

## Consolidated Balance Sheet

### Unaudited

(in thousands)

	March 31, 2013	March 31, 2012
<b>ASSETS</b>		
Cash and due from banks	\$ 6,895	\$ 8,146
Interest-bearing deposits with other institutions	13,563	38,507
Cash and cash equivalents	20,458	46,653
Certificates of deposit in other financial institutions	1,378	1,627
Investment securities available for sale	161,878	126,930
Loans held for sale	1,332	256
Loans	370,183	365,724
Less allowance for loan losses	6,859	7,175
Net Loans	363,324	358,549
Premises and equipment	14,868	14,276
Goodwill	1,669	1,669
Regulatory stock	6,173	4,053
Bank-owned life insurance	12,621	12,201
Accrued interest and other assets	7,678	8,114
<b>TOTAL ASSETS</b>	<b>\$ 591,379</b>	<b>\$ 574,328</b>
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 59,603	\$ 56,095
Interest-bearing deposits	405,660	410,686
Total Deposits	465,263	466,781
Short-term borrowings	9,596	8,077
Other borrowings	66,031	50,489
Accrued interest and other liabilities	4,486	4,427
<b>TOTAL LIABILITIES</b>	<b>545,376</b>	<b>529,774</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.50 par value; 2,000,000 shares authorized, 674,375 and 672,675 shares issued	337	337
Additional paid-in capital	3,890	3,626
Retained earnings	45,537	44,014
Accumulated other comprehensive income	2,585	2,593
Treasury stock, at cost (70,347 and 69,498 shares)	(6,346)	(6,016)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>46,003</b>	<b>44,554</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 591,379</b>	<b>\$ 574,328</b>

## Consolidated Statement of Income

### Unaudited

(in thousands)

	Three Months Ended	
	March 31, 2013	March 31, 2012
<b>INTEREST AND DIVIDEND INCOME</b>		
Interest and fees on loans:		
Taxable	\$ 4,069	\$ 4,657
Exempt from federal income tax	234	257
Investment securities:		
Taxable	576	488
Exempt from federal income tax	296	309
Interest-bearing deposits with other institutions	20	37
Other dividend income	30	19
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>5,225</b>	<b>5,767</b>
<b>INTEREST EXPENSE</b>		
Deposits	733	936
Short-term borrowings	28	24
Other borrowings	385	511
<b>TOTAL INTEREST EXPENSE</b>	<b>1,146</b>	<b>1,471</b>
<b>NET INTEREST INCOME</b>	<b>4,079</b>	<b>4,296</b>
Provision for loan losses	0	150
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>4,079</b>	<b>4,146</b>
<b>NONINTEREST INCOME</b>		
Service fees on deposit accounts	388	388
Investment securities gains, net	272	9
Gain on sale of loans, net	331	287
Earnings on Bank-owned life insurance	103	103
Insurance commissions	239	238
Travel agency commissions	50	38
Other	380	340
<b>TOTAL NONINTEREST INCOME</b>	<b>1,763</b>	<b>1,403</b>
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	2,841	2,557
Occupancy and equipment	638	579
Data processing	453	359
Professional fees	87	73
Advertising	96	87
Federal deposit insurance	185	187
Other	809	768
<b>TOTAL NONINTEREST EXPENSE</b>	<b>5,109</b>	<b>4,610</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>733</b>	<b>939</b>
Income taxes	27	96
<b>NET INCOME</b>	<b>\$ 706</b>	<b>\$ 843</b>

## To Our Shareholders

Kish Bancorp, Inc. is pleased to present its unaudited financial results for the period ending March 31, 2013. As will be documented in these first quarter results, following several years of conservative balance sheet management in a challenging regulatory and economic environment, the Corporation has begun to make meaningful progress in pursuit of its growth objectives. The Corporation's total assets ended the first quarter at \$591 million, an increase of \$17 million, or 3.0%, compared to total assets of \$574 million as of March 31, 2012. Loans outstanding increased 1.2% from \$366 million as of March 31, 2012 to \$370 million in 2013. Growth occurred in the business and consumer lending sectors, albeit at decidedly lower rates. Mortgage loan originations remain at record levels. Although contributing positively to fee income for the Bank, the vast majority of mortgages were originated for the secondary market and do not impact the Bank's balance sheet.

Total deposits declined by \$2 million to \$465 million, a modest decrease from \$467 million a year ago. With the Fed's near-zero target for short term rates, the attractiveness of higher cost municipal deposits has declined. During the first quarter, the reduction in this category of deposits was largely offset by growth in noninterest-bearing deposits.

Net income during the first quarter of 2013 was \$706 thousand, a decrease of \$137 thousand, or 16.3%, from \$843 thousand during the same period in 2012. As a result of continued pressure on interest margins, net interest income decreased during the first quarter of 2013. At March 31, 2013, net interest income totaled \$4.1 million, indicating a 5.1% decrease from \$4.3 million during the first quarter of 2012.

