

Consolidated Balance Sheet

Unaudited

(in thousands)

	June 30, 2012	June 30, 2011
ASSETS		
Cash and due from banks	\$ 6,599	\$ 6,300
Interest-bearing deposits with other institutions	29,608	18,516
Cash and cash equivalents	36,207	24,816
Certificates of deposit in other financial institutions	1,383	2,055
Investment securities available for sale	132,376	118,202
Loans held for sale	425	215
Loans	356,035	372,309
Less allowance for loan losses	7,268	6,751
Net Loans	348,767	365,558
Premises and equipment	14,338	13,954
Goodwill	1,669	1,669
Regulatory stock	4,404	3,926
Bank-owned life insurance	12,306	11,891
Accrued interest and other assets	7,984	12,981
TOTAL ASSETS	\$ 559,859	\$ 555,267
LIABILITIES		
Noninterest-bearing deposits	\$ 57,209	\$ 46,686
Interest-bearing deposits	399,840	388,593
Total Deposits	457,049	435,279
Short-term borrowings	3,308	19,120
Other borrowings	50,126	58,933
Accrued interest and other liabilities	3,958	4,338
TOTAL LIABILITIES	514,441	517,670
STOCKHOLDERS' EQUITY		
Common stock, \$.50 par value; 2,000,000 shares authorized, 674,375 and 610,000 shares issued	337	305
Additional paid-in capital	3,360	(178)
Retained earnings	44,479	42,571
Accumulated other comprehensive income	2,994	955
Treasury stock, at cost (67,502 and 68,630 shares)	(5,752)	(6,056)
TOTAL STOCKHOLDERS' EQUITY	45,418	37,597
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 559,859	\$ 555,267

Consolidated Statement of Income

Unaudited

(in thousands)

	Six Months Ended		Three Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans:				
Taxable	\$ 9,232	\$ 9,945	\$ 4,575	\$ 4,882
Exempt from federal income tax	495	518	238	257
Investment securities:				
Taxable	1,029	961	541	464
Exempt from federal income tax	609	690	300	338
Interest-bearing deposits with other institutions	70	46	33	25
Other dividend income	30	36	11	25
TOTAL INTEREST AND DIVIDEND INCOME	11,465	12,196	5,698	5,991
INTEREST EXPENSE				
Deposits	1,809	2,216	873	1,099
Short-term borrowings	47	105	23	53
Other borrowings	1,016	1,244	505	619
TOTAL INTEREST EXPENSE	2,872	3,565	1,401	1,771
NET INTEREST INCOME	8,593	8,631	4,297	4,220
Provision for loan losses	300	500	150	200
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,293	8,131	4,147	4,020
NONINTEREST INCOME				
Service fees on deposit accounts	771	720	383	369
Investment securities gains, net	424	393	415	221
Gain on sale of loans, net	742	305	455	130
Earnings on Bank-owned life insurance	206	207	103	104
Insurance commissions	446	441	208	242
Travel agency commissions	80	103	42	57
Business property income	—	830	—	488
Other	591	629	251	356
TOTAL NONINTEREST INCOME	3,260	3,628	1,857	1,967
NONINTEREST EXPENSE				
Salaries and employee benefits	5,178	4,893	2,621	2,483
Occupancy and equipment	1,232	1,459	653	739
Data processing	760	794	401	429
Professional fees	159	178	86	70
Advertising	179	219	92	105
Federal deposit insurance	374	547	187	294
Other	1,617	1,886	849	1,017
TOTAL NONINTEREST EXPENSE	9,499	9,976	4,889	5,137
INCOME BEFORE INCOME TAXES	2,054	1,783	1,115	850
Income taxes	253	125	157	50
NET INCOME	\$ 1,801	\$ 1,658	\$ 958	\$ 800

To Our Shareholders

Kish Bancorp, Inc. is pleased to announce unaudited financial results for the period ending June 30, 2012. Despite the economic challenges that continue to discourage customers from borrowing, financial results remain strong through the second quarter. The Corporation's total assets ended the quarter at \$560 million, an increase of \$5 million, or 0.8%, compared to total assets of \$555 million as of June 30, 2011. Total deposits grew by \$22 million to \$457 million, an increase of 5.0% from \$435 million a year ago. Loans outstanding declined 4.4% from \$372 million as of June 30, 2011 to \$356 million in 2012. This reduction in loans reflects continued efforts by the Bank to curtail a few larger classified commercial relationships during 2012. As mentioned previously, demand by businesses for new debt also remains modest.

Net income for the first six months was \$1.8 million, an increase of \$143 thousand, or 8.6%, from \$1.7 million during the same period in 2011.

Net interest income remained stable at \$8.6 million during the first six months of 2012 in the face of strong deposit growth and a decreased level of outstanding loans.

Contributing to the growth in net income was a reduction in the provision for potential loan losses. \$300 thousand was set aside from earnings through the loan loss provision through the first six months of 2012 as compared to \$500 thousand in 2011. As the level of classified loans has declined, other loan quality metrics have remained positive. The allowance for loan losses continues to grow while charge-offs have been minimal. At quarter end, the allowance rose to \$7.268 million, or 2.04% of total loans outstanding. This is an increase of \$517 thousand, or 7.7%, from June 30, 2011. As the reserve ratio continues to increase and charge-offs remain low, we are most encouraged by the historically low level of delinquent loans, which reflects positively on our customers.

Noninterest income declined \$368 thousand, or 10.1%, to \$3.3 million during the first half of 2012, from \$3.6 million in 2011. 2011 results include the addition of \$830 thousand of business property income related to a large problem loan that moved into other real estate last year. Excluding this revenue, as well as investment securities gains, core noninterest income increased by \$431 thousand, or 17.9%, primarily due to continued strength in residential mortgage origination activities.

Noninterest expense was \$9.5 million during the first six months of 2012, a decrease of \$477 thousand, or 4.8%, from \$10.0 million in 2011. The primary drivers of the decrease in 2012 expenses were the costs of managing the business property described in the previous paragraph, in addition

Selected Financial Highlights

Unaudited (\$ in thousands, except per share data)	Six Months Ended	
	June 2012	June 2011
Net Income	\$ 1,801	\$ 1,658
Total Assets	\$ 559,859	\$ 555,267
Loans Outstanding	\$ 356,035	\$ 372,309
Total Deposits	\$ 457,049	\$ 435,279
ROA (annual)	0.64%	0.59%
ROE (annual)	8.71%	9.29%
Earnings per Share	\$ 3.04	\$ 3.12
Dividends per Share	\$ 1.62	\$ 1.62

to reduced federal deposit insurance, resulting from a one-time accrual in 2011.

The Corporation's Board of Directors approved a quarterly dividend in the amount of \$0.81 per share payable July 31, 2012 to shareholders of record as of July 16, 2012. Dividends per share remain unchanged from the same period last year.

During the quarter, we were pleased to be ranked as one of the nation's Top 200 Community Banks by *American Banker* magazine for the sixth consecutive year. This ranking is compiled annually based on an institution's three-year average return on shareholders' equity. This is particularly affirming recognition because sustained performance for our shareholders is our highest ongoing priority.

As always, we appreciate the loyalty of our shareholders and we thank you for your continued support.

Sincerely,



William P. Hayes
Chairman, President and CEO

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	814-861-4747
State College—South	814-861-5500
Bellefonte	814-353-1770

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2012 SECOND QUARTER FINANCIAL REPORT

