



2010



ANNUAL



REPORT



William P. Hayes,
Chairman, President, and
Chief Executive Officer



As the economy moved slowly toward recovery during 2010, Kish Bancorp continued to execute its core mission of performance for its communities, customers and shareholders. While the environment for banking reflected a continuation of challenging economic conditions that required a sustained emphasis on risk management and loan quality, Kish's focus on deepening and expanding customer relationships produced a year of strong financial results.

To that end, the performance of the core banking unit was fortified by the complementary performance of the other businesses which comprise the Kish model. We are pleased to present these results in the 2010 Annual Report.

Emerging from a challenging 2009 precipitated by the financial crisis and a deep and prolonged economic recession, in 2010 we turned with renewed determination to the task of achieving Kish's strategic vision with a focus on building core capacity while restoring our historically strong balance sheet quality. We are pleased to report that 2010 financial results reflect the success of those efforts on a number of fronts and attest to the strength of the basic disciplines that, for more than 100 years, have provided outstanding value to Kish's shareholders and communities.

The strongest evidence of our success was reflected in two key measures that have distinguished Kish's performance from its peers over the long term: earnings growth and return on average shareholders' equity. In 2010, net income and earnings per share both rebounded to double-digit growth rates. This was following the prior year in which a higher portion of the Corporation's income was directed to fortifying the loan loss reserve. Net income in 2010 increased by 10.7 percent over 2009 levels and

earnings per share grew by 10.5 percent. Return on average shareholders' equity reached 10.3 percent, up from the prior year of 9.7 percent. These measures represent significant achievements in the current environment and strong levels of performance relative to industry averages. For example, for Kish's Pennsylvania peer group of banks with total assets between \$500 million and \$1 billion, return on average shareholders' equity averaged 8.67 percent in 2010, according to SNL Financial.

It is worth noting that these financial results were accomplished while simultaneously strengthening the capacity of the balance sheet to withstand the potential impact of further economic headwinds. Although outstanding loans did not increase during the year, Kish Bank's reserve for possible loan losses was increased by \$849,000 to \$6.25 million for a ratio that, at 1.67 percent to total loans at year end 2010, grew from 1.45 percent at year end 2009, and further expands our ability to support local borrowers as they recover from the difficult period of the past few years. And, through a combination of retained earnings and the issuance of subordinated debt, Kish Bancorp not only maintained well capitalized status but significantly increased its critical capital ratios—all while maintaining annual dividends at \$3.24 per share.

Most importantly of all, the core banking business remained strong. Even with lackluster demand for loans from our business borrowers resulting in no growth in the loan portfolio, growth in deposits of 9 percent in the low interest rate environment helped to push net interest income higher by \$1.5 million, or 9 percent. Other factors included the stabilization of nonperforming loans as we worked with borrowers to resolve loan problems, and net loan charge-offs that, at \$1.0 million, were well below the \$1.85 million loan loss provision. We are also pleased to note that 2010 saw substantial progress in the resolution of a large nonperforming commercial real estate loan that moved through the foreclosure process into other real estate owned without incurring substantial additional losses. Another leading indicator of future loan quality, delinquent loans in the 30-89 day category, ended 2010 at 0.35 percent of total loans, placing Kish Bank well below the median delinquency ratio of 1.21 percent for banks nationally in the \$300 million to \$1 billion peer group, according to FDIC data. Even the bank's classified loans were 95 percent current on payments at the end of the year.

Another key measure of financial performance, noninterest income, rose sharply in 2010 due to strong contributions from all of the Corporation's business units. Noninterest income increased 21 percent to \$6.4 million from \$5.3

million the previous year, due mainly to record mortgage origination fees, growth in service fees, investment services revenue growth, and more modest increases in revenues from insurance and travel agency sales. Increases in gains from investing activities were more than offset by related costs associated with the prepayment of higher cost Federal Home Loan Bank advances. The sharp expansion in noninterest income was more than sufficient to offset a significant rise in noninterest expense associated with personnel growth, consulting fees, loan collections, processing fees, and expansion costs.

Many of the increased operating costs relate to heightened risk management practices required by the current economic and regulatory environment. The ongoing challenges facing banks everywhere have elevated the need to focus greater resources on credit administration and problem loan management, the early identification of threats to information security, and Board and management oversight of risk management efforts. These areas have been receiving increased attention at Kish for several years, but 2010 saw a considerable elevation in these efforts. The progress achieved in credit quality we have already discussed. We also wish to note a significant investment in validating the bank's information security protocols and practices. Multiple tests of our

information security conducted by several nationally recognized consulting firms have documented the effectiveness of our information security practices. We place the highest value on the security and privacy of our customers' information and are pleased to report that there has been no evidence of any security breaches through our information systems at any time. Going forward, we will continue to strengthen our information security and other risk management practices across the broad spectrum of our services.

As we review our 2010 accomplishments, we also look toward the exciting work ahead of us. The foundational work performed over the past few years has readied Kish Bancorp for the opportunities that we know will emerge for our company. Not only have we built a stronger foundation in terms of strengthened processes and risk management, we have made key leadership additions to the team. Bill Yaudes as Regional Market Manager in Huntingdon County and John Arrington as Regional Market Manager in Centre County are recent additions to senior management who bring an added depth of banking experience and management focus to the pursuit of our objectives. We have called this strategic initiative "Building to a Billion"—it incorporates the activities and organizational alignment necessary to grow to more than \$1 billion in assets in the next several years.

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www.KishBank.com

While this goal may sound ambitious, we believe our outlook is grounded in the principles that have guided this institution since its inception. It is a vision of the future centered on shared values: solid and sustainable business practices; a dedication to quality products and exceptional service; a focused, well coordinated, and motivated team; and corporate interests aligned with those of our shareholders, customers, and community.

In this context, we briefly share the elements behind our Build-to-a-Billion strategy. To achieve our goal we will:

Execute Flawlessly. Ambitious goals require effectively translating ideas to action and executing according to plan. Our mandate to management is to continuously emphasize follow-up and follow-through, ensuring that each milestone gets from “To Do” to “Done.”

Build a Winning Team. Our objective will take the coordinated efforts of the right people operating with the right direction and leadership. As 2010 demonstrated, we already have a winning team. To strengthen it further, we’re moving on multiple fronts, with training, education, and development opportunities for current staff, while also augmenting leadership in key strategic areas with veteran industry talent.

Focus on Quality. Quality is the hallmark of the Expect More promise. This encompasses our customer service, asset portfolio, and brand. It also applies to the integrity and ethics guiding our decisions—to ensure that Kish Bancorp works persistently toward the vision of setting the standard by which financial services companies are judged.

Grow the Customer Base. Our four complementary business units provide an outstanding opportunity to deepen our relationship with each customer, by cross-selling additional value-added services. And our growing presence in a three-county area creates abundant new business development opportunity. We will progress on both fronts through first-rate sales and marketing, and by developing in all associates an intense focus on enhancing relationships.

Attract and Reward Capital. Corporate success is intertwined with shareholder interests. We will strive to achieve the highest levels of sustainable shareholder value. This will deepen and further develop long-term shareholder relationships, providing a reliable source of capital for growth and risk management—capital that our shareholders are confident is well invested.

Align with the Community. Our community focus will remain a critical differentiating factor. Enhancing our vital community role will continue to reinforce the

alignment of our mutual interests with the community’s.

We’re grateful to be in a position of strength to begin implementing this strategy. And we acknowledge that this position, especially in a still-challenging economic environment, is due to the tireless efforts of a dedicated team. Through those efforts, we have learned much about how to creatively solve problems and build a stronger platform for the future— it is a position which will only strengthen further as the recovery gains momentum.

We acknowledge the confidence, support, and encouragement of our shareholders throughout the past year. We recognize that despite the sustained financial performance of the Corporation over the past several years, this has been a challenging period for our long term investors. Thank you for continuing to embrace and support the Kish commitment to exceptional financial performance through a focus on serving the community we all share.

As always, as you review this report and throughout the year ahead, we welcome your inquiries regarding the Corporation’s performance.

Sincerely,
William P. Hayes

William P. Hayes
Chairman, President, and
Chief Executive Officer

More value... more success... for our customers and our community.

Our customers have learned that, with Kish, they can expect more than just a place to park their money. More and more are turning to Kish as a one-stop source of solutions that can enhance their success in so many different areas of their lives.

As just one example, take Kish Bank. There are many places to go for a business or personal deposit account. Or a home, vehicle, or business loan. What’s the Kish difference?

An individual, personalized focus... Associates who strive to super-serve customers and treat them like friends... Decision makers with the insight to step back from raw numbers on paper and see the big picture, recognizing a business idea that could be of great mutual benefit not only to Kish and the customer, but to the entire community... and beyond.

Behind every satisfied Kish customer is a story. And we’re helping customers create new stories every day. Stories of transforming career crises, driven by the economic downturn, into exciting new entrepreneurial ventures. Stories of taking an initial thought of a quick getaway and creating the vacation of a lifetime. Stories of investment plans or insurance solutions that help people sleep better at night.

Some say that word-of-mouth is the best advertising. Or that a satisfied customer is the best salesperson. So in 2010, we continued to turn to our customers to tell the story of the surprising variety of ways that Kish Bank, Kish Insurance, Kish Financial Solutions, and Kish Travel have touched so many lives in our community.



“ With Kish Insurance protecting so much of what’s important to me, I have the peace of mind to focus on my business... and on checking things off my ‘bucket list!’ ”

Pam Prosser
Seven Points Marina

They shared their stories in our print ads, radio spots and billboards. Some even appeared with us at community events that were covered by the local media. Often their faces, and the images showing the multiple ways that their relationship with Kish has benefitted them, tell even more of the story than their words.

You can see some of their faces here in these pages. And the people who have shared their Kish stories in our marketing campaigns so far represent just a small sampling of the many stories we have shaped. In 2011 and beyond, we look forward to shaping more stories, and to the pleasure of working with more customers eager to share their stories about the benefits of working with a company that promises that you can Expect More.

expect
more



“ Kish Bank helps us toast the success of our winery. But Kish Travel makes it easier when we’d rather raise glasses during a romantic dinner for two, on board a cruise ship.”

*Scott & Mary Ann Bubba
Seven Mountains Wine Cellars*



“ With a sound financial strategy from Kish Financial Solutions, it’s easier for me to support community causes that I care about. ”

Pam Grugan



“ We only had a thousand dollars to start with, but Kish Bank took the time to listen and understand our business concept, our vision of a wildly successful future. ”

*Joe & Mary Ann McDonald
McDonald Wildlife Photography*

Net income for the twelve months ending December 31, 2010 was \$3.556 million, an increase of \$343 thousand, or 10.7 percent, from \$3.213 million in 2009. Consistent with the change in net income, earnings per share increased 10.5 percent, to \$6.72, from \$6.08 in 2009. Return on average equity was 10.31 percent during 2010, up from 9.73 percent in 2009.

