

Consolidated Balance Sheet

Unaudited

(in thousands)

	June 30, 2013	June 30, 2012
ASSETS		
Cash and due from banks	\$ 8,831	\$ 6,599
Interest-bearing deposits with other institutions	4,298	29,608
Cash and cash equivalents	13,129	36,207
Certificates of deposit in other financial institutions	1,379	1,383
Investment securities available for sale	186,316	132,376
Loans held for sale	1,103	425
Loans	370,849	356,035
Less allowance for loan losses	6,679	7,268
Net Loans	364,170	348,767
Premises and equipment	14,630	14,338
Goodwill	1,669	1,669
Regulatory stock	7,488	4,404
Bank-owned life insurance	12,726	12,306
Accrued interest and other assets	10,163	7,984
TOTAL ASSETS	\$ 612,773	\$ 559,859
LIABILITIES		
Noninterest-bearing deposits	\$ 59,227	\$ 57,209
Interest-bearing deposits	413,602	399,840
Total Deposits	472,829	457,049
Short-term borrowings	5,799	3,308
Other borrowings	88,783	50,126
Accrued interest and other liabilities	4,045	3,958
TOTAL LIABILITIES	571,456	514,441
STOCKHOLDERS' EQUITY		
Common stock, \$.50 par value; 2,000,000 shares authorized, 1,348,750 and 674,375* shares issued	674	337
Additional paid-in capital	3,708	3,360
Retained earnings	45,606	44,479
Accumulated other comprehensive income	(2,714)	2,994
Treasury stock, at cost (130,130 and 67,502* shares)	(5,957)	(5,752)
TOTAL STOCKHOLDERS' EQUITY	41,317	45,418
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 612,773	\$ 559,859

*There was a 2-for-1 stock split on May 28, 2013. For comparative purposes, pro forma amounts would have been 1,348,750 shares issued and 135,004 Treasury shares.

Consolidated Statement of Income

Unaudited

(in thousands)

	Six Months Ended		Three Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans:				
Taxable	\$ 8,278	\$ 9,232	\$ 4,209	\$ 4,575
Exempt from federal income tax	478	495	244	238
Investment securities:				
Taxable	1,321	1,029	745	541
Exempt from federal income tax	628	609	332	300
Interest-bearing deposits with other institutions	32	70	12	33
Other dividend income	65	30	35	11
TOTAL INTEREST AND DIVIDEND INCOME	10,802	11,465	5,577	5,698
INTEREST EXPENSE				
Deposits	1,456	1,809	723	873
Short-term borrowings	58	47	30	23
Other borrowings	821	1,016	436	505
TOTAL INTEREST EXPENSE	2,335	2,872	1,189	1,401
NET INTEREST INCOME	8,467	8,593	4,388	4,297
Provision for loan losses	(150)	300	(150)	150
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,617	8,293	4,538	4,147
NONINTEREST INCOME				
Service fees on deposit accounts	783	771	395	383
Investment securities gains, net	275	424	3	415
Gain on sale of loans, net	645	742	314	455
Earnings on Bank-owned life insurance	207	206	104	103
Insurance commissions	460	446	221	208
Travel agency commissions	106	80	56	42
Other	689	591	309	251
TOTAL NONINTEREST INCOME	3,165	3,260	1,402	1,857
NONINTEREST EXPENSE				
Salaries and employee benefits	5,701	5,178	2,860	2,621
Occupancy and equipment	1,258	1,232	620	653
Data processing	898	760	445	401
Professional fees	170	159	83	86
Advertising	185	179	89	92
Federal deposit insurance	209	374	24	187
Other	1,632	1,617	823	849
TOTAL NONINTEREST EXPENSE	10,053	9,499	4,944	4,889
INCOME BEFORE INCOME TAXES	1,729	2,054	996	1,115
Income taxes	124	253	97	157
NET INCOME	\$ 1,605	\$ 1,801	\$ 899	\$ 958

To Our Shareholders

Kish Bancorp, Inc. is pleased to announce unaudited financial results for the period ending June 30, 2013. The Corporation's total assets ended the quarter at \$613 million, an increase of \$53 million, or 9.5%, compared to total assets of \$560 million as of June 30, 2012. Total deposits grew by \$16 million to \$473 million, an increase of 3.5% from \$457 million a year ago. Loans outstanding increased 4.2% to \$371 million from \$356 million as of June 30, 2012.

