

## Consolidated Balance Sheet

### Unaudited

(in thousands)

	June 30, 2014	June 30, 2013
<b>ASSETS</b>		
Cash and due from banks	\$ 9,038	\$ 8,831
Interest-bearing deposits with other institutions	5,365	4,298
Cash and cash equivalents	14,403	13,129
Certificates of deposit in other financial institutions	980	1,379
Investment securities available for sale	183,228	186,316
Loans held for sale	297	1,103
Loans	409,143	370,849
Less allowance for loan losses	5,755	6,679
Net Loans	403,388	364,170
Premises and equipment	13,726	14,630
Goodwill	1,669	1,669
Regulatory stock	7,158	7,488
Bank-owned life insurance	13,137	12,726
Accrued interest and other assets	7,636	10,163
<b>TOTAL ASSETS</b>	<b>\$ 645,622</b>	<b>\$ 612,773</b>
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 63,360	\$ 59,227
Interest-bearing deposits	435,337	413,602
Total Deposits	498,697	472,829
Short-term borrowings	6,674	5,799
Other borrowings	89,726	88,783
Accrued interest and other liabilities	4,297	4,045
<b>TOTAL LIABILITIES</b>	<b>599,394</b>	<b>571,456</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.50 par value; 2,000,000 shares authorized, 1,348,750 and 1,348,750 shares issued	674	674
Additional paid-in capital	3,537	3,708
Retained earnings	48,122	45,606
Accumulated other comprehensive income	(569)	(2,714)
Treasury stock, at cost (122,504 and 130,130 shares)	(5,536)	(5,957)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>46,228</b>	<b>41,317</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 645,622</b>	<b>\$ 612,773</b>

## Consolidated Statement of Income

### Unaudited

(in thousands)

	Six Months Ended		Three Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<b>INTEREST AND DIVIDEND INCOME</b>				
Interest and fees on loans:				
Taxable	\$ 8,482	\$ 8,278	\$ 4,291	\$ 4,209
Exempt from federal income tax	541	478	286	244
Investment securities:				
Taxable	1,658	1,321	802	745
Exempt from federal income tax	724	628	357	332
Interest-bearing deposits with other institutions	20	32	9	12
Other dividend income	130	65	72	35
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>11,555</b>	<b>10,802</b>	<b>5,817</b>	<b>5,577</b>
<b>INTEREST EXPENSE</b>				
Deposits	1,571	1,456	800	723
Short-term borrowings	62	58	33	30
Other borrowings	835	821	412	436
<b>TOTAL INTEREST EXPENSE</b>	<b>2,467</b>	<b>2,335</b>	<b>1,244</b>	<b>1,189</b>
<b>NET INTEREST INCOME</b>	<b>9,088</b>	<b>8,467</b>	<b>4,573</b>	<b>4,388</b>
Provision for loan losses	50	(150)	50	(150)
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>9,038</b>	<b>8,617</b>	<b>4,523</b>	<b>4,538</b>
<b>NONINTEREST INCOME</b>				
Service fees on deposit accounts	815	783	429	395
Investment securities gains, net	152	275	242	3
Gain on sale of loans, net	291	645	174	314
Earnings on Bank-owned life insurance	209	207	108	104
Insurance commissions	560	460	254	221
Travel agency commissions	122	106	75	56
Other	922	689	483	309
<b>TOTAL NONINTEREST INCOME</b>	<b>3,071</b>	<b>3,165</b>	<b>1,765</b>	<b>1,402</b>
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	5,860	5,701	2,986	2,860
Occupancy and equipment	1,304	1,258	637	620
Data processing	921	898	465	445
Professional fees	203	170	110	83
Advertising	137	185	67	89
Federal deposit insurance	201	209	106	24
Other	1,324	1,632	701	823
<b>TOTAL NONINTEREST EXPENSE</b>	<b>9,950</b>	<b>10,053</b>	<b>5,072</b>	<b>4,944</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,159</b>	<b>1,729</b>	<b>1,216</b>	<b>996</b>
Income taxes	267	124	170	97
<b>NET INCOME</b>	<b>\$ 1,892</b>	<b>\$ 1,605</b>	<b>\$ 1,046</b>	<b>\$ 899</b>

## To Our Shareholders

Kish Bancorp, Inc., parent company of Kish Bank and related affiliates, is pleased to report unaudited financial results for the period ending June 30, 2014.

The Corporation's total assets ended the quarter at \$646 million, an increase of \$33 million, or 5.4%, compared to total assets of \$613 million as of June 30, 2013. Asset growth was driven by strong growth in loans. Year-over-year, gross loans increased by \$38 million, or 10.3%, to \$409 million from \$371 million at the end of June 2013. Total deposits grew by \$26 million to \$499 million, an increase of 5.5% from \$473 million a year ago. Borrowings remained stable at \$96 million compared to \$95 million at the end of June 2013.

Net income for the first two quarters of 2014 grew to \$1.9 million, an increase of \$287 thousand, or 17.9%, compared to \$1.6 million in 2013. The primary component of the increase was growth in net interest income, which, at \$9.0 million, increased by \$421 thousand, or 4.9%, from \$8.6 million the prior year. Other components of net income were generally positive as well.

Noninterest income was \$3.1 million for the six months ending June 2014, a decline of \$94 thousand from \$3.2 million as of June 2013. This reduction is primarily due to a decrease in revenue from the sale of residential mortgage loans in the secondary market, which declined to \$291 thousand from \$645 thousand the prior year. Residential mortgage lending volumes have shown significant declines across the industry, accompanied by a reduction in home mortgage refinancing in the face of higher interest rates. Prior year results also included \$275 thousand in investment securities gains as compared to \$152 thousand in gains realized in 2014. Positively, the decrease in noninterest income was partially offset by an increase in noninterest income from wealth management, insurance, travel, and bank service fees, all of which have sustained their upward momentum of the last several years.

Noninterest expense was \$9.9 million in 2014, representing a year-to-date decrease of \$103 thousand, or 1.0%, from \$10.0 million during the same period in 2013. Primary drivers of the decrease in current year expenses were lower healthcare and regulatory expenses compared to the same period last year. Most other expense categories were well controlled when compared to the prior year.

The allowance for loan losses at \$5.755 million represented 1.41% of total loans outstanding. The

## Selected Financial Highlights

Unaudited (\$ in thousands, except per share data)	Six Months Ended	
	June 2014	June 2013
Net Income	\$ 1,892	\$ 1,605
Total Assets	\$ 645,622	\$ 612,773
Loans Outstanding	\$ 409,143	\$ 370,849
Total Deposits	\$ 498,697	\$ 472,829
ROA (annual)	0.60%	0.55%
ROE (annual)	8.67%	7.08%
Earnings per Share	\$ 1.55	\$ 1.32
Dividends per Share	\$ 0.82	\$ 0.81

adequacy of this reserve is supported by strong asset quality as reflected in loan charge-offs that remained near zero, a strengthening in the level of classified loans, and very low loan delinquencies.

The Board declared a quarterly dividend in the amount of \$0.41 per share, payable July 31, 2014 to shareholders of record as of July 15, 2014.

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

Sincerely,

William P. Hayes  
Chairman and Chief Executive Officer

## 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

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# 2014 Second Quarter Financial Report



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