

## Consolidated Balance Sheet

### Unaudited

(in thousands)

	September 30, 2013	September 30, 2012
<b>ASSETS</b>		
Cash and due from banks	\$ 9,697	\$ 8,807
Interest-bearing deposits with other institutions	21,473	23,846
Cash and cash equivalents	31,170	32,653
Certificates of deposit in other financial institutions	980	2,368
Investment securities available for sale	181,653	137,805
Loans held for sale	705	237
Loans	379,255	358,845
Less allowance for loan losses	6,528	7,240
Net Loans	372,727	351,605
Premises and equipment	14,370	14,832
Goodwill	1,669	1,669
Regulatory stock	6,887	4,755
Bank-owned life insurance	12,832	12,413
Accrued interest and other assets	10,351	7,643
<b>TOTAL ASSETS</b>	<b>\$ 633,344</b>	<b>\$ 565,980</b>
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 63,688	\$ 66,586
Interest-bearing deposits	430,502	399,972
Total Deposits	494,190	466,558
Short-term borrowings	9,289	5,540
Other borrowings	84,218	42,575
Accrued interest and other liabilities	4,279	4,925
<b>TOTAL LIABILITIES</b>	<b>591,976</b>	<b>519,598</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.50 par value; 2,000,000 shares authorized, 1,348,750 and 674,375* shares issued	674	337
Additional paid-in capital	3,686	3,401
Retained earnings	46,257	44,792
Accumulated other comprehensive income	(3,355)	3,567
Treasury stock, at cost (129,893 and 67,152* shares)	(5,894)	(5,715)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>41,368</b>	<b>46,382</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 633,344</b>	<b>\$ 565,980</b>

\*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 134,304 Treasury shares.

## Consolidated Statement of Income

### Unaudited

(in thousands)

	Nine Months Ended		Three Months Ended	
	Sept. 30, 2013	Sept. 30, 2012	Sept. 30, 2013	Sept. 30, 2012
<b>INTEREST AND DIVIDEND INCOME</b>				
Interest and fees on loans:				
Taxable	\$ 12,552	\$ 13,535	\$ 4,274	\$ 4,303
Exempt from federal income tax	730	726	252	231
Investment securities:				
Taxable	2,126	1,555	805	526
Exempt from federal income tax	972	896	344	287
Interest-bearing deposits with other institutions	47	100	15	30
Other dividend income	101	60	36	30
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>16,528</b>	<b>16,872</b>	<b>5,726</b>	<b>5,407</b>
<b>INTEREST EXPENSE</b>				
Deposits	2,205	2,629	749	820
Short-term borrowings	86	70	28	23
Other borrowings	1,263	1,490	442	474
<b>TOTAL INTEREST EXPENSE</b>	<b>3,554</b>	<b>4,189</b>	<b>1,219</b>	<b>1,317</b>
<b>NET INTEREST INCOME</b>	<b>12,974</b>	<b>12,683</b>	<b>4,507</b>	<b>4,090</b>
Provision for loan losses	(300)	350	(150)	50
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>13,274</b>	<b>12,333</b>	<b>4,657</b>	<b>4,040</b>
<b>NONINTEREST INCOME</b>				
Service fees on deposit accounts	1,178	1,162	395	391
Investment securities gains, net	376	426	101	2
Gain on sale of loans, net	903	1,379	258	637
Earnings on Bank-owned life insurance	312	312	105	106
Insurance commissions	732	693	272	247
Travel agency commissions	153	143	47	63
Other	1,173	896	487	331
<b>TOTAL NONINTEREST INCOME</b>	<b>4,827</b>	<b>5,011</b>	<b>1,665</b>	<b>1,777</b>
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	8,465	7,833	2,764	2,655
Occupancy and equipment	1,864	1,846	606	614
Data processing	1,368	1,220	470	460
Professional fees	254	260	84	101
Advertising	272	273	87	94
Federal deposit insurance	319	559	110	185
Other	2,467	2,365	838	774
<b>TOTAL NONINTEREST EXPENSE</b>	<b>15,009</b>	<b>14,356</b>	<b>4,959</b>	<b>4,883</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>3,092</b>	<b>2,988</b>	<b>1,363</b>	<b>934</b>
Income taxes	343	382	219	129
<b>NET INCOME</b>	<b>\$ 2,749</b>	<b>\$ 2,606</b>	<b>\$ 1,144</b>	<b>\$ 805</b>

