

## Consolidated Balance Sheet

### Unaudited

(in thousands)

	December 31, 2013	December 31, 2012
<b>ASSETS</b>		
Cash and due from banks	\$ 7,058	\$ 8,945
Interest-bearing deposits with other institutions	7,382	14,848
Cash and cash equivalents	14,440	23,793
Certificates of deposit in other financial institutions	980	2,374
Investment securities available for sale	188,080	136,214
Loans held for sale	73	584
Loans	387,189	357,908
Less allowance for loan losses	5,928	6,867
Net Loans	381,261	351,041
Premises and equipment	14,133	15,079
Goodwill	1,669	1,669
Regulatory stock	6,867	4,795
Bank-owned life insurance	12,937	12,518
Accrued interest and other assets	9,642	9,513
<b>TOTAL ASSETS</b>	<b>\$ 630,081</b>	<b>\$ 557,580</b>
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 57,822	\$ 55,047
Interest-bearing deposits	436,498	405,400
Total Deposits	494,320	460,447
Short-term borrowings	4,415	4,157
Other borrowings	86,074	42,121
Accrued interest and other liabilities	4,592	4,603
<b>TOTAL LIABILITIES</b>	<b>589,401</b>	<b>511,328</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	3,659	3,377
Retained earnings	47,231	45,324
Accumulated other comprehensive income	(5,042)	2,907
Treasury stock, at cost (130,736 and 67,380* shares)	(5,842)	(5,693)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>40,680</b>	<b>46,252</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 630,081</b>	<b>\$ 557,580</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 134,760 Treasury shares.

## Consolidated Statement of Income

### Unaudited

(in thousands)

	Twelve Months Ended		Three Months Ended	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
<b>INTEREST AND DIVIDEND INCOME</b>				
Interest and fees on loans:				
Taxable	\$ 16,822	\$ 17,768	\$ 4,270	\$ 4,233
Exempt from federal income tax	985	957	255	231
Investment securities:				
Taxable	2,973	2,077	847	522
Exempt from federal income tax	1,335	1,181	363	285
Interest-bearing deposits with other institutions	62	128	15	28
Other dividend income	166	102	65	42
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>22,343</b>	<b>22,213</b>	<b>5,815</b>	<b>5,341</b>
<b>INTEREST EXPENSE</b>				
Deposits	2,998	3,413	793	784
Short-term borrowings	115	95	29	25
Other borrowings	1,693	1,889	430	399
<b>TOTAL INTEREST EXPENSE</b>	<b>4,806</b>	<b>5,397</b>	<b>1,252</b>	<b>1,208</b>
<b>NET INTEREST INCOME</b>	<b>17,537</b>	<b>16,816</b>	<b>4,563</b>	<b>4,133</b>
Provision for loan losses	(900)	270	(600)	(80)
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>18,437</b>	<b>16,546</b>	<b>5,163</b>	<b>4,213</b>
<b>NONINTEREST INCOME</b>				
Service fees on deposit accounts	1,598	1,573	420	411
Investment securities gains, net	344	797	(32)	371
Gain on sale of loans, net	1,059	1,902	156	523
Earnings on Bank-owned life insurance	416	417	104	105
Insurance commissions	932	889	200	196
Travel agency commissions	213	194	60	51
Other	1,882	1,141	709	219
<b>TOTAL NONINTEREST INCOME</b>	<b>6,444</b>	<b>6,913</b>	<b>1,617</b>	<b>1,876</b>
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	11,352	10,418	2,887	2,585
Occupancy and equipment	2,523	2,436	659	590
Data processing	1,748	1,683	380	463
Professional fees	330	393	76	133
Advertising	312	414	40	141
Federal deposit insurance	435	743	116	184
Other	3,200	3,203	733	812
<b>TOTAL NONINTEREST EXPENSE</b>	<b>19,900</b>	<b>19,290</b>	<b>4,891</b>	<b>4,908</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>4,981</b>	<b>4,169</b>	<b>1,889</b>	<b>1,181</b>
Income taxes	764	539	421	157
<b>NET INCOME</b>	<b>\$ 4,217</b>	<b>\$ 3,630</b>	<b>\$ 1,468</b>	<b>\$ 1,024</b>