The Corporation’s total assets rose to \$557 million, an increase of \$29 million, or 5.5 percent compared to \$527 million as of December 31, 2009. Total deposits grew by \$38 million to \$446 million, an increase of 9.4 percent from \$408 million one year ago. Net loans outstanding were \$367 million, unchanged from the prior year as the pace of demand slowed in the second half of 2010 and borrowers continued to reduce indebtedness.

Despite the lack of loan growth, net interest income increased 9.4 percent to \$17.0 million during 2010, compared to \$15.5 million during 2009. This was a result of strong deposit growth in a low interest rate environment. Net interest income also benefitted from reduced interest expense related to Other borrowings, as the Company extinguished certain higher cost Federal Home Loan Bank advances during 2010.

Contributions to the allowance for potential loan losses decreased to \$1.85 million in 2010 from \$2.34 million in 2009, increasing the reserve for possible loan losses by \$849 thousand to \$6.25 million. As a result, the loan loss reserve to total loan ratio increased from 1.45 percent at year end 2009 to 1.67 percent at year end 2010. Actual net charge-offs during 2010 were \$1.0 million, due mainly to one large nonperforming commercial real estate loan moving into other real estate. This compared to \$252 thousand during 2009.

Noninterest income increased by \$1.1 million, or 20.8 percent, to \$6.4 million in 2010 from \$5.3 million in 2009. Excluding gains from investing activities, core noninterest income rose by \$669 thousand, or 14.2 percent, primarily due to strength in secondary market residential mortgage origination activities, growth in service fees, and increases in non-bank business unit revenues.

Noninterest expense was \$17.5 million during 2010, an increase of \$2.6 million, or 17.6 percent, from \$14.9 million in 2009. Included in the 2010 results are increases in personnel costs, consulting fees, data processing fees and a one-time early debt extinguishment fee associated with the FHLB borrowings discussed earlier.

Capital ratios continued to strengthen in 2010 due to the private placement of subordinated debt with qualified local investors, increased contributions to the reserve for loan losses, retained earnings, and a deliberate effort to reduce risk within the balance sheet. Dividends paid in 2010 remained at \$3.24 per share, unchanged from the previous two years. As a result, the Corporation’s Primary Capital/Total Assets ratio was 7.54 percent on December 31, 2010, compared to 7.48 percent a year earlier, and the Total Capital/Risk Weighted Assets ratio increased to 11.67 percent from 11.26 percent during the same periods. Both of these ratios remain considerably above regulatory guidelines for “well-capitalized” status and enhance the Corporation’s ability to support continued growth.

Five Year Summary

FOR THE YEAR	2010	2009	2008	2007	2006
Net Income	\$3,556,124	\$3,213,423	\$3,937,791	\$3,933,582	\$3,848,451
Net Income Before Taxes	4,026,669	3,586,370	4,817,481	4,826,174	4,743,720
Total Dividends Declared	1,739,714	1,721,575	1,713,474	1,629,120	1,527,572

AT YEAR END (IN 000's)

Total Assets	\$556,623	\$527,396	\$476,263	\$454,092	\$413,429
Total Loans (Net)	367,306	367,824	333,434	305,729	287,622
Total Deposits	446,002	407,721	352,729	331,688	319,352
Stockholders' Equity	35,729	34,062	31,302	30,323	29,687
Loan Loss Reserve	6,245	5,397	3,305	3,001	2,963
Net Loan Losses (Recoveries)	1,001	252	(5)	140	94

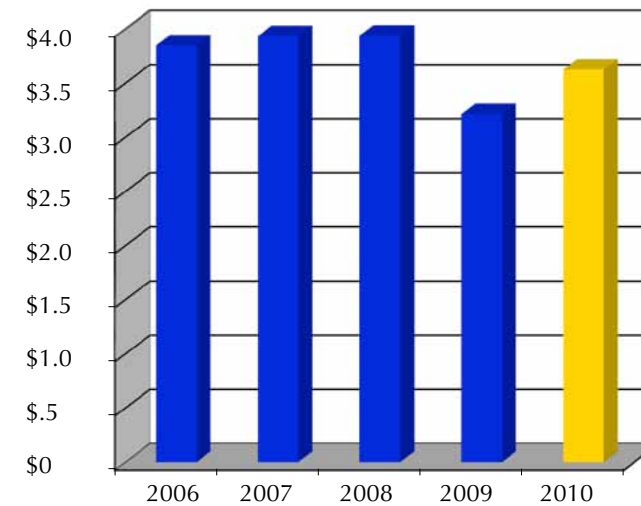
RATIO ANALYSIS

Return on Average Assets	0.65%	0.64%	0.84%	0.92%	0.93%
Return on Average Equity	10.31%	9.73%	12.75%	13.32%	12.99%
Dividend Declared/Net Income	48.92%	53.57%	43.51%	41.42%	39.69%
Loan/Deposits	82.36%	90.21%	94.53%	92.17%	90.06%
Primary Capital/Total Assets	7.54%	7.48%	7.27%	7.34%	7.90%
Total Capital/Risk Weighted Assets	11.67%	11.26%	10.40%	10.41%	11.12%
Loan Loss Reserve/Loans	1.67%	1.44%	0.98%	0.97%	1.02%
Net Loan Losses to Total Loans (Net)	0.27%	0.07%	0.00%	0.05%	0.03%

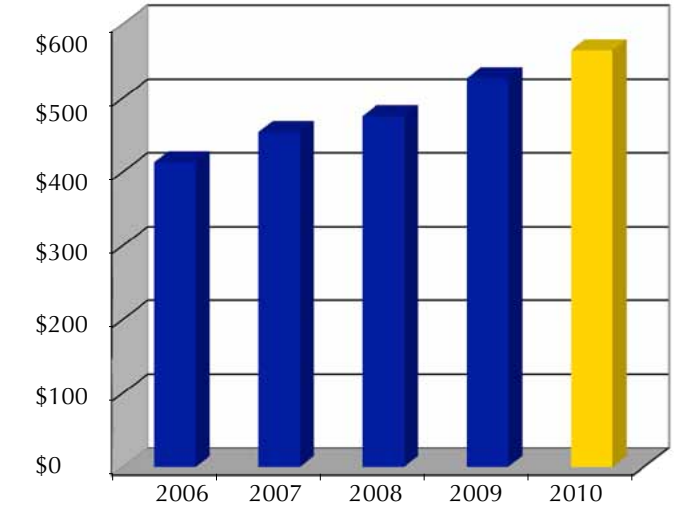
PER SHARE DATA

Basic Earnings	\$6.72	\$6.08	\$7.47	\$7.37	\$6.94
Fully Diluted Earnings	6.68	6.07	7.47	7.35	6.90
Dividends Paid	3.24	3.24	3.24	3.03	2.75
Equity (Book Value)	66.54	63.61	59.04	57.50	54.03
Equity Plus Loan Loss Reserve	78.17	73.69	65.27	63.19	59.43
Average Shares Outstanding (#)	529,343	528,125	527,044	534,916	554,671

Net Income (in millions)

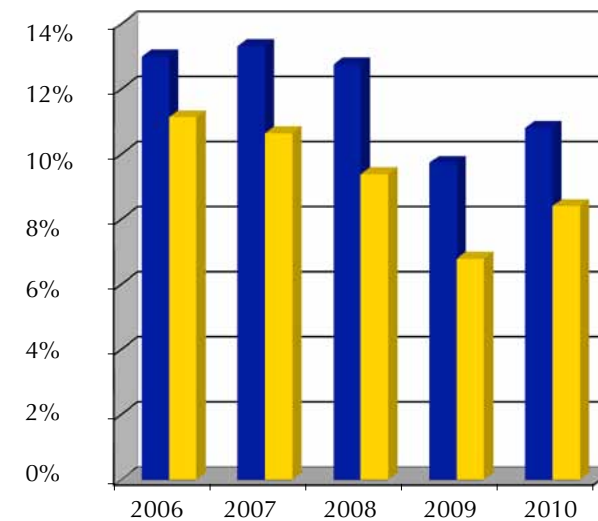


Total Assets (in millions)

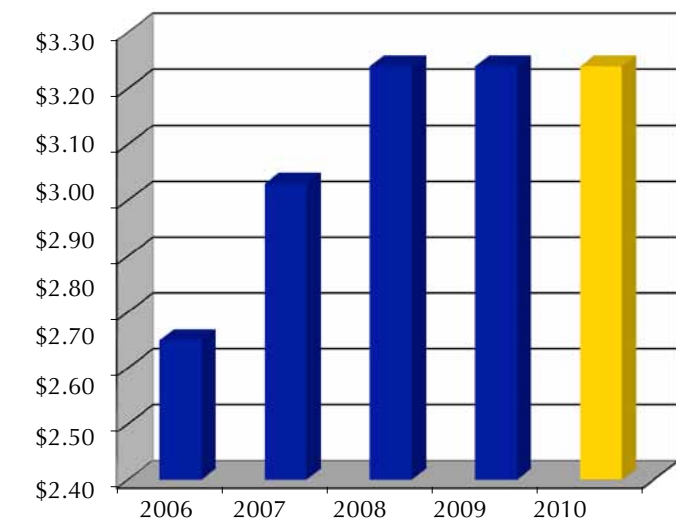


Return on Average Equity

■ Kish Bank ■ PA Bank Operating Companies with \$500mm to \$1B in Assets



Dividends per Share



Kish Bancorp, Inc.
Consolidated Audited Financial Statements
December 31, 2010

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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, 2010 and 2009, 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, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

A. N. Smolysky, A.C.

Wexford, Pennsylvania
March 25, 2011

	December 31,	
	2010	2009
ASSETS		
Cash and due from banks	\$ 9,338,767	\$ 8,659,181
Interest-bearing deposits with other institutions	10,544,564	28,538,280
Cash and cash equivalents	19,883,331	37,197,461
Certificates of deposit in other financial institutions	2,734,094	3,558,204
Investment securities available for sale	120,862,285	78,078,041
Loans held for sale	918,342	573,990
Loans	373,551,450	373,220,076
Less allowance for loan losses	6,245,441	5,396,553
Net loans	367,306,009	367,823,523
Premises and equipment	13,633,292	13,406,992
Goodwill	1,668,699	1,668,699
Regulatory stock	4,161,800	4,144,300
Bank-owned life insurance	11,684,697	11,270,777
Accrued interest and other assets	13,770,102	9,673,859
TOTAL ASSETS	\$ 556,622,651	\$ 527,395,846
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 45,225,548	\$ 43,028,679
Interest-bearing demand	8,233,339	8,813,878
Savings	36,303,525	31,910,401
Money market	177,084,834	134,425,058
Time	179,154,740	189,543,021
Total deposits	446,001,986	407,721,037
Short-term borrowings	7,608,645	4,627,902
Other borrowings	62,871,140	76,923,802
Accrued interest and other liabilities	4,411,628	4,061,398
TOTAL LIABILITIES	520,893,399	493,334,139
STOCKHOLDERS' EQUITY		
Preferred stock, \$.50 par value; 500,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$.50 par value; 2,000,000 shares authorized, 610,000 shares issued	305,000	305,000
Additional paid-in capital	114,999	273,712
Retained earnings	41,783,312	39,966,902
Accumulated other comprehensive income	24,409	246,582
Treasury stock, at cost (73,046 and 74,549 shares)	(6,498,468)	(6,730,489)
TOTAL STOCKHOLDERS' EQUITY	35,729,252	34,061,707
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 556,622,651	\$ 527,395,846

