

Consolidated Balance Sheet

Unaudited

(in thousands)

	September 30, 2012	September 30, 2011
ASSETS		
Cash and due from banks	\$ 8,807	\$ 8,073
Interest-bearing deposits with other institutions	23,846	18,784
Cash and cash equivalents	32,653	26,857
Certificates of deposit in other financial institutions	2,368	1,613
Investment securities available for sale	137,805	115,390
Loans held for sale	237	344
Loans	358,220	375,551
Less allowance for loan losses	7,115	6,897
Net Loans	351,105	368,654
Premises and equipment	14,832	14,135
Goodwill	1,669	1,669
Regulatory stock	4,755	4,029
Bank-owned life insurance	12,413	11,996
Accrued interest and other assets	8,143	12,173
TOTAL ASSETS	\$ 565,980	\$ 556,860
LIABILITIES		
Noninterest-bearing deposits	\$ 66,586	\$ 50,250
Interest-bearing deposits	399,972	392,489
Total Deposits	466,558	442,739
Short-term borrowings	5,540	12,009
Other borrowings	42,575	56,882
Accrued interest and other liabilities	4,925	4,629
TOTAL LIABILITIES	519,598	516,259
STOCKHOLDERS' EQUITY		
Common stock, \$.50 par value; 2,000,000 shares authorized, 674,375 and 625,935 shares issued	337	313
Additional paid-in capital	3,401	788
Retained earnings	44,792	43,288
Accumulated other comprehensive income	3,567	2,211
Treasury stock, at cost (67,152 and 68,064 shares)	(5,715)	(5,999)
TOTAL STOCKHOLDERS' EQUITY	46,382	40,601
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 565,980	\$ 556,860

Consolidated Statement of Income

Unaudited

(in thousands)

	Nine Months Ended		Three Months Ended	
	Sept. 30, 2012	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2011
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans:				
Taxable	\$ 13,535	\$ 14,904	\$ 4,303	\$ 4,959
Exempt from federal income tax	726	767	231	249
Investment securities:				
Taxable	1,555	1,407	526	446
Exempt from federal income tax	896	1,018	287	328
Interest-bearing deposits with other institutions	100	57	30	11
Other dividend income	60	44	30	8
TOTAL INTEREST AND DIVIDEND INCOME	16,872	18,197	5,407	6,001
INTEREST EXPENSE				
Deposits	2,629	3,266	820	1,050
Short-term borrowings	70	155	23	50
Other borrowings	1,490	1,852	474	608
TOTAL INTEREST EXPENSE	4,189	5,273	1,317	1,708
NET INTEREST INCOME	12,683	12,924	4,090	4,293
Provision for loan losses	350	650	50	150
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	12,333	12,274	4,040	4,143
NONINTEREST INCOME				
Service fees on deposit accounts	1,162	1,101	391	381
Investment securities gains, net	426	629	2	236
Gain on sale of loans, net	1,379	515	637	210
Earnings on Bank-owned life insurance	312	313	106	106
Insurance commissions	693	696	247	255
Travel agency commissions	143	170	63	67
Business property income	—	1,586	—	756
Other	922	936	331	307
TOTAL NONINTEREST INCOME	5,037	5,946	1,777	2,318
NONINTEREST EXPENSE				
Salaries and employee benefits	7,833	7,427	2,655	2,534
Occupancy and equipment	1,846	2,189	614	730
Data processing	1,220	1,208	460	414
Professional fees	260	258	101	80
Advertising	273	331	94	112
Federal deposit insurance	559	808	185	261
Other	2,391	2,817	774	931
TOTAL NONINTEREST EXPENSE	14,382	15,038	4,883	5,062
INCOME BEFORE INCOME TAXES	2,988	3,182	934	1,399
Income taxes	382	367	129	242
NET INCOME	\$ 2,606	\$ 2,815	\$ 805	\$ 1,157