## To Our Shareholders

Kish Bancorp, Inc. is pleased to announce unaudited financial results for the period ending September 30, 2013. The Corporation's total assets ended the quarter at \$633 million, an increase of \$67 million, or 11.9%, compared to total assets of \$566 million as of September 30, 2012. Total deposits grew by \$27 million to \$494 million, an increase of 5.9% from \$467 million a year ago. Loans outstanding increased 5.9% to \$380 million from \$359 million as of September 30, 2012.

Net income for the first nine months was \$2.7 million, an increase of \$143 thousand, or 5.49%, from \$2.6 million during the same period in 2012. Despite the continued low interest rate environment that poses challenges in the growth of net interest income, year to date net interest income at \$13.3 million has increased by 7.6%, from \$12.3 million during the same period last year.

Contributing to net income was a reduction in the provision for potential loan losses. Due to the sustained positive performance of the loan portfolio, \$300 thousand was included in earnings through a reverse loan loss provision during the first nine months of 2013, as compared to a \$350 thousand expense for the same period in 2012. The allowance for loan losses at \$6.528 million represents 1.72% of total loans outstanding, a level that remains well above Kish's historic norms. The adequacy of this reserve is supported by continued low loan charge-offs, a declining level of classified loans, and a very low level of delinquent loans.

Noninterest income was \$4.8 million during the first nine months of 2013, a decline of 3.7% from \$5.0 million in 2012. Prior year results include \$50 thousand in investment securities gains above the \$376 thousand that was recognized during the first nine months of 2013. Excluding this difference, core noninterest income decreased by \$134 thousand, or 2.7%, primarily due to the decrease in revenue from the sale of residential mortgage loans in the secondary market.

Noninterest expense was \$15.0 million during the first nine months of 2013, an increase of \$653 thousand, or 4.5%, from \$14.3 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 counts and transaction activity, as well as additions to our menu of services.

The Board has declared a quarterly dividend in the amount of \$0.405 per share payable October 31, 2013 to shareholders of record as of October 15, 2013. Dividends per share remain unchanged from the same period last year based on the May 2013 stock split.

The Bank has applied to convert its charter from a national banking association to a Pennsylvania state chartered bank and trust company, which will be supervised by the Pennsylvania Department of Banking and Securities and the FDIC. The charter conversion

## Selected Financial Highlights

Unaudited (\$ in thousands, except per share data)	Nine Months Ended	
	Sept. 2013	Sept. 2012
Net Income	\$ 2,749	\$ 2,606
Total Assets	\$ 633,344	\$ 565,980
Loans Outstanding	\$ 379,255	\$ 358,845
Total Deposits	\$ 494,190	\$ 466,558
ROA (annual)	0.61%	0.62%
ROE (annual)	8.35%	8.31%
Earnings per Share*	\$ 2.26	\$ 2.19
Dividends per Share*	\$ 1.22	\$ 1.22

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

will not have a significant impact on the Bank's current activities, safety or soundness. However, the Bank will experience significant annual cost savings as a result of the conversion. The charter conversion will not impact Bank customers and will not affect the terms and conditions of loan and deposit accounts. In addition to the significant cost savings, the Bank will benefit from the experience and insight provided by the Pennsylvania Department of Banking and Securities through its focus on Pennsylvania community banks and financial institutions. We expect that the supervision provided by the Pennsylvania Department of Banking and Securities and FDIC will be of a similar quality and thoroughness to that delivered by our federal regulators in the past. We expect the conversion process to be completed by late 2013 or early 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

## Board of Directors

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

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Alan J. Metzler, Member  
Phyllis L. Palm, Member  
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Chief Operating Officer  
Sangeeta Kishore, Senior  
Executive Vice President,  
Chief Financial Officer and  
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Vice President, Sales and  
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Counsel  
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Resource Director  
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# 2013 Third Quarter Financial Report

 **KISH BANCORP**  
expect more

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