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Year Ended December 31,	
	2010	2009
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 20,716,935	\$ 20,436,686
Exempt from federal income tax	1,087,627	1,053,227
Interest and dividends on investment securities:		
Taxable	1,891,681	2,209,795
Exempt from federal income tax	1,322,196	1,475,236
Interest-bearing deposits with other institutions	108,819	134,947
Other dividend income	88,104	121,716
Total interest and dividend income	<u>25,215,362</u>	<u>25,431,607</u>
INTEREST EXPENSE		
Deposits	4,861,254	5,978,847
Short-term borrowings	121,890	92,222
Other borrowings	3,244,235	3,835,162
Total interest expense	<u>8,227,379</u>	<u>9,906,231</u>
NET INTEREST INCOME	16,987,983	15,525,376
Provision for loan losses	1,850,000	2,344,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>15,137,983</u>	<u>13,181,376</u>
NONINTEREST INCOME		
Service fees on deposit accounts	1,423,464	1,457,923
Trading securities losses, net	-	(6,740)
Investment securities gains, net	1,050,999	758,624
Investment securities impairment loss	(28,167)	(163,351)
Gain on sale of loans, net	1,045,435	780,619
Earnings on bank-owned life insurance	399,688	388,978
Insurance commissions	852,732	821,831
Travel agency commissions	230,688	203,377
Other	1,433,398	1,063,932
Total noninterest income	<u>6,408,237</u>	<u>5,305,193</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	8,751,543	7,915,543
Occupancy and equipment	2,207,718	1,935,207
Data processing	1,537,774	1,308,640
Professional fees	254,195	223,559
Advertising	377,299	321,296
Federal deposit insurance	646,016	602,926
Goodwill impairment	-	43,379
Prepayment penalty on extinguishment of debt	548,896	-
Other	3,196,110	2,549,649
Total noninterest expense	<u>17,519,551</u>	<u>14,900,199</u>
Income before income taxes	4,026,669	3,586,370
Income taxes	470,545	372,947
NET INCOME	<u>\$ 3,556,124</u>	<u>\$ 3,213,423</u>
EARNINGS PER SHARE		
Basic	\$ 6.72	\$ 6.08
Diluted	6.68	6.07

See accompanying notes to the consolidated financial statements.

	Balance, December 31, 2008	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity	Comprehensive Income (Loss)
Net income							
Other comprehensive income:							
Unrealized gain on available-for-sale securities, net of reclassification adjustment, net of tax benefit of \$570,535			3,213,423	(860,927)		3,213,423	3,213,423
Comprehensive income				1,107,509		1,107,509	1,107,509
Stock option compensation expense						14,840	14,840
Purchase of shares by RSP		(443,393)			443,393	-	-
Forfeiture of shares by RSP		2,031			(2,031)	-	-
Amortization of unearned RSP shares		119,116				119,116	119,116
Cash dividends (\$3.24 per share)			(1,721,575)		(48,120)	(1,721,575)	(1,721,575)
Purchase of treasury stock (859 shares)					113,337	(48,120)	(48,120)
Sale of treasury stock (1,246 shares)		(38,381)				74,956	74,956
Balance, December 31, 2009	305,000	273,712	39,966,902	246,582	(6,730,489)	34,061,707	3,556,124
Net income							
Other comprehensive income:							
Unrealized loss on available-for-sale securities, net of reclassification adjustment, net of tax benefit of \$114,453				(222,173)		(222,173)	(222,173)
Comprehensive income						29,676	29,676
Stock option compensation expense		29,676				-	-
Purchase of shares by RSP		(320,120)			320,120	-	-
Forfeiture of shares by RSP		17,328			(17,328)	-	-
Amortization of unearned RSP shares		154,896				154,896	154,896
Cash dividends (\$3.24 per share)			(1,739,714)		(197,150)	(1,739,714)	(1,739,714)
Purchase of treasury stock (2,973 shares)					126,379	(197,150)	(197,150)
Sale of treasury stock (1,341 shares)		(40,493)				85,886	85,886
Balance, December 31, 2010	305,000	114,999	41,783,312	24,409	(6,498,468)	35,729,252	3,556,124
Components of other comprehensive income (loss):							
Change in net unrealized gain on investments available for sale							
Realized gains included in net income, net of tax of \$357,340 and \$257,932							
Impairment losses included in the net income, net of tax benefit of \$9,577 and \$55,539							
Total							
See accompanying notes to consolidated financial statements.							

	Year Ended December 31,	
	2010	2009
OPERATING ACTIVITIES		
Net income	\$ 3,556,124	\$ 3,213,423
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,850,000	2,344,000
Goodwill impairment	-	43,379
Investment securities gains, net	(1,050,999)	(758,624)
Investment securities impairment loss	28,167	163,351
Net change in investment securities held for trading	-	5,356,690
Proceeds from sale of loans held for sale	36,312,273	35,211,414
Origination of loans held for sale	(35,611,190)	(34,605,467)
Gain on sales of loans, net	(1,045,435)	(780,619)
Loss on sale of other real estate owned	3,506	-
Depreciation, amortization and accretion	2,696,173	1,177,209
Deferred income taxes	(428,312)	(262,905)
Decrease (increase) in accrued interest receivable	(163,160)	240,917
Decrease in accrued interest payable	(118,311)	(283,294)
Earnings on bank-owned life insurance	(399,688)	(388,978)
Decrease (increase) in prepaid federal deposit insurance	597,013	(2,361,911)
Other, net	(184,492)	31,992
Net cash provided by operating activities	6,041,669	8,340,577
INVESTING ACTIVITIES		
Maturities of certificates of deposit	2,642,275	4,088,624
Purchase of certificates of deposit	(1,818,165)	(2,700,000)
Investment securities available for sale:		
Proceeds from sale of investments	45,120,669	39,496,222
Proceeds from repayments and maturities	16,851,299	17,877,389
Purchases	(105,916,061)	(50,653,486)
Increase in loans, net	(5,070,085)	(37,691,093)
Purchase of regulatory stock	(17,500)	-
Purchase of premises and equipment	(1,144,384)	(3,860,580)
Proceeds from sale of premises and equipment	67,966	-
Proceeds from sale of other real estate owned	570,135	199,254
Net cash used for investing activities	(48,713,851)	(33,243,670)
FINANCING ACTIVITIES		
Increase in deposits, net	38,280,949	54,992,094
Increase (decrease) in short-term borrowings, net	2,980,743	(1,326,112)
Proceeds from other borrowings	10,050,000	6,793,300
Repayments of other borrowings	(24,102,662)	(11,285,406)
Purchases of treasury stock	(197,150)	(48,120)
Proceeds from sale of treasury stock	85,886	74,956
Cash dividends	(1,739,714)	(1,721,575)
Net cash provided by financing activities	25,358,052	47,479,137
Increase (decrease) in cash and cash equivalents	(17,314,130)	22,576,044
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR	37,197,461	14,621,417
CASH AND CASH EQUIVALENTS		
AT END OF YEAR	\$ 19,883,331	\$ 37,197,461
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest on deposits and borrowings	\$ 8,345,690	\$ 10,189,525
Income taxes	1,050,000	585,000
SUPPLEMENTAL DISCLOSURE OF NON-CASH CASH FLOW INFORMATION:		
Real estate aquired in settlement of loans	\$ 3,737,599	957,155

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 subsidiaries, Kishacoquillas Valley National Bank (the “Bank”), Kish Travel Services, Inc., and the Bank’s subsidiaries, Kish Agency, Inc. and Tri Valley Properties, LLC. 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. Kish Travel Services, Inc. is a Pennsylvania business established to provide travel services to its customers. Tri Valley properties, LLC is a limited liability company established to hold real estate and other property acquired through debts previously contracted.

The consolidated financial statements include the accounts of Kish Bancorp, Inc., and its 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 (“GAAP”) 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. Debt securities which are held principally as a source of liquidity are classified as available for sale. 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. The Company does not have trading securities and securities held to maturity as of December 31, 2010 and 2009. Interest and dividends on investment securities are recognized as income when earned.

Securities are evaluated on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether a decline in their value is other than temporary. For debt securities, management considers whether the present value of cash flows expected to be collected are less than the security’s amortized cost basis (the difference defined as the credit loss), the magnitude and duration of the decline, the reasons underlying the decline and the Company’s intent to sell the security or whether it is more likely than not that the Company would be required to sell the security before its anticipated recovery in market value, to determine whether the loss in value is other than temporary. Once a decline in value is determined to be other than temporary, if the investor does not intend to sell the security, and it is more-likely-than-not that it will not be required to sell the security before recovery of the security’s amortized cost basis, the charge to earnings is limited to the amount of credit loss. Any remaining difference between fair value and amortized cost (the difference

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Securities (Continued)

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

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.

The Bank is a member of the FHLB and, as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is bought from and sold to the FHLB based upon its \$100 par value. The stock does not have a readily determinable fair value and, as such, is classified as restricted stock, carried at cost and evaluated by management. The stock’s value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared with the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance, (c) the impact of legislative and regulatory changes on the customer base of the FHLB, and (d) the liquidity position of the FHLB.

The FHLB has incurred losses in the prior two years and has suspended the payment of dividends. The losses are primarily attributable to impairment of investment securities associated with the extreme economic conditions in place over the last two years. Management evaluated the stock and concluded that the stock was not impaired for the periods presented herein. More consideration was given to the long-term prospects for the FHLB as opposed to the recent stress caused by the extreme economic conditions the world is facing. Management also considered that the FHLB’s regulatory capital ratios have increased from the prior year, liquidity appears adequate, and new shares of FHLB stock continue to exchange hands at the \$100 par value.

Loans

Loans are reported at their principal amount net of the allowance for loan losses and deferred origination fees or costs. Interest on loans is recognized as income when earned on the accrual method. Generally, the policy has been to stop accruing interest on loans when it is determined that a reasonable doubt exists as to the collectibility of additional interest. Interest previously accrued but deemed uncollectible is deducted from current interest income. Payments received on nonaccrual loans are recorded as income or applied against principal according to management’s judgment as to the collectibility of such principal. Nonaccrual loans will generally be put back on accrual status after demonstrating six consecutive months of nondelinquency.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans (Continued)

Loan origination fees and certain direct loan origination costs are being deferred and the net amount amortized as an adjustment of the related loan’s yield. Management is amortizing these amounts over the contractual life of the related loans.