To Our Shareholders

Kish Bancorp, Inc. is pleased to announce unaudited financial results for the period ending September 30, 2012. The Corporation's total assets ended the quarter at \$566 million, an increase of \$9 million, or 1.6%, compared to total assets of \$557 million as of September 30, 2011. Total deposits grew by \$24 million to \$467 million, an increase of 5.4% from \$443 million a year ago. Loans outstanding declined 4.6% from \$376 million as of September 30, 2011 to \$358 million in 2012. This reduction in loans throughout the past year is a reflection of the slow demand for new borrowing by businesses, and efforts by the Bank to curtail a few larger classified commercial relationships. We are pleased to note that over the past several months, demand for new credit by businesses has begun to rebound, a trend that should pick up with further economic recovery and improving business confidence.

Net income for the first nine months was \$2.6 million, a decrease of \$209 thousand, or 7.4%, from \$2.8 million during the same period in 2011.

With a decreased level of loan outstandings and strong deposit growth, net interest income has fallen modestly during the first nine months of the year, from \$12.9 million last year to \$12.7 million in 2012.

Contributing positively to the change in net income was a reduction in the provision for potential loan losses. \$350 thousand was set aside from earnings through the loan loss provision during the first nine months of 2012, as compared to \$650 thousand in 2011. As the level of classified loans has declined, other loan quality metrics have continued to remain positive. At quarter end, the allowance rose to \$7.115 million, or 1.98% of total loans outstanding. This is an increase of \$218 thousand, or 3.2%, from September 30, 2011. This level of the Bank's loan loss reserves continues to exceed peer averages for the industry and represents further evidence of a strengthened balance sheet that protects Kish from unforeseen negative developments in the economy or the Bank's loan portfolio. Actual charge-offs during the third quarter have remained modest, and the Bank's historic low level of delinquent loans continued during the period as well.

Noninterest income declined \$909 thousand, to \$5.0 million during the first nine months of 2012, from \$5.9 million in 2011. 2011 results were skewed by the addition of \$1.6 million of business property income related to a large problem loan with ongoing operations that moved into other real estate last year. Excluding this revenue, as well as investment securities gains, core noninterest income increased by \$880 thousand, or 23.6%, driven primarily by continued strength in residential mortgage origination activities.

Noninterest expense was \$14.4 million during the first nine months of 2012, a decrease of \$656 thousand, or 4.4%, from \$15.0 million in 2011. The primary driver of the decrease in 2012 expenses was the costs of managing the business property described in the previous paragraph, in addition to reduced

Selected Financial Highlights


Unaudited (\$ in thousands, except per share data)	Nine Months Ended	
	Sept. 2012	Sept. 2011
Net Income	\$ 2,606	\$ 2,815
Total Assets	\$ 565,980	\$ 556,860
Loans Outstanding	\$ 358,220	\$ 375,551
Total Deposits	\$ 466,558	\$ 442,739
ROA (annual)	0.62%	0.68%
ROE (annual)	8.31%	10.37%
Earnings per Share	\$ 4.38	\$ 5.30
Dividends per Share	\$ 2.43	\$ 2.43

federal deposit insurance premiums.

The Corporation's Board of Directors approved a quarterly dividend in the amount of \$0.81 per share payable October 31, 2012 to shareholders of record as of October 26, 2012. Dividends per share remain unchanged from the same period last year. Looking forward, there is uncertainty over the impact of current regulatory proposals relating to capital requirements for banks that may affect future Board decisions regarding dividends.

We appreciate the loyalty of our shareholders and look forward to the continued growth of the franchise.

Sincerely,



William P. Hayes
Chairman, President and CEO

Board of Directors

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James J. Lakso, Vice Chairman
William L. Dancy, Secretary
Spyros A. Degleris, Member

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Suzanne M. White, Vice President, Human Resource Manager
Jeffrey D. Wilson, Vice President, CEO, Kish Agency
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

2012 THIRD QUARTER FINANCIAL REPORT



KISH BANCORP
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