## To Our Shareholders

Kish Bancorp, Inc., parent company of Kish Bank and related affiliates, is pleased to announce unaudited financial results for the period ending December 31, 2013. The Corporation's total assets ended the year at \$630 million, an increase of \$73 million, or 13.0%, compared to total assets of \$558 million as of December 31, 2012. Asset growth was driven by strong growth in loans and investment securities. Loans outstanding increased by \$29 million, or 8.2%, to \$387 million from \$358 million as of December 31, 2012. Growth in investment securities was a management focus for 2013 given the interest rate environment and the availability of low cost, long-term fixed rate funding sources. Investments increased by \$53 million to \$195 million from \$142 million at the prior year end. Asset growth was supported by a corresponding increase in funding sources with similarly matched maturities. Total deposits grew by \$34 million to \$494 million, an increase of 7.4% from \$460 million a year ago. Borrowings increased by \$44 million to \$90 million as compared to \$46 million at year end 2012.

With strong balance sheet growth, net income for 2013 reached a record \$4.2 million, an increase of \$587 thousand, or 16.17%, from \$3.6 million in 2012. Net interest income at \$18.4 million increased by \$1.9 million, or 11.4%, from \$16.6 million the prior year.

Further contributing to net income was a reduction in the provision for potential loan losses. Due to the sustained high quality of the loan portfolio, \$900 thousand was included in earnings through a reverse loan loss provision during 2013, as compared to a \$270 thousand expense for the same period in 2012. The allowance for loan losses at \$5.928 million represents 1.53% of total loans outstanding. The adequacy of this reserve is supported by strong asset quality as reflected in loan charge-offs that remained near zero, a declining level of classified loans, and a very low level of delinquent loans.

Noninterest income was \$6.4 million during 2013, a decline of 6.8% from \$6.9 million in 2012, primarily due to the decrease in revenue from the sale of residential mortgage loans in the secondary market, which declined to \$1.1 million from \$1.9 million. Prior year results also included \$797 thousand in investment securities gains, compared to \$344 thousand in gains that were recognized in 2013. Positively, the decrease in income from gains on the sale of securities was offset by an increase in income from non-banking business units and other noninterest income sources.

Noninterest expense was \$19.9 million in 2013, an increase of \$610 thousand, or 3.2%, from \$19.3 million in 2012. A primary driver of the increase in 2013 expenses was employee benefits costs associated with higher healthcare 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 declared a quarterly dividend in the amount of \$0.41 per share, payable January 31, 2014 to shareholders of record as of January 15, 2014, a \$0.005 increase over the prior quarter.

Prior to year end 2013, the Bank completed a conversion of its banking charter from a national to a Pennsylvania

## Selected Financial Highlights

Unaudited (\$ in thousands, except per share data)	Twelve Months Ended	
	Dec. 2013	Dec. 2012
Net Income	\$ 4,217	\$ 3,630
Total Assets	\$ 630,081	\$ 557,580
Loans Outstanding	\$ 387,189	\$ 357,908
Total Deposits	\$ 494,320	\$ 460,447
ROA (annual)	0.69%	0.65%
ROE (annual)	9.70%	8.01%
Earnings per Share*	\$ 3.34	\$ 3.00
Dividends per Share*	\$ 1.62	\$ 1.62

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

charter. Going forward, Kish Bank will be supervised by the Pennsylvania Department of Banking and Securities and the FDIC. The charter conversion will not have a material impact on the Bank's current business activities or sources of revenue. 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 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 the FDIC will be of a similar quality and thoroughness to that delivered by our federal regulators in the past.

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

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

## Senior Officers

Walter J. Kay, Senior Vice President, Senior Information Officer	Carol M. Herrmann, Vice President, Administration and Communications Director/CEO, Kish Travel
Amy M. Muchler, Senior Vice President, Deposit Operations and Branch Administration Director	Marsha K. Kuhns, Vice President, Branch Manager
Gerhard Royer, Senior Vice President, Commercial Lender	John Q. Massie, Vice President, Commercial Relationship Manager
Stanley N. Ayers, Vice President, Special Assets Manager	Jeremy G. Mattern, Vice President, Credit Administration Manager
Kathleen M. Boop, Vice President, Personal Lines Insurance Manager	Denise F. Quinn, Vice President, Commercial Relationship Manager
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
Gregory T. Hayes, Vice President, Lending Services Manager	

# 2013 Fourth Quarter Financial Report

 **KISH BANCORP**  
expect more

4255 East Main Street | Belleville, PA 17004  
1-888-554-4748 | [www.KishBank.com](http://www.KishBank.com)