In general, fixed rate, permanent residential mortgage loans originated by the Bank are held for sale and are carried in the aggregate at the lower of cost or market. The Bank sells these loans to various other financial institutions. Currently, the Bank retains the servicing of those loans sold to the FHLB and releases the servicing of loans sold to all other institutions.

Allowance for Loan Losses

The allowance for loan losses represents the amount that 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 industrial, agricultural, state and political subdivisions, 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.

In addition to the allowance for loan losses, the Company also estimates probable losses related to unfunded lending commitments, such as letters of credit, financial guarantees and unfunded loan commitments. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Company’s internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, current economic conditions, performance trends within specific portfolio segments and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments. Provision for credit losses related to the loan portfolio and unfunded lending commitments is reported in the Consolidated Statement of Income.

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.

Goodwill

The Company accounts for goodwill using 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.

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 less 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. Advertising expense amounted to \$377,299 and \$321,296 for 2010 and 2009, respectively.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Options

As of December 31, 2010 and 2009, the Company recorded compensation expense of \$29,676 and \$14,840 related to share-based compensation awards. At December 31, 2010, there was approximately \$58,201 in unrecognized compensation cost related to unvested share-based compensation awards granted. That cost is expected to be recognized over the next two years.

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)
2010	4.75 %	3.89 %	12.73 %	10.00
2009	6.20 %	2.31 %	15.53 %	6.30
2008	4.25 %	3.10 %	8.18 %	9.08

The weighted-average fair value of each stock option granted for 2010 was \$5.28. There were no stock options exercised during the year ended December 31, 2010.

Mortgage Servicing Rights (MSRs)

The Company has agreements for the express purpose of selling loans in the secondary market. The Company retains servicing rights for certain 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. The Company performs an impairment review of the MSRs and recognizes impairment through a valuation account. MSRs are a component of accrued interest and 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. For the years ended December 31, 2010 and 2009, the Company recorded gross servicing rights of \$459,196 and \$411,054 with a reserve for impairment of \$135,055 and \$148,667, respectively.

Transfer of Assets

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

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. 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.

	2010	2009
Weighted-average common shares outstanding	610,000	610,000
Average treasury stock shares	(73,233)	(77,461)
Average unearned nonvested RSP shares	(7,424)	(4,414)
Weighted-average common shares and common stock equivalents used to calculate basic earnings per share	529,343	528,125
Additional common stock equivalents (nonvested stock) used to calculate diluted earnings per share	398	59
Additional common stock equivalents (stock options) used to calculate diluted earnings per share	2,231	1,093
Weighted-average common shares and common stock equivalents used to calculate diluted earnings per share	531,972	529,277

Options to purchase 65,760 and 54,860 shares of common stock at a price of \$70.00 to \$96.75, as of December 31, 2010 and 2009, and 5,293 and 4,962 shares of restricted stock ranging in price from \$51.00 to \$93.00, respectively, were not included in the computation of diluted earnings per share. To include these shares would have been antidilutive.

3. INVESTMENT SECURITIES AVAILABLE FOR SALE

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

	2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury securities	\$ 12,773,866	\$ 127,833	\$ -	\$ 12,901,699
U.S. government agency securities	37,053,379	182,459	(493,846)	36,741,992
Obligations of states and political subdivisions	57,664,105	912,020	(634,554)	57,941,571
Corporate securities	4,043,027	91,564	(374,811)	3,759,780
Mortgage-backed securities in government-sponsored entities	8,839,595	202,110	(37,592)	9,004,113
Total debt securities	120,373,972	1,515,986	(1,540,803)	120,349,155
Equity securities	460,298	73,124	(20,292)	513,130
Total	\$ 120,834,270	\$ 1,589,110	\$ (1,561,095)	\$ 120,862,285

3. INVESTMENT SECURITIES AVAILABLE FOR SALE (Continued)

	2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency securities	\$ 20,918,736	\$ 153,843	\$ (60,623)	\$ 21,011,956
Obligations of states and political subdivisions	33,310,444	935,711	(274,066)	33,972,089
Corporate securities	3,115,791	-	(375,254)	2,740,537
Mortgage-backed securities in government-sponsored entities	17,866,786	381,937	(6,717)	18,242,006
Total debt securities	75,211,757	1,471,491	(716,660)	75,966,588
Equity securities	2,498,786	154,339	(541,672)	2,111,453
Total	\$ 77,710,543	\$ 1,625,830	\$ (1,258,332)	\$ 78,078,041

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, 2010 and 2009.

	2010					
	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	\$ 22,169,080	\$ (493,846)	\$ -	\$ -	\$ 22,169,080	\$ (493,846)
Obligations of states and political subdivisions	24,938,008	(604,970)	443,059	(29,584)	25,381,067	(634,554)
Corporate securities	1,803,861	(21,666)	114,355	(353,145)	1,918,216	(374,811)
Mortgage-backed securities in government-sponsored entities	4,762,831	(37,592)	-	-	4,762,831	(37,592)
Total debt securities	53,673,780	(1,158,074)	557,414	(382,729)	54,231,194	(1,540,803)
Equity securities	-	-	79,590	(20,292)	79,590	(20,292)
Total	\$ 53,673,780	\$ (1,158,074)	\$ 637,004	\$ (403,021)	\$ 54,310,784	\$ (1,561,095)

3. INVESTMENT SECURITIES AVAILABLE FOR SALE (Continued)

	2009					
	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	\$ 9,002,580	\$ (60,623)	\$ -	\$ -	\$ 9,002,580	\$ (60,623)
Obligations of states and political subdivisions	208,247	(7,591)	7,213,772	(266,475)	7,422,019	(274,066)
Corporate securities	250,000	-	2,490,537	(375,254)	2,740,537	(375,254)
Mortgage-backed securities in government-sponsored entities	785,362	(6,717)	-	-	785,362	(6,717)
Total debt securities	10,246,189	(74,931)	9,704,309	(641,729)	19,950,498	(716,660)
Equity securities	609,514	(162,820)	854,837	(378,852)	1,464,351	(541,672)
Total	\$ 10,855,703	\$ (237,751)	\$ 10,559,146	\$ (1,020,581)	\$ 21,414,849	\$ (1,258,332)

U.S. Government agency securities. The unrealized losses on ten investments in U.S. government obligations and direct obligations of U.S. government agencies were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2010.

Obligations of states and political subdivisions. The Company’s unrealized losses on fifty-four municipal bonds relates to investments within the governmental service sector. The unrealized losses are primarily caused by recent decreases in profitability and profit forecasts, in general, by industry analysts. The contractual terms of these investments do not permit the issuer to settle the security at a price less than the par value of the investment. The Company currently does not believe it is probable that it will be unable to collect all amounts due according to the contractual terms of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their par value, which may be maturity, it does not consider these investments to be other-than-temporarily impaired at December 31, 2010.

Corporate securities. The Company had unrealized losses on investments in five different debt securities with an aggregate fair value of \$1,918,216 at December 31, 2010. The unrealized losses on these debt securities amounted to \$374,811 at December 31, 2010. Due to dislocations in the credit markets broadly, and the lack of trading and new issuances, market price indications generally reflect the lack of liquidity in the market. Prices on debt securities were calculated by a third-party valuation company. The valuation methodology is based on the premise that the fair value of the security’s collateral should approximate the fair value of its liabilities. Based on cash flow forecasts for the securities, the Company expects to recover the remaining amortized cost of these securities. Furthermore, the Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities before recovery of their cost basis, which may be maturity. Therefore, it does not consider these investments to be other-than-temporarily impaired at December 31, 2010.

3. INVESTMENT SECURITIES AVAILABLE FOR SALE (Continued)

Mortgage-backed securities in government-sponsored entities. The unrealized losses on the Company’s investment in two mortgage-backed securities were caused by interest rate increases. The Company purchased those investments at a premium relative to their face amount, and the contractual cash flows of those investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost basis of the Company’s investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2010.

Equity securities. The Company’s investments in four marketable equity securities consist primarily of common stock of entities in the financial services industry. As of December 31, 2010, the Company recognized in earnings impairment charges of \$28,167 on two investments in common stock of a community bank, resulting from the duration and extent to which the market value has been less than the cost and the performance of the financial institution over the past two years. Based on the Company’s analysis, and because the Company has the ability and intent to hold the investments until recovery of its cost basis, except for the investments mentioned above, the Company does not consider the remaining assets to be other-than-temporarily impaired at December 31, 2010.

The amortized cost and fair value of debt securities at December 31, 2010, 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.

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	\$ 2,007,518	\$ 2,039,505
Due after one year through five years	44,778,640	45,309,951
Due after five years through ten years	31,351,713	31,457,909
Due after ten years	42,236,101	41,541,790
Total	\$ 120,373,972	\$ 120,349,155

Investment securities with a carrying value of \$90,418,896 and \$47,411,828 at December 31, 2010 and 2009, respectively, were pledged to secure deposits and other purposes as required by law.

3. INVESTMENT SECURITIES AVAILABLE FOR SALE (Continued)

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:

	2010	2009
Proceeds from sales	\$ 45,120,669	\$ 39,496,222
Gross gains	1,706,450	1,203,110
Gross losses	(655,451)	(444,486)
Other-than-temporary impairment loss	(28,167)	(163,351)

4. LOANS

Major classifications of loans are summarized as follows:

	2010	2009
Commercial real estate	\$ 126,325,616	\$ 125,943,040
Commercial and industrial	88,126,648	85,764,410
Agricultural	19,126,593	18,028,082
State and political subdivisions	23,936,034	22,508,276
Consumer	44,439,561	45,489,553
Residential real estate	71,596,998	75,486,715
	373,551,450	373,220,076
Less allowance for loan losses	6,245,441	5,396,553
Net loans	\$ 367,306,009	\$ 367,823,523

Mortgage loans serviced by the Company for others amounted to \$54,939,124 and \$52,477,456 at December 31, 2010 and 2009, respectively.

