

## To Our Stockholders

Kish Bancorp, Inc. has announced unaudited financial results for the year ending December 31, 2009. The Corporation's total assets rose to \$528 million, an increase of \$51 million or 10.8% compared to \$476 million as of December 31, 2008. Net loans outstanding grew to \$368 million, an increase of \$35 million or 10.5% from \$333 million at the end of 2008. Deposits were 15.6% higher in 2009, rising to \$408 million from \$353 million the previous year.

Net income during 2009 was \$3.213 million, a decline of \$725 thousand or 18.4% from \$3.938 million in 2008. Consistent with the change in net income, earnings per share decreased 18.5% to \$6.09 from \$7.47 in 2008.

As the year progressed, 2009 became increasingly challenging due to the lengthening economic recession and general conditions in the banking industry. Kish Bancorp continued its trend of sustained growth in our core banking business based on strong noninterest income, an expanding margin and growth in loans and deposits. These contributions enabled us to absorb substantial increases in credit costs and expansion-related expenses, as well as a \$453 thousand increase in FDIC assessments.

Contributions to the allowance for potential loan losses increased to \$2.344 million in 2009 from \$299 thousand in 2008, reflecting continued weakness in local and national economic conditions, increases in the Company's non-performing and classified loans, and continued growth in the loan portfolio. Actual net charge-offs during 2009 were \$252 thousand compared to a net recovery of \$5 thousand in 2008. As a result of these factors, the allowance for loan losses increased substantially to \$5.4 million, or 1.44% of loans outstanding at December 31, 2009, compared to \$3.3 million or .98% a year earlier. In addition, we completed a private placement of \$3 million in subordinated debt with qualified local investors during 2009, enhancing the Company's capital position and providing further support for continued growth.

While it remains a challenging banking environment, we are pleased that our 2009 results included steps necessary to enhance capital and build reserves so that we can remain focused on growing our franchise and achieving long-term performance objectives.

Net interest income increased 9.8% to \$15.5 million during 2009 compared to \$14.1 million during 2008. This performance reflects the positive margin contribution from profitable loan and deposit growth. Net interest income after provision for loan losses declined 4.8% to \$13.2 million during 2009 compared to \$13.8 million in 2008.

Non interest income increased by \$1.6 million or 41.6% to \$5.4 million in 2009 from \$3.8 million in 2008. Excluding gains from investing and trading activities, noninterest income rose by \$758 thousand or 18.8% primarily due to yearlong strength in secondary market residential mortgage origination activities and growth in service fees on deposit accounts. Combined revenues from insurance, investment, and travel related activities were essentially unchanged during 2009. *Continued*

## Selected Financial Highlights

Unaudited (Dollars in thousands, except per share data)	Twelve Months Ended	
	December 2009	December 2008
Net Income	\$ 3,213	\$ 3,938
Total Assets	\$ 527,595	\$ 476,263
Net Loans	\$ 367,824	\$ 333,434
Total Deposits	\$ 407,721	\$ 352,729
ROA (annual)	0.64%	0.84%
ROE (annual)	9.73%	12.75%
Earnings per Share	\$ 6.09	\$ 7.47
Dividends per Share	\$ 3.24	\$ 3.24

Noninterest expense was \$15.0 million during 2009, an increase of \$2.2 million or 16.8% from \$12.8 million in 2008. Included in the higher 2009 expenses are the increased FDIC assessments, greater legal fees related to the resolution of problem loans, as well as the budgeted expenses associated with expansion in Bellefonte and State College.

The Corporation's Board of Directors approved a quarterly dividend in the amount of \$.81 per share payable on January 31, 2010 to shareholders of record as of January 4, 2010. The Corporation's dividends per share remain unchanged from the prior quarter and the prior year-to-date period. The Board also authorized a \$2 million stock repurchase program at its January meeting.

Thank you for your continued support.

Sincerely,

William P. Hayes  
Chairman, President and Chief Executive Officer

### Board of Directors

**William P. Hayes**  
Chairman, President and  
Chief Executive Officer  
**Richard C. Calkins**  
Vice Chairman  
**William L. Dancy**  
Treasurer and Secretary  
**Richard L. Kalin**  
Director  
**Alison B. Kurtz**  
Director  
**James J. Lakso**  
Director  
**Phyllis L. Palm**  
Director

### Executive Officers

**William P. Hayes**  
Chairman, President and  
Chief Executive Officer  
**Robert S. McMinn**  
Executive Vice President  
Chief Operating Officer and  
General Counsel  
**Michael F. Allen**  
Executive Vice President  
Market Manager and Senior  
Lending Officer for Centre Co.  
**Gerhard Royer**  
Executive Vice President  
Chief Credit Officer  
**J. Bradley Scovill**  
Executive Vice President  
Chief Financial Officer  
**James L. Shilling, Jr.**  
Executive Vice President  
Market Manager and Senior  
Lending Officer for Mifflin Co.

