

Consolidated Balance Sheet

Unaudited

(in thousands)

	March 31, 2014	March 31, 2013
ASSETS		
Cash and due from banks	\$ 8,112	\$ 6,895
Interest-bearing deposits with other institutions	8,625	13,563
Cash and cash equivalents	16,737	20,458
Certificates of deposit in other financial institutions	980	1,378
Investment securities available for sale	183,068	161,878
Loans held for sale	254	1,332
Loans	401,502	370,183
Less allowance for loan losses	5,936	6,859
Net Loans	395,566	363,324
Premises and equipment	13,908	14,868
Goodwill	1,669	1,669
Regulatory stock	7,111	6,173
Bank-owned life insurance	13,034	12,621
Accrued interest and other assets	8,719	7,678
TOTAL ASSETS	\$ 641,046	\$ 591,379
LIABILITIES		
Noninterest-bearing deposits	\$ 62,340	\$ 59,603
Interest-bearing deposits	432,124	405,660
Total Deposits	494,464	465,263
Short-term borrowings	12,166	9,596
Other borrowings	86,652	66,031
Accrued interest and other liabilities	4,183	4,486
TOTAL LIABILITIES	597,465	545,376
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	3,635	3,890
Retained earnings	47,578	45,537
Accumulated other comprehensive income	(2,547)	2,585
Treasury stock, at cost (130,122 and 70,347* shares)	(5,759)	(6,346)
TOTAL STOCKHOLDERS' EQUITY	43,581	46,003
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 641,046	\$ 591,379

*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 140,694 Treasury shares.

Consolidated Statement of Income

Unaudited

(in thousands)

	Three Months Ended	
	March 31, 2014	March 31, 2013
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 4,191	\$ 4,069
Exempt from federal income tax	255	234
Investment securities:		
Taxable	856	576
Exempt from federal income tax	367	296
Interest-bearing deposits with other institutions	11	20
Other dividend income	58	30
TOTAL INTEREST AND DIVIDEND INCOME	5,738	5,225
INTEREST EXPENSE		
Deposits	771	733
Short-term borrowings	29	28
Other borrowings	423	385
TOTAL INTEREST EXPENSE	1,223	1,146
NET INTEREST INCOME	4,515	4,079
Provision for loan losses	0	0
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,515	4,079
NONINTEREST INCOME		
Service fees on deposit accounts	386	388