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, 2010 and 2009, 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 \$60,000 for the year ended December 31, 2010, is as follows:

2009	Additions	Collected	2010
\$ 4,391,353	\$ 7,156,208	\$ 3,970,634	\$ 7,576,927

5. ALLOWANCE FOR LOAN LOSSES

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

	2010	2009
Balance, January 1	\$ 5,396,553	\$ 3,304,753
Add:		
Provisions charged to operations	1,850,000	2,344,000
Recoveries	10,424	40,239
Less loans charged off	(1,011,536)	(292,439)
Balance, December 31	\$ 6,245,441	\$ 5,396,553

5. ALLOWANCE FOR LOAN LOSSES (Continued)

Management has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance for loan losses, the Company has segmented certain loans in the portfolio by product type. Loans are segmented into the following pools: commercial real estate loans, commercial and industrial loans, agricultural loans, state and political subdivision loans, consumer loans, and residential real estate loans. Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations. These historical loss percentages are calculated over a three-year period for all portfolio segments. Certain qualitative factors are then added to the historical loss percentages to get the adjusted factor to be applied to nonclassified loans. The following qualitative factors are analyzed to determine allocations for nonclassified loans for each portfolio segment:

- Changes in lending policies and procedures
- Changes in economic and business conditions
- Changes in nature and volume of the loan portfolio
- Changes in lending staff experience and ability
- Changes in past-due loans, nonaccrual loans, and classified loans
- Changes in loan review
- Changes in underlying value of collateral-dependent loans
- Levels of credit concentrations
- Effects of external factors, such as legal and regulatory requirements

These qualitative factors are reviewed each quarter and adjusted based upon relevant changes within the Bank’s operating environment. During 2010, the qualitative factors percentages for commercial real estate loans, commercial and industrial loans, and residential real estate loans all increased while the qualitative factors for agricultural loans and consumer loans remained approximately the same. A new risk category, state and political subdivision loans, was added in 2010. Changes in lending staff experience and ability, along with the effect of external factors, contributed to the increase in factor percentages for commercial real estate loans, commercial and industrial loans, and residential real estate loans. The change in lending staff experience and ability factor percentage increased because of the retirement of some key lending personnel in 2010, while the effect of external factors percentage increased due to a number of reasons, including the enactment of the Dodd-Frank Act. Another factor contributing to the total qualitative factors increase for commercial real estate loans, commercial and industrial loans, and residential real estate loans was the change in the underlying value of collateral. Although the decline in value of real property and other collateral in the Bank’s local market area was not as large or as widespread as in other areas of the country during the current economic downturn, such declines did impact the credit quality of some loans. In addition to the previously mentioned factors, the increase in the total qualitative factor for commercial and industrial loans was impacted by the level of credit concentrations.

We consider commercial real estate loans, commercial and industrial loans, agricultural loans and consumer loans to be riskier than one- to four-family residential mortgage loans. Commercial real estate loans entail significant additional credit risks compared to one- to four-family residential mortgage loans, as they involve large loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by income-producing properties typically depends on the successful operation of the related real estate project and/or business operation of the borrower who is also the primary occupant, and thus may be subject to a greater extent to adverse conditions in the real estate market and in the general economy. Commercial and industrial loans along with agricultural loans involve a higher risk of default than residential mortgage loans of like duration since their repayment is generally dependent on the successful operation of the borrower’s business and the sufficiency of collateral, if any. The repayment of agricultural loans can also be impacted by commodity prices going up and down. Although a customer’s ability to repay for both one-to-four family residential mortgage loans and consumer loans is highly dependent on the local economy, especially employment levels, consumer loans as a group generally present a higher degree of risk because of the nature of collateral, if any. State and political subdivision loans carry approximately the same risk as residential real estate loans as most state and political subdivision loans are either backed by the full taxing authority of a municipality or the revenue of a municipal authority.

5. ALLOWANCE FOR LOAN LOSSES (Continued)

The following table presents, by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans as of and for the year ended December 31, 2010:

	Commercial Real Estate	Commercial and Industrial	Agricultural	State and Political Subdivisions	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan losses:								
Beginning Balance	\$ 2,837,773	\$ 1,242,249	\$ 240,231	\$ -	\$ 478,002	\$ 342,768	\$ 255,531	\$ 5,396,554
Charge-offs	676,862	272,903	-	27,915	33,857	-	-	1,011,537
Recoveries	-	4,729	1,955	-	3,740	-	-	10,424
Provision	862,530	880,479	13,004	133,808	-	112,315	(152,136)	1,850,000
Reallocations	-	-	-	-	(44,422)	-	44,422	-
Ending Balance	<u>\$ 3,023,441</u>	<u>\$ 1,854,554</u>	<u>\$ 255,190</u>	<u>\$ 105,893</u>	<u>\$ 403,463</u>	<u>\$ 455,083</u>	<u>\$ 147,817</u>	<u>\$ 6,245,441</u>
Ending balance individually evaluated for impairment	<u>\$ 97,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,347</u>
Ending balance collectively evaluated for impairment	<u>\$ 2,926,094</u>	<u>\$ 1,854,554</u>	<u>\$ 255,190</u>	<u>\$ 105,893</u>	<u>\$ 403,463</u>	<u>\$ 455,083</u>	<u>\$ 147,817</u>	<u>\$ 6,148,094</u>
Loans:								
Individually evaluated for impairment	\$ 2,626,582	\$ 1,422,441	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,049,023
Collectively evaluated for impairment	123,699,034	86,704,207	19,126,593	23,936,034	44,439,561	71,596,998	-	\$ 369,502,427
Ending Balance	<u>\$ 126,325,616</u>	<u>\$ 88,126,648</u>	<u>\$ 19,126,593</u>	<u>\$ 23,936,034</u>	<u>\$ 44,439,561</u>	<u>\$ 71,596,998</u>	<u>\$ -</u>	<u>\$ 373,551,450</u>

5. ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Quality Information

The following table represents the commercial credit exposures by internally-assigned grades for the year ended December 31, 2010. The grading analysis estimates the capability of the borrower to repay the contractual obligations under the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans.

The Company's internally-assigned grades are as follows:

Pass loans are loans which are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral. Special Mention loans are loans where a potential weakness or risk exists, which could cause a more serious problem if not corrected. Substandard loans are loans that have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Doubtful loans have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances. Finally, loans classified as Loss are considered uncollectible, or of such value that continuance as an asset is not warranted.

	Commercial Real Estate	Commercial and Industrial	Agricultural	State and Political Subdivisions	Total
Pass	\$ 93,555,529	\$ 69,502,061	\$ 16,828,267	\$ 23,936,034	\$ 203,821,891
Special Mention	15,409,637	7,870,482	1,054,163	-	24,334,282
Substandard	14,733,868	10,709,323	1,244,163	-	26,687,354
Doubtful	2,626,582	44,782	-	-	2,671,364
Loss	-	-	-	-	-
Total	<u>\$ 126,325,616</u>	<u>\$ 88,126,648</u>	<u>\$ 19,126,593</u>	<u>\$ 23,936,034</u>	<u>\$ 257,514,891</u>

For consumer loans, the Company evaluates credit quality based on whether the loan is considered performing or non-performing. The following table presents the balances of consumer loans by classes of loan portfolio based on payment performance as of December 31, 2010:

	Consumer	Residential Real Estate
Performing	\$ 44,439,561	\$ 71,568,792
Nonperforming	-	28,206
Total	<u>\$ 44,439,561</u>	<u>\$ 71,596,998</u>

5. ALLOWANCE FOR LOAN LOSSES (Continued)

Age Analysis of Past-Due Loans by Class

The following is a table which shows the aging analysis of past-due loans as of December 31, 2010:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total Loans	Recorded Investment 90 Days and Accruing
Commercial real estate	\$ -	\$ -	\$ 650,042	\$ 650,042	\$ 125,675,574	\$ 126,325,616	\$ -
Commercial and industrial	631,679	96,955	20,503	749,137	87,377,511	88,126,648	-
Agricultural	-	-	-	-	19,126,593	19,126,593	-
State and political subdivisions	-	-	-	-	23,936,034	23,936,034	-
Consumer	113,404	64,365	171,416	349,185	44,090,376	44,439,561	171,416
Residential real estate	392,191	28,206	279,276	699,673	70,897,325	71,596,998	279,276
Total	\$1,137,274	\$ 189,526	\$ 1,121,237	\$ 2,448,037	\$ 371,103,413	\$ 373,551,450	\$ 450,692

Impaired Loans

Management considers commercial real estate loans, commercial and industrial loans, agricultural loans, and state and political subdivision loans which are 90 days or more past due to be impaired. After becoming 90 days or more past due, these categories of loans are measured for impairment. These loans are analyzed to determine if it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. If management determines that the fair value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs, and unamortized premium or discount), impairment is recognized through a provision or through a charge to the allowance for loan losses.

The following table includes the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount as of December 31, 2010:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate	\$ 2,158,115	\$ 2,158,115	\$ -	\$ 2,186,997	\$ 145,898
Commercial and industrial	1,422,441	1,422,441	-	739,670	16,817
Agricultural	-	-	-	271,564	21,016
State and political subdivisions	-	-	-	-	-
Consumer	-	-	-	-	-
Residential real estate	-	-	-	-	-
	<u>3,580,556</u>	<u>3,580,556</u>	<u>-</u>	<u>3,198,231</u>	<u>183,731</u>
With an allowance recorded:					
Commercial real estate	468,467	468,467	97,347	4,261,352	-
Commercial and industrial	-	-	-	142,320	-
Agricultural	-	-	-	-	-
State and political subdivisions	-	-	-	-	-
Consumer	-	-	-	-	-
Residential real estate	-	-	-	-	-
	<u>468,467</u>	<u>468,467</u>	<u>97,347</u>	<u>4,403,672</u>	<u>-</u>
Total:					
Commercial real estate	2,626,582	2,626,582	97,347	6,448,349	145,898
Commercial and industrial	1,422,441	1,422,441	-	881,990	16,817
Agricultural	-	-	-	271,564	21,016
State and political subdivisions	-	-	-	-	-
Consumer	-	-	-	-	-
Residential real estate	-	-	-	-	-
Total	<u>\$ 4,049,023</u>	<u>\$ 4,049,023</u>	<u>\$ 97,347</u>	<u>\$ 7,601,903</u>	<u>\$ 183,731</u>

5. ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans (Continued)

Information with respect to impaired loans as of and for the years ended December 31 is as follows:

	2010	2009
Impaired loans		
With a related allowance for loan losses	\$ 468,467	\$ 5,257,028
Without a related allowance for loan losses	3,580,556	2,358,378
Related allowance for loan losses	97,347	1,391,260
Average recorded balance of impaired loans	7,601,903	4,417,269
Interest income recognized on impaired loans	183,731	55,782

Nonaccrual Loans

Loans are considered nonaccrual upon reaching 90 days of delinquency even though the Company may be receiving partial payments of interest and partial repayments of principal on such loans. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is deducted from interest income.