Net income for the first six months was \$1.6 million, a decrease of \$196 thousand, or 10.9%, from \$1.8 million during the same period in 2012. Although the continued low interest rate environment has made it difficult to maintain interest margins, net interest income has remained relatively stable at \$8.5 million for the first six months of 2013, down slightly from \$8.6 million last year.

Positively contributing to net income was a reduction in the provision for potential loan losses. Due to the sustained positive performance of the loan portfolio, \$150 thousand was injected into earnings through reverse loan loss provision during the first six months of 2013, as compared to a \$300 thousand contribution in 2012. As a result, the allowance for loan losses at \$6.679 million remains at a comparatively high 1.80% of total loans outstanding. The adequacy of the reserve ratio is supported by low charge-offs, a declining level of classified loans, and the very low level of delinquent loans.

Noninterest income declined \$95 thousand, or 2.9%, to \$3.2 million during the first half of 2013, from \$3.3 million in 2012. Prior year results included \$424 thousand in investment securities gains, compared to the \$275 thousand recognized during the first six months of 2013. Excluding this difference, core noninterest income increased by \$54 thousand, or 1.9%, primarily due to the focus on growing noninterest revenues in our non-banking business units.

Noninterest expense was \$10.1 million during the first six months of 2013, an increase of \$554 thousand, or 5.8%, from \$9.5 million in 2012. A primary driver of the increase in 2013 expenses was employee benefits costs associated with higher health care costs and employer taxes. The Corporation also experienced higher core processing costs related to increasing customer transaction activity, as well as additions to our menu of services. Going forward, reduced regulatory assessments associated with the release from the OCC agreement will contribute to controlled growth in noninterest expenses.

As recently announced, the Corporation's Board of Directors approved a two-for-one stock split effective in May 2013. The Board has declared a quarterly dividend in the amount of \$0.405 per share payable July 31, 2013 to shareholders on record as of July 15, 2013. Dividends per share remain unchanged from the same period last year, based on the May 2013 stock split.

During the quarter, we were pleased to be ranked as one of the nation's Top 200 Community Banks by *American*

Selected Financial Highlights

Unaudited (\$ in thousands, except per share data)	Six Months Ended	
	June 2013	June 2012
Net Income	\$ 1,605	\$ 1,801
Total Assets	\$ 612,773	\$ 559,859
Loans Outstanding	\$ 370,849	\$ 356,035
Total Deposits	\$ 472,829	\$ 457,049
ROA (annual)	0.55%	0.64%
ROE (annual)	7.08%	8.71%
Earnings per Share*	\$ 1.32	\$ 1.52
Dividends per Share*	\$ 0.81	\$ 0.81

*EPS and dividends per share for 2012 and 2013 have been adjusted to reflect the 2-for-1 stock split.

Banker magazine for the seventh consecutive year. This ranking is compiled annually based on an institution's three year average return on shareholders' equity. This recognition is particularly affirming because sustained performance for our shareholders is our highest ongoing priority.

As always, we appreciate the loyalty of our shareholders.

Sincerely,

William P. Hayes
Chairman, President and Chief Executive Officer

Board of Directors

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

Executive Officers

William P. Hayes, President, Chief Executive Officer	Sangeeta Kishore, Executive Vice President, Chief Financial Officer
J. Bradley Scovill, Senior Executive Vice President, Chief Operating Officer	Robert S. McMinn, Executive Vice President, Financial Services and General Counsel
John E. Arrington, Executive Vice President, Sales and Retail Banking Manager	James L. Shilling, Jr., Executive Vice President, Senior Lending Officer
William J. Hoyne, Executive Vice President, Chief Credit Officer	

Senior Officers

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



4255 East Main Street | Belleville, PA 17004
1-888-554-4748 | www.KishBank.com