## Senior Officers

<b>Amy M. Muchler</b> Senior Vice President Service Quality/Retail Banking	<b>Marsha K. Kuhns</b> Vice President Operations and Service Support Manager
<b>Ronald B. Beyer, CFA</b> ® Vice President Profitability and Investment Portfolio Manager	<b>John Q. Massie</b> Regional Vice President Agricultural Loan Officer
<b>Larry E. Burger</b> Vice President Commercial Relationship Manager	<b>Mark R. Merrifield</b> Regional Vice President Loan Officer
<b>Cynthia A. Campbell</b> Vice President Residential Mortgage Sales	<b>Scott R. Reigle</b> Vice President Accounting and Controls Manager
<b>Michael L. Confer</b> Vice President Branch Manager	<b>Cheryl E. Shope</b> Vice President Market Manager for Huntingdon Co.
<b>Wade E. Curry</b> Vice President Investment Services	<b>Lynn A. Thompson</b> Vice President Insurance Services
<b>Ann K. Guss</b> Vice President Branch Manager	<b>Lana M. Walker</b> Vice President Commercial Relationship Manager
<b>Gregory T. Hayes</b> Vice President Business Banking Manager	<b>Debra K. Weikel</b> Vice President Mortgage Underwriter
<b>Andrew J. Horwitz, JD, CFP</b> ® Vice President Kish Financial Solutions	<b>Suzanne M. White</b> Vice President Human Resources
<b>Christopher P. Kelly</b> Vice President Information Technology Manager	<b>Jeffrey D. Wilson</b> Chief Executive Officer Insurance Services

## Branch Locations

<b>Reedsville</b> (717) 667-3974 Lewistown-Electric Avenue (717) 242-5474 Lewistown-S. Main Street (717) 242-2500 McVeytown (717) 899-7733 Huntingdon (814) 641-5474	<b>Mill Creek</b> (814) 643-4400 McAlevy's Fort (814) 667-3500 State College-North (814) 861-4747 State College-South (814) 861-5500 Bellefonte (814) 353-1770
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www.kishbank.com

# Financial Report 2009 Fourth Quarter



## Consolidated Balance Sheet

### Unaudited

(in thousands)

	December 31, 2009	December 31, 2008
<b>ASSETS</b>		
Cash and due from banks	\$ 8,659	\$ 9,401
Interest-bearing deposits with other institutions	28,538	5,220
Cash and cash equivalents	37,197	14,621
Certificates of deposit in other financial institutions	3,558	4,947
Trading securities	-	5,357
Investment securities available for sale	78,380	82,949
Loans held for sale	574	399
Loans	373,220	336,739
Less allowance for loan losses	5,396	3,305
Net Loans	367,824	333,434
Premises and equipment	13,407	10,300
Goodwill	1,669	1,712
Regulatory stock	4,144	4,144
Bank-owned life insurance	11,271	10,867
Accrued interest and other assets	9,571	7,533
<b>TOTAL ASSETS</b>	<b>\$ 527,595</b>	<b>\$ 476,263</b>
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 43,029	\$ 43,104
Interest-bearing deposits	364,692	309,625
Total Deposits	407,721	352,729
Short-term borrowings	4,628	5,954
Other borrowings	76,924	81,416
Accrued interest and other liabilities	4,061	4,862
<b>TOTAL LIABILITIES</b>	<b>493,334</b>	<b>444,961</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.50 par value; 2,000,000 shares authorized, 610,000 shares issued	305	305
Additional paid-in capital	620	803
Retained earnings	39,967	38,475
Accumulated other comprehensive income (loss)	446	(861)
Unearned restricted stock	(347)	(183)
Treasury stock, at cost	(6,730)	(7,237)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>34,261</b>	<b>31,302</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 527,595</b>	<b>\$ 476,263</b>

## Consolidated Statements of Income

### Unaudited

(in thousands)

	Twelve Months Ended		Three Months Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
<b>INTEREST AND DIVIDEND INCOME</b>				
Interest and fees on loans	\$ 21,490	\$ 21,571	\$ 5,533	\$ 5,484
Investment securities	3,685	4,218	850	975
Interest-bearing deposits with other institutions	135	469	27	98
Other dividend income	121	232	34	44
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>25,431</b>	<b>26,490</b>	<b>6,444</b>	<b>6,601</b>
<b>INTEREST EXPENSE</b>				
Deposits	5,979	8,163	1,345	1,795
Short-term borrowings	92	246	22	58
Other borrowings	3,835	3,943	952	1,013
<b>TOTAL INTEREST EXPENSE</b>	<b>9,906</b>	<b>12,352</b>	<b>2,319</b>	<b>2,866</b>
<b>NET INTEREST INCOME</b>	<b>15,525</b>	<b>14,138</b>	<b>4,125</b>	<b>3,735</b>
Provision for loan losses	2,344	299	1,731	69
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>13,181</b>	<b>13,839</b>	<b>2,394</b>	<b>3,666</b>
<b>NONINTEREST INCOME</b>				
Service fees on deposit accounts	1,458	1,383	383	355
Trading securities gains (losses), net	(7)	(1)	66	22
Investment securities gains (losses), net	595	(231)	648	(188)
Gain on sale of loans, net	781	460	191	108
Earnings on bank-owned life insurance	389	340	101	82
Insurance commissions	822	789	179	168
Travel agency commissions	203	237	69	49
Other	1,131	821	313	46
<b>TOTAL NONINTEREST INCOME</b>	<b>5,372</b>	<b>3,798</b>	<b>1,950</b>	<b>642</b>
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	7,915	7,348	2,014	1,857
Occupancy and equipment	1,930	1,451	495	380
Data processing	1,309	1,226	347	287
Professional fees	224	166	65	21
Advertising	321	248	117	41
Other	3,268	2,380	831	557
<b>TOTAL NONINTEREST EXPENSE</b>	<b>14,967</b>	<b>12,819</b>	<b>3,869</b>	<b>3,143</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>3,586</b>	<b>4,818</b>	<b>475</b>	<b>1,165</b>
Income taxes	373	880	(61)	187
<b>NET INCOME</b>	<b>\$ 3,213</b>	<b>\$ 3,938</b>	<b>\$ 536</b>	<b>\$ 978</b>