On the following table are the loans on nonaccrual status as of December 31, 2010:

Commercial real estate	\$ 2,626,582
Commercial and industrial	1,422,441
Agricultural	-
State and political subdivisions	-
Consumer	-
Residential real estate	28,206
Total	<u>\$ 4,077,229</u>

6. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

	2010	2009
Land and land improvements	\$ 793,458	\$ 793,458
Building and leasehold improvements	14,955,760	14,560,112
Furniture, fixtures, and equipment	4,636,864	4,026,602
	<u>20,386,082</u>	<u>19,380,172</u>
Less accumulated depreciation	<u>6,752,790</u>	<u>5,973,180</u>
Total	<u>\$ 13,633,292</u>	<u>\$ 13,406,992</u>

Depreciation and amortization charged to operations was \$850,118 in 2010 and \$753,416 in 2009.

7. GOODWILL

As of each of the years ended December 31, 2010 and 2009, goodwill had a carrying amount of \$1,668,699. The gross carrying amount of goodwill was tested for impairment in the third quarter, after the annual forecasting process. Based on fair value of the reporting unit, estimated using the expected present value of future cash flows, a goodwill impairment loss of \$43,379 was recognized for the year ended December 31, 2009. There was no impairment for the year ended December 31, 2010.

8. DEPOSITS

The scheduled maturities of time deposits approximate the following:

Year Ending December 31,	Amount
2011	\$ 100,201,512
2012	26,949,677
2013	19,585,156
2014	11,737,232
2015	9,136,546
Thereafter	11,544,617
	<u>\$ 179,154,740</u>

The aggregate of all time deposit accounts of \$100,000 or more amounted to \$65,447,156 and \$46,278,439 at December 31, 2010 and 2009, respectively.

9. SHORT-TERM BORROWINGS

Short-term borrowings include overnight repurchase agreements through the FHLB, Federal Funds Purchased, and repurchase agreements with customers. Short-term borrowings also include a \$5,000,000 and a \$7,500,000 unsecured line of credit with a commercial bank for the years ended December 31, 2010 and 2009, respectively. The line of credit agreement contains various covenants requiring the Company to maintain certain levels of financial performance. At December 31, 2010 and 2009, the Company was in compliance with all of its covenants. The outstanding balances and related information for short-term borrowings are summarized as follows:

	2010	2009
Balance at year-end	\$ 7,608,645	\$ 4,627,902
Average balance outstanding	8,699,070	7,492,969
Maximum month-end balance	14,254,009	8,881,117
Weighted-average rate at year-end	2.66%	1.66%
Weighted-average rate during the year	1.40%	1.23%

10. OTHER BORROWINGS

The following table sets forth information concerning other borrowings:

Description	Maturity range from	to	Weighted- average interest rate	Stated interest rate range from	to	At December 31, 2010	2009
Convertible	07/06/10	08/22/12	4.32	% 4.19	% 6.87	% \$ 10,000,000	\$ 15,000,000
Fixed rate	02/02/10	11/14/17	3.91	2.68	7.48	30,192,205	38,924,481
Fixed rate amortizing	07/21/10	06/26/18	3.47	1.95	6.53	6,442,935	5,813,321
Mid-term repos	01/19/10	07/08/13	2.33	1.53	5.02	6,000,000	8,000,000
Subordinated capital notes	03/23/19	12/28/20	8.05	6.75	8.50	4,050,000	3,000,000
Note payable	03/17/35	11/23/35	6.32	6.11	6.52	6,186,000	6,186,000
						<u>\$ 62,871,140</u>	<u>\$ 76,923,802</u>

Maturities of other borrowings at December 31, 2010, are summarized as follows:

Year Ending December 31,	Amount	Weighted- Average Rate
2011	\$ 12,125,602	4.19 %
2012	11,329,200	4.41
2013	16,919,599	3.40
2014	4,217,600	3.19
2015	4,418,337	2.74
2016 and after	13,860,802	6.16
	<u>\$ 62,871,140</u>	4.28 %

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. The fixed rate amortizing borrowings require monthly payments of principal and interest.

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, 2010, the Bank’s maximum borrowing capacity with the FHLB was approximately \$165 million.

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. The rate on these securities 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 the form of a \$3,093,000 note payable, which is included in the liabilities section of the Company’s Consolidated Balance Sheet.

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 the form of a \$3,093,000 note payable, which is included in the liabilities section of the Company’s Consolidated Balance Sheet.

The Company’s minority interests in these entities were recorded at the initial investment amount and is included in the accrued interest and other assets on the Consolidated Balance Sheet. These entities are not consolidated as part of the Company’s consolidated financial statements.

10. OTHER BORROWINGS (Continued)

The Company issued \$3,000,000 of fixed rate subordinated debt securities with stated maturities of March 23, 2019 through June 26, 2019. These securities bear a fixed annual rate of 8.5 percent. The Company may redeem them, in whole or in part, at face value on or after March 23, 2014. These borrowings are included in the liabilities section of the Company’s Consolidated Balance Sheet.

The Company issued \$1,050,000 of fixed rate subordinated debt securities with stated maturities of November 12, 2020 through December 22, 2020. These securities bear a fixed annual rate of 6.75 percent. The Company may redeem them, in whole or in part, at face value on or after November 12, 2015. These borrowings are included in the liabilities section of the Company’s Consolidated Balance Sheet.

11. INCOME TAXES

The provision for federal income taxes consists of:

	2010	2009
Current	\$ 898,857	\$ 635,852
Deferred	(428,312)	(262,905)
Total provision	\$ 470,545	\$ 372,947

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:

	2010	2009
Deferred tax assets:		
Allowance for loan losses	\$ 2,123,450	\$ 1,834,828
Deferred compensation	245,923	246,694
Core deposit intangible assets	41,861	50,964
Alternative minimum tax carryforward	474,550	369,002
Asset valuation allowances	326,381	285,825
Employee compensation accruals	187,438	127,731
Nonaccrual interest receivable	58,126	69,278
Capital loss carryforward	157,627	28,796
Deferred tax assets	3,615,356	3,013,118
Deferred tax liabilities:		
Premises and equipment	829,422	707,097
Goodwill	455,805	405,160
Deferred loan fees	138,219	150,455
Partnerships	130,692	122,917
Other	5,417	-
Unrealized gain on available-for-sale securities	9,525	138,094
Deferred tax liabilities	1,569,080	1,523,723
Net deferred tax assets	\$ 2,046,276	\$ 1,489,395

No valuation allowance was established at December 31, 2010 and 2009, 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.

11. INCOME TAXES (Continued)

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

	2010		2009	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	\$ 1,369,067	34.0 %	\$ 1,219,366	34.0 %
Tax-exempt interest	(819,340)	(20.3)	(859,677)	(24.0)
Life insurance income	(87,822)	(2.2)	(88,405)	(2.5)
Other	8,640	0.2	101,663	2.9
Actual tax expense and effective rate	\$ 470,545	11.7 %	\$ 372,947	10.4 %

The Company 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.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statement of Income. The Company’s federal and state income tax returns for taxable years through 2006 have been closed for purposes of examination by the Internal Revenue Service and the Pennsylvania Department of Revenue.

12. 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 \$204,465 and \$192,277 for the years ended December 31, 2010 and 2009, respectively. The fair value of plan assets includes \$604,632 and \$755,118 pertaining to the value of the Company’s common stock that is held by the plans as of December 31, 2010 and 2009, respectively.

Deferred Compensation Plan

The Company has a nonqualified deferred compensation plan that allows directors to defer fees. Outstanding balances under this arrangement for 2010 and 2009 were \$723,302 and \$725,571, respectively, and are reported as “other liabilities” on the Consolidated Balance Sheet. Expenses related to this plan were \$40,534 and \$54,234 for December 31, 2010 and 2009, respectively.

12. EMPLOYEE BENEFITS (Continued)

Restricted Stock Plan

The Company maintains a Restricted Stock Plan (the “Plan”). 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. Compensation expense recognized related to the vesting of shares was \$158,649 and \$119,116 for the years ended December 31, 2010 and 2009, respectively.

The following is a summary of the status of the Company’s restricted stock as of December 31, 2010, and changes therein during the year then ended:

	Number of Shares of Restricted Stock	Weighted- average Grant Date Fair Value
Nonvested at January 1, 2010	6,170	\$ 64.85
Granted	3,450	68.25
Vested	(1,984)	67.44
Forfeited	(326)	55.85
Nonvested at December 31, 2010	<u>7,310</u>	<u>\$ 66.15</u>

Stock Option Plan

The Company has a fixed director and employee stock-based compensation plan. The plan has total options available to grant of 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 are primarily vested evenly over a three-year period from the grant date.

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

	Number of Options	Weighted- average Exercise Price
Outstanding, January 1, 2010	65,360	\$ 82.11
Granted	11,050	68.25
Exercised	-	-
Forfeited	(350)	58.39
Outstanding, December 31, 2010	<u>76,060</u>	<u>\$ 80.21</u>
Exercisable at year-end	<u>55,343</u>	<u>\$ 86.47</u>

12. EMPLOYEE BENEFITS (Continued)

Stock Option Plan (Continued)

The following table summarizes the characteristics of stock options at December 31, 2010:

Grant Date	Exercise Price	Outstanding		Exercisable	
		Shares	Contractual Average Life	Shares	Average Exercise Price
01/27/00	\$ 76.00	2,947	0.00	2,947	\$ 76.00
01/11/01	79.00	3,778	0.02	3,778	79.00
01/24/02	90.00	5,530	1.06	5,530	90.00
02/21/02	91.00	8	1.14	8	91.00
02/27/03	90.00	4,359	2.15	4,359	90.00
08/01/03	90.00	1,110	2.58	1,110	90.00
09/02/03	90.00	2,222	2.67	2,222	90.00
12/29/03	91.25	3,168	3.00	3,168	91.25
03/16/04	91.25	3,700	3.20	3,700	91.25
05/26/04	94.00	734	3.40	734	94.00
06/30/04	96.75	2,618	3.49	2,618	96.75
01/05/05	93.00	8,427	4.01	8,427	93.00
02/03/05	93.00	380	4.09	380	93.00
02/09/05	93.00	26	4.11	26	93.00
02/10/05	95.00	100	4.11	100	95.00
02/24/05	96.00	42	4.15	42	96.00
03/29/05	96.00	3	4.24	3	96.00
04/26/05	96.00	441	4.32	441	96.00
07/08/05	96.00	333	4.52	333	96.00
12/08/05	95.00	1,421	4.93	1,421	95.00
12/10/05	95.25	3	4.94	3	95.25
12/16/05	95.00	150	4.96	150	95.00
12/22/05	95.00	4,440	4.97	4,440	95.00
01/25/07	88.00	545	6.07	545	88.00
02/23/07	90.00	525	6.15	525	90.00
01/31/08	76.35	6,850	7.08	4,567	76.35
03/26/09	51.00	10,300	8.23	3,433	51.00
10/27/09	70.00	1,000	8.82	333	70.00
04/01/10	68.25	10,900	9.25	-	68.25
		<u>76,060</u>		<u>55,343</u>	

13. 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:

	2010	2009
Commitments to extend credit	\$ 93,380,149	\$ 98,495,927
Standby letters of credit	<u>6,370,718</u>	<u>6,396,525</u>
Total	<u>\$ 99,750,867</u>	<u>\$ 104,892,452</u>

13. 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 or real estate.

