E. Bender, Personal Banker
Brandy L. Benson, Customer Service Teller
Diana L. Bock, Personal Banking Specialist
Shana D. Booher, Customer Service Teller
Stacy A. Boozel, Loan Operations Specialist
Vicki L. Brown-Smith, Branch Operations Specialist
Judith A. Caldwell, Payroll & Benefits Administrator
Brenda Collins, Credit Administration Specialist
Duane J. Coy, Commercial Lines Insurance Specialist
Lindsey M. Cramer, Customer Service Teller
Richard D. Crider, ALCO & Reporting Manager
Jason M. Cunningham, Credit Analyst
Kati E. Deans, Customer Service Teller
Peggy J. Dearing, Credit Administration Specialist
Oksana F. DeArment, Executive Assistant
Jannifer N. Diehl, Senior Credit Administration Specialist
Heather L. Dubbs, Business Banking Specialist
Benjamin E. Dungan, Customer Service Teller
Beverly J. Eichhorn, Accounting Specialist
Kathy D. Fisher, Branch Support Service Specialist
Jodie M. Gibboney, Personal Banker
Karen S. Gilbert, Business Banking Specialist
Janice Y. Glick, Personal Banking Specialist
Mary E. Gutshall, Administrative Assistant/Receptionist/ Personal Banker
Kathy E. Hagans, Customer Service Teller
Lisa J. Hamler, Customer Service Teller
Ashley L. Heider, Accounting Specialist
Sallie M. Hicks, Branch Operations Specialist
Donald F. Hindman, Courier/Mail Clerk
Christina A. Hinkle, Business Banking Specialist
Lara A. Hoffman, Personal Banker
Paula J. Kauffman, Senior Loan Operations Specialist
Brett P. Keith, Customer Service Courier
Darla S. King, Branch Support Service Specialist
Karen M. Kochenderfer, Branch Support Service Specialist
Lyndsee L. Krepps, Customer Service Teller
Fawn R. Laky, Customer Service Teller
Brittany Lawrence, Student Customer Service Teller
Carolyn M. Leacy, Customer Service Teller
Lori Ann Legradi, Customer Service Teller
Carmella J. Long, Personal Banker
Jeremy G. Mattern, Credit Analyst
Tina K. McCurdy, Branch Operations Specialist
Kathryn A. McKnight, Loan Operations Specialist
Kristie R. McKnight, Business Banking Specialist
Beth N. Metz, Human Resources Assistant
Mary A. Miller, Executive Assistant
Joanna M. Minium, Credit Administration Specialist
Jennifer A. Mitchell, Loan Operations Specialist
Amber N. Muchler, Customer Service Teller
Tina L. Nace, Senior Credit Administration Specialist
Carol A. Noland, Loan Operations Specialist
Melissa A. Paladino, Branch Service Support Data Analyst
Constance F. Palm, Assistant Branch Manager
Anne E. Parks, Customer Service Teller
Susan K. Peachey, Branch Operations Specialist
Danielle A. Peck, Loan Operations Specialist
Dustin A. Pierce, Personal Banker
Susan C. Rainey, Customer Service Teller
Crystal M. Ronk, Branch Support Service Specialist
Billie A. Rupert, Investment Services Assistant
Leslie J. Sauer, Accounting Specialist
Tara Lynn Scyoc, Customer Service Teller
Melissa A. Sellers, Business Banking Specialist
Michelle D. Shaffer, Branch Operations Specialist
April L. Shawver, Customer Service Teller
Brittany E. Shifflet, Personal Banker
Angela N. Shuey, Trust Operations Specialist
Krista N. Simpson, Customer Service Teller
Wendy S. Strohecker, Branch Support Services Assistant Manager
Tasia E. Sullivan, Regional Customer Service Teller
Jonathan D. Swanger, Customer Service Teller
Angela E. Swartzentruber, Customer Service Teller
Cynthia G. Swineford, Customer Service Teller
Quinn L. Swineford, Branch Support Service Specialist
Scott A. Treaster, Information Security Administrator
Donald L. Varner, Courier / Maintenance Supervisor
Jeanne L. Wagner, Customer Service Teller
Dana E. Watson, Branch Service CIS/IRA Manager
Rebecca M. Watt, Credit Administration Specialist
Elaine S. Weller, Assistant Branch Manager
Sheila A. Werner, Customer Service Teller
Debra J. Wert, Business Banking Specialist
Roland G. Yoder, Courier/Mail Clerk
Nancy A. Zimmerman, Personal Banker

Kish Agency, Inc.

Officers

Jeffrey D. Wilson, Chief Executive Officer
Lynn A. Thompson, Vice President, Commercial Lines
Kathleen M. Boop, Assistant Vice President, Personal Lines Sales Manager
Holly Bowersox, Operations Manager

Employees

Jennifer Beachel, Insurance Operations Specialist
Duane J. Coy, Insurance Specialist, Commercial Lines
Suzanne M. Grimes, Customer Service Representative
Gina K. Perrin, Personal Lines, Customer Service Representative
Marlene K. Johnson, Personal Lines, Customer Service Representative
Cindy J. Robinson, Commercial Lines, Customer Service Representative

Kish Travel Services, Inc.

Employees

D. Michael Whalen, General Manager
Jolene K. Byler, Assistant Manager, Travel Consultant
Sandra L. Hunley, Lead Travel Agent

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