Despite the growth in outstanding loan balances, the provision for loan losses continues to reflect a more than adequate reserve. As a result, there was a decrease of \$150 thousand from the provision recognized during the first quarter of 2012. We are pleased to note that we continue to experience a significant decline in the level of classified loans without experiencing any material charge-offs. The allowance for loan losses stood at \$6.859 million at quarter end, or 1.85% of total loans outstanding, a strong level by historic and peer group measures.

Noninterest income increased by \$360 thousand, or 25.7%, to \$1.763 million during the first quarter of 2013 from \$1.403 million in 2012. Gains from investing and loan activities drove this increase along with solid performances by the non-bank business units and stable revenue from deposit service fees. Excluding the impact of securities gains, core noninterest income increased by 7.0%, or \$97 thousand.

Noninterest expense was \$5.109 million during the first quarter of 2013, an increase of \$499 thousand, or 10.8%, from \$4.610 million in 2012. The primary drivers of the increase in 2013 expenses were budgeted salaries and benefit increases, as well as data processing fees related to the expansion of services provided to our growing customer base. We would note that annualized projections for expenses often lead to accrual levels in the first quarter that begin to fall more in line as the year progresses. This improvement is expected to be in concert with a corporate strategic initiative to reduce noninterest expenses.

## Selected Financial Highlights

Unaudited	Three Months Ended	
	March 2013	March 2012
(\$ in thousands, except per share data)		
Net Income	\$ 706	\$ 843
Total Assets	\$ 591,379	\$ 574,328
Loans Outstanding	\$ 370,183	\$ 365,724
Total Deposits	\$ 465,263	\$ 466,781
ROA (annual)	0.50%	0.60%
ROE (annual)	6.24%	8.27%
Earnings per Share	\$ 1.16	\$ 1.43
Dividends per Share	\$ 0.81	\$ 0.81

The Corporation's Board of Directors approved a quarterly dividend in the amount of \$0.81 per share payable April 30, 2013 to shareholders of record as of April 15, 2013. Dividends per share remain unchanged from the same period last year.

Overall, we are encouraged that positive growth in our core banking business is likely to continue to accelerate as the year progresses. Although economic expansion remains challenging, increased demand for loan and other financial services is accumulating and we remain confident that Kish's client focus will continue to differentiate our services in the marketplace. We wish to acknowledge the continued support of our shareholders as we seek to profitably serve our clients and communities throughout 2013.

Sincerely,



William P. Hayes  
Chairman, President and Chief Executive Officer

## Board of Directors

William P. Hayes, Chairman	William S. Lake, Member
James J. Lakso, Vice Chairman	Alan J. Metzler, Member
William L. Dancy, Secretary	Phyllis L. Palm, Member
Spyros A. Degleris, Member	Delmont R. Sunderland, Member

## Executive Officers

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John E. Arrington, Executive Vice President, Sales and Retail Banking Manager	James L. Shilling, Jr., Executive Vice President, Senior Lending Officer
William J. Hoynes, Executive Vice President, Chief Credit Officer	

## Senior Officers

Walter Kay, Senior Vice President, Senior Information Officer	Carol M. Herrmann, Vice President, Administration and Communications Director/CEO, Kish Travel
Amy M. Muchler, Senior Vice President, Deposit Operations and Branch Administration Director	Marsha K. Kuhns, Vice President, Branch Manager
Gerhard Royer, Senior Vice President, Commercial Lender	John Q. Massie, Regional Vice President, Commercial Relationship Manager
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Ronald B. Beyer, CFA®, Vice President, Profitability and Investment Portfolio Manager	Melissa K. Royer, Vice President, Service Support Manager/Security Officer
Kathleen M. Boop, Vice President, Personal Lines Insurance Manager	Cheryl E. Shope, Vice President, Residential Lender
Larry E. Burger, Vice President, Commercial Relationship Manager	Lana M. Walker, Vice President, Commercial Relationship Manager
David A. Coble, Vice President, Branch Manager	Debra K. Weikel, Vice President, Loan Operations Director
John P. Cunningham, II, Vice President, Regional Market Manager	Suzanne M. White, Vice President, Human Resource Director
Wade E. Curry, LUTCF, Vice President, Investment Services	Jeffrey D. Wilson, Vice President, CEO, Kish Agency
Ann K. Guss, Vice President, Residential Lender	William W. Yaudes, Vice President, Regional Market Manager
Allana L. Hartung, Vice President, Commercial Relationship Manager	
Gregory T. Hayes, Vice President, Loan Services Manager	

## Branch Locations

Belleville	717-935-2191
Reedsville	717-667-3974
Lewistown—Electric Avenue	717-242-5474
Lewistown—S. Main Street	717-242-2500
McVeytown	717-899-7733
Huntingdon	814-641-5474
Mill Creek	814-643-4400
McAlevy's Fort	814-667-3500
State College—North Atherton	814-861-4747
State College—South Atherton	814-861-5500
Bellefonte	814-353-1770

# 2013 First Quarter Financial Report



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