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, 2010, are as follows:

	Minimum Lease Payment
2011	\$ 229,224
2012	229,224
2013	229,224
2014	229,224
2015	229,224
Thereafter	4,224,912
Total	\$ 5,371,032

Rent expense under leases for each of the years ended December 31, 2010 and 2009 was \$277,449 and \$287,666, respectively.

Contingent Liabilities

The Company from time to time may be a party 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 Company’s financial position.

14. 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, 2010 and 2009, was \$1,188,000 and \$1,226,000, 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.

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 2011, without prior approval of the Comptroller, is approximately \$7.4 million plus net profits retained in 2011 up to the date of the dividend declaration.

14. REGULATORY RESTRICTIONS (Continued)

Dividends (Continued)

In order to manage capital and support safety and soundness of the Company and the Bank, management has decided to provide the banking regulators with written notice of any intention to pay dividends or make any capital distributions.

15. 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, 2010 and 2009, 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.

	2010			2009	
	Amount	Ratio		Amount	Ratio
Total Capital (to Risk-Weighted Assets)					
Actual	\$ 50,167,757	11.67 %	\$	46,618,895	11.26 %
For Capital Adequacy Purposes	34,386,299	8.00		33,109,464	8.00
To Be Well Capitalized	42,982,874	10.00		41,386,829	10.00
Tier I Capital (to Risk-Weighted Assets)					
Actual	\$ 40,560,601	9.44 %	\$	38,330,004	9.26 %
For Capital Adequacy Purposes	17,193,150	4.00		16,554,732	4.00
To Be Well Capitalized	25,789,724	6.00		24,832,098	6.00
Tier I Capital (to Average Assets)					
Actual	\$ 40,560,601	7.24 %	\$	38,330,004	7.37 %
For Capital Adequacy Purposes	22,413,294	4.00		20,812,578	4.00
To Be Well Capitalized	28,016,617	5.00		26,015,723	5.00

15. REGULATORY CAPITAL (Continued)

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

	2010		2009	
	Amount	Ratio	Amount	Ratio
Total Capital (to Risk-Weighted Assets)				
Actual	\$ 50,457,841	11.81 %	\$ 45,822,674	11.17 %
For Capital Adequacy Purposes	34,169,840	8.00	32,809,702	8.00
To Be Well Capitalized	42,712,300	10.00	41,012,127	10.00
Tier I Capital (to Risk-Weighted Assets)				
Actual	\$ 44,953,926	10.52 %	\$ 40,582,917	9.90 %
For Capital Adequacy Purposes	17,084,920	4.00	16,404,851	4.00
To Be Well Capitalized	25,627,380	6.00	24,607,276	6.00
Tier I Capital (to Average Assets)				
Actual	\$ 44,953,926	8.06 %	\$ 40,582,917	7.86 %
For Capital Adequacy Purposes	22,312,505	4.00	20,651,697	4.00
To Be Well Capitalized	27,890,631	5.00	25,814,621	5.00

16. FAIR VALUE MEASUREMENTS

The following disclosures show the hierarchal disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three broad levels of pricing observations are as follows:

Level I:	Quoted prices are available in active markets for identical assets or liabilities as of the reported date.
Level II:	Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.
Level III:	Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available.

16. FAIR VALUE MEASUREMENTS (Continued)

The following table presents the assets reported on the Consolidated Balance Sheet at their fair value as of December 31, 2010 and 2009, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	December 31, 2010			
	Level I	Level II	Level III	Total
Assets:				
U.S. treasury securities	\$ -	\$ 12,901,699	\$ -	\$ 12,901,699
U.S. government agency securities	-	36,741,992	-	36,741,992
Obligations of states and political subdivisions	-	57,941,571	-	57,941,571
Corporate securities	-	2,305,629	1,454,151	3,759,780
Mortgage-backed securities in government-sponsored entities	-	9,004,113	-	9,004,113
Total debt securities	-	118,895,004	1,454,151	120,349,155
Equity securities	513,130	-	-	513,130
Total	\$ 513,130	\$ 118,895,004	\$ 1,454,151	\$ 120,862,285
	December 31, 2009			
	Level I	Level II	Level III	Total
Assets:				
U.S. government agency securities	\$ -	\$ 21,011,956	\$ -	\$ 21,011,956
Obligations of states and political subdivisions	-	33,972,089	-	33,972,089
Corporate securities	-	1,542,224	1,198,313	2,740,537
Mortgage-backed securities in government-sponsored entities	-	18,242,006	-	18,242,006
Total debt securities	-	74,768,275	1,198,313	75,966,588
Equity securities	2,111,453	-	-	2,111,453
Total	\$ 2,111,453	\$ 74,768,275	\$ 1,198,313	\$ 78,078,041

Financial instruments are considered Level III when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable. In addition to these unobservable inputs, the valuation models for Level III financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Level III financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. The following table presents the changes in the Level III fair-value category for the years ended December 31, 2010 and 2009.

16. FAIR VALUE MEASUREMENTS (Continued)

	Investment Securities Available for Sale	Trading Securities	Total
Balance, January 1, 2009	\$ 3,632,919	\$ 419,551	\$ 4,052,470
Total losses included in earnings	(395,319)	(6,740)	(402,059)
Sales	(2,039,287)	(412,811)	(2,452,098)
Balance, January 1, 2010	1,198,313	-	1,198,313
Transfers to Level III	267,165	-	267,165
Net change on unrealized gain on investment securities available for sale	(11,327)	-	(11,327)
Balance, December 31, 2010	\$ 1,454,151	\$ -	\$ 1,454,151

The following table presents the assets measured on a nonrecurring basis on the Consolidated Balance Sheet at their fair value as of December 31, 2010 and 2009, by level within the fair value hierarchy. Impaired loans that are collateral dependent are written down to fair value through the establishment of specific reserves. Techniques used to value the collateral that secure the impaired loans include: quoted market prices for identical assets classified as Level I inputs and observable inputs employed by certified appraisers for similar assets classified as Level II inputs. In cases where valuation techniques included inputs that are unobservable and are based on estimates and assumptions developed by management based on the best information available under each circumstance, the asset valuation is classified as Level III input. Other real estate owned is measured at fair value, less cost to sell at the date of foreclosure. Valuations are periodically performed by management and the assets are carried at the lower of carrying amount, or fair value less cost to sell. The fair value for Mortgage servicing rights is estimated by discounting contractual cashflows and adjusting for prepayment estimates. Discount rates are based upon rates generally charged for such loans with similar characteristics.

December 31, 2010				
	Level I	Level II	Level III	Total
Assets:				
Impaired loans	\$ -	\$ 3,951,676	\$ -	\$ 3,951,676
Other real estate owned		396,024		396,024
Mortgage servicing rights		324,141		324,141
December 31, 2009				
	Level I	Level II	Level III	Total
Assets:				
Impaired loans	\$ -	\$ 6,224,146	\$ -	\$ 6,224,146
Other real estate owned		957,450		957,450
Mortgage servicing rights		262,387		262,387

17. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

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

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 19,883,331	\$ 19,883,331	\$ 37,197,461	\$ 37,197,461
Certificates of deposit	2,734,094	2,734,094	3,558,204	3,558,204
Investment securities				
available for sale	120,862,285	120,862,285	78,078,041	78,078,041
Loans held for sale	918,342	918,342	573,990	573,990
Net loans	367,306,009	372,213,168	367,823,523	368,173,535
Regulatory stock	4,161,800	4,161,800	4,144,300	4,144,300
Bank-owned life insurance	11,684,697	11,684,697	11,270,777	11,270,777
Accrued interest receivable	2,257,625	2,257,625	2,094,465	2,094,465
Mortgage servicing rights	324,141	324,141	262,387	262,387
Financial liabilities:				
Deposits	\$ 446,001,986	\$ 449,310,136	\$ 407,721,037	\$ 409,204,773
Short-term borrowings	7,608,645	7,608,645	4,627,902	4,627,902
Other borrowings	62,871,140	64,412,272	76,923,802	79,236,275
Accrued interest payable	1,050,045	1,050,045	1,168,356	1,168,356

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.

17. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS (Continued)

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, Loans Held for Sale, Regulatory Stock, Accrued Interest Receivable, Accrued Interest Payable, and Short-Term Borrowings

The fair value is equal to the current carrying value.

Investment Securities Available for Sale

The fair value of investment securities is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities. Fair values for certain corporate bonds were determined utilizing discounted cash flow models, due to the absence of a current market to provide reliable market quotes for the instruments.

Loans

The fair value is estimated by discounting future cash flows using current market inputs at which loans with similar terms and qualities would be made to borrowers of similar credit quality. Where quoted market prices were available, primarily for certain residential mortgage loans, such market rates were utilized as estimates for fair value.

Bank-Owned Life Insurance

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

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.

Deposits

The fair values of certificates of deposit are based on the discounted value of contractual cash flows. The discount rates are estimated using rates currently offered for similar instruments with similar remaining maturities. Demand, savings, and money market deposit accounts are valued at the amount payable on demand as of year-end.

Other Borrowings

Fair values for other borrowings are estimated using a discounted cash flow calculation that applies contractual costs currently being offered for similar borrowings.

17. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS (Continued)

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.

18. SUBSEQUENT EVENTS

Management has reviewed events occurring through March 25, 2011, the date the financial statements were issued, and no subsequent events occurred requiring accrual or disclosure.

19. PARENT COMPANY

Following are condensed financial statements for the Company:

CONDENSED BALANCE SHEET

	December 31,	
	2010	2009
ASSETS		
Cash and due from banks	\$ 1,489,049	\$ 132,057
Investment securities	433,540	2,037,413
Investment in subsidiaries	46,537,422	42,527,958
Other assets	1,918,170	1,852,751
TOTAL ASSETS	\$ 50,378,181	\$ 46,550,179
LIABILITIES		
Borrowings	\$ 14,236,000	\$ 12,306,464
Other liabilities	412,929	182,008
TOTAL LIABILITIES	14,648,929	12,488,472
STOCKHOLDERS' EQUITY	35,729,252	34,061,707
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 50,378,181	\$ 46,550,179

CONDENSED STATEMENT OF INCOME

	Year ended December 31,	
	2010	2009
INCOME		
Dividends from subsidiaries	\$ -	\$ 859,000
Interest and dividend income	49,219	66,318
Investment securities losses, net	(352,493)	(163,351)
Other income	52,863	52,890
Total income	(250,411)	814,857
EXPENSES		
Interest expense	661,489	646,897
Other expenses	250,153	229,708
Total expenses	911,642	876,605
Loss before tax benefit and equity in undistributed net income of subsidiaries	(1,162,053)	(61,748)
Income tax benefit	(402,194)	(323,062)
Equity in undistributed net income of subsidiaries	4,315,983	2,952,109
NET INCOME	\$ 3,556,124	\$ 3,213,423

19. PARENT COMPANY (Continued)

CONDENSED STATEMENT OF CASH FLOWS

	Year ended December 31,	
	2010	2009
OPERATING ACTIVITIES		
Net income	\$ 3,556,124	\$ 3,213,423
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Equity in undistributed net income of subsidiaries	(4,315,983)	(2,952,109)
Investment securities losses, net	352,493	163,351
Other	72,359	167,007
Net cash provided by (used for) operating activities	(335,007)	591,672
INVESTING ACTIVITIES		
Investment securities:		
Proceeds from sales	1,363,441	-
Purchases	-	(58,535)
Net cash provided by (used for) investing activities	1,363,441	(58,535)
FINANCING ACTIVITIES		
Increase in short-term borrowings	1,000,000	-
Proceeds from other borrowings	1,300,000	6,000,000
Repayments of other borrowings	(120,464)	(4,805,214)
Purchases of treasury stock	(197,150)	(48,120)
Proceeds from sale of treasury stock	85,886	74,956
Cash dividends	(1,739,714)	(1,721,575)
Net cash provided by (used for) financing activities	328,558	(499,953)
Increase in cash and due from banks	1,356,992	33,184
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	132,057	98,873
CASH AND DUE FROM BANKS AT END OF YEAR	\$ 1,489,049	\$ 132,057

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Richard L. Kalin, Member
Alison B. Kurtz, Member
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President, Chief Credit Officer
Robert S. McMinn, Executive Vice
President, Financial Services &
General Counsel
J. Bradley Scovill, Executive Vice
President, Chief Operating Officer
& Chief Financial Officer
James L. Shilling, Jr., Executive Vice
President, Regional Market
Manager & Senior Lender for
Mifflin County

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Personal Lines Insurance Manager
Larry E. Burger, Vice President,
Commercial Relationship Manager
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Branch Service Manager
John P. Cunningham, II, Vice
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Wade E. Curry, Vice President,
Investment Services
Ann K. Guss, Vice President,
Consumer Lender
Gregory T. Hayes, Vice President,
Branch Service Manager
Christopher P. Kelly, Vice President,
Information Technology Manager
Marsha K. Kuhns, Vice President,
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Loan Manager
Frances H. Stevenson, Assistant
Vice President, Trust Department
Manager
Stephanie L. Strickler, Marketing
Officer
N. Robert Sunday, III, Assistant Vice
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Review Officer
Kayelene Sunderland, Assistant Vice
President, Trust Officer
D. Michael Whalen, General
Manager, Travel Agency
Penny L. Zesiger, Assistant Vice
President, Consumer Lender
Lynn A. Thompson, Vice President,
Insurance Services
Lana M. Walker, Vice President,
Commercial Relationship Manager
Debra K. Weikel, Vice President,
Mortgage Underwriter
Suzanne M. White, Vice President,
Human Resources
Jeffrey D. Wilson, Chief Executive
Officer, Insurance Services
William W. Yaudes, Vice President,
Regional Market Manager

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Manager
Stanley N. Ayers, Assistant Vice
President, Credit Administration
Manager
Kimberly A. Bubb, Assistant Vice
President, Product Development
& Business Service Support
Manager
David A. Coble, Assistant Vice
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Relationship Manager,
Branch Service Manager
Terra L. Decker, Fraud Prevention
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Manager
Stephanie L. Strickler, Marketing
Officer
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Kayelene Sunderland, Assistant Vice
President, Trust Officer
D. Michael Whalen, General
Manager, Travel Agency
Penny L. Zesiger, Assistant Vice
President, Consumer Lender

KISH BANK EMPLOYEES

Natalie B. Allison, Business Banking
Specialist
Tammy S. Anna, Customer Service
Teller
Barry L. Bargo, Courier/Mail Clerk
Linda W. Barnett, Customer Service
Teller
Katherine A. Bates, Teller/Personal
Banker
Douglas C. Baxter, Accounting
Specialist
Melissa D. Beale, Customer Service
Teller
Brandy L. Benson, Customer
Service Teller
Diana L. Bock, Personal Banking
Specialist
Amanda S. Boone, Business
Banking Receptionist
Stacy A. Boozel, Loan Operations
Specialist
Andrew R. Bricker, Teller/Personal
Banker
Brittany A. Byler, Customer Service
Teller
William T. Campbell, Jr., Credit
Analyst
Ruth H. Carper, Mortgage
Administration Specialist
Ashley A. Clark, Personal Banker
Brenda Collins, Mortgage
Administration Specialist
Lindsey M. Cramer, Customer
Service Teller
Richard D. Crider, ALCO &
Reporting Manager
Jason M. Cunningham, Branch
Service Manager
Kati E. Deans, Personal Banker
Peggy J. Dearing, Credit
Administration Specialist

Oksana F. DeArment, Executive
Assistant
Jannifer N. Diehl, Senior Credit
Administration Specialist
Megan D. Dietz, Investment
Services Assistant
Mary S. Dietz, Collections
Manager
Angela D. Drake, Teller/Personal
Banker
Brandi M. Dufford, Customer
Service Teller
Beverly J. Eichhorn, Accounting
Specialist
Kathy D. Fisher, Branch Service
Support Specialist
Keatyn M. Fletcher, Credit
Administration Specialist
Alexis E. Fox, Branch Service
Support Specialist
Jodie M. Gibboney, Personal
Banker
Karen S. Gilbert, Business Banking
Specialist
Beth N. Metz Gilmore, Human
Resources Assistant
Kathy A. Glick, Administrative
Assistant
Janice Y. Glick, Personal Banking
Specialist
Candee A. Gutshall, Branch
Operations Specialist
Sharon A. Hall, Personal Banker
Lisa J. Hamler, Customer Service
Teller
Jeffrey T. Hayes, Financial Advisor
Ashley L. Henry, Profitability
Specialist
R. Michael Henry, Tech Support
Specialist
Sallie M. Hicks, Branch Operations
Specialist
Donald F. Hindman, Courier/
Mail Clerk
Christina A. Hinkle, Business
Banking Specialist
Lara A. Hoffman, Regional
Assistant Branch Manager
Lauren M. Jeranka, Loan Review
Administrator
Paula J. Kauffman, Senior Credit
Administration Specialist
Michael S. Kearns, Data Analyst
Lisa A. Kennedy, Training &
Development Manager
Brittany E. Kern, Business Service
Support Specialist
Darla S. King, Branch Service
Support Specialist

Kari J. Knable, Customer Service
Teller
Taylor E. Knable, Customer Service
Teller
Abbey N. Knepp, Branch Service
Support Specialist
Carolyn M. Leacy, Customer
Service Teller
Lori A. Legradi, Customer Service
Teller
Michael J. Leidy, Teller/Personal
Banker
Carmella J. Long, Personal Banker
Tina K. McCurdy, Branch
Operations Specialist
Kathryn A. McKnight, Credit
Administration Specialist
Kristie R. McKnight, Business
Banker Trainee
Mary A. Miller, Executive Assistant
Joanna M. Minium, Credit
Administration Specialist
Jennifer A. Mitchell, Mortgage
Administration Specialist
Tina L. Nace, Senior Credit
Administration Specialist
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Teller
Rhoda L. Pauly, Accounting
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Susan K. Peachey, Branch
Operations Specialist
Danielle A. Peck, Credit
Administration Specialist
Christine M. Petroski, Trust
Administrator
David G. Pomeroy, Teller/Personal
Banker
Susan C. Rainey, Customer Service
Teller
Haley L. Ralston, Customer Service
Teller
Jessie L. Reed, Branch Operations
Specialist
Amber N. Resto, Teller/Personal
Banker
Denise M. Rothrock, Branch
Operations Specialist
Billie A. Rupert, Investment
Services Assistant
Krista M. Rupert, Customer Service
Teller

Leslie J. Sauer, Accounting
Specialist
Michael F. Schwenn, Customer
Service Teller
Clayton B. Scovill, Credit Analyst
Melissa A. Sellers, Business
Banking Specialist
April L. Shawver, Customer
Service Teller
Glenn E. Snyder, Jr., Facilities
Manager
Paula A. Stimeling, Mortgage
Administration Specialist
Wendy S. Strohecker, Branch
Service Support Manager
Crystal M. Sunderland, Business
Service Support Specialist
Lisa M. Sunderland, Branch
Service Support Specialist
Angela E. Swartzentruber,
Customer Service Teller
Christopher E. Sweeney, Financial
Planner
Cynthia G. Swineford, Customer
Service Teller
Quinn L. Swineford, Branch
Service Support Specialist
Patricia A. Trinclisti, Customer
Service Teller
Jane G. Utzman, Business
Development Coordinator
Donald L. Varner, Courier/
Maintenance Supervisor
Jason P. Vonada, Teller/Personal
Banker
Jeanne L. Wagner, Customer
Service Teller
Roy A. Wagner, Courier/Mail Clerk
Dana E. Watson, Branch Service
CIS/IRA Manager
Rebecca M. Watt, Senior Mortgage
Administration Specialist
Elaine S. Weller, Branch Service
Manager
Debra J. Wert, Business Banking
Specialist
Rick W. Wert, Information Security
Administrator
Stacey E. Wilson, Customer Service
Teller
Crystal D. Yoder, Customer Service
Teller
Delores K. Yoder, Customer
Service Teller
Judy A. Yoder, Customer Service
Teller
Roland G. Yoder, Courier/
Mail Clerk
Nancy A. Zimmerman, Teller/
Personal Banker
Scott G. Zimmerman, Branch
Operations Specialist

KISH INSURANCE
EMPLOYEES

Jeffrey D. Wilson, Chief Executive
Officer
Lynn A. Thompson, Vice President
Jennifer R. Beachel, Systems and
Operations Manager
Arlene M. Byler, Customer Service
Representative/Support Assistant
Duane J. Coy, Commercial Lines
Insurance Specialist
Megan S. Diemert, Personal Lines
Insurance Specialist
Suzanne M. Grimes, Personal Lines
Customer Service Representative
Marlene K. Johnson, Personal
Lines Customer Service
Representative
Gina K. Perrin, Personal Lines
Insurance Specialist
Cindy J. Robinson, Commercial
Lines Customer Service
Representative
J. Anthony Willard, Commercial
Lines Insurance Specialist

KISH TRAVEL
EMPLOYEES

D. Michael Whalen, General
Manager
Sandra K. Berardis, Travel Officer
Jolene Byler, Assistant Manager,
Travel Consultant
Donna R. Feicke, Travel Office
Assistant
Sandra L. Hunley, Lead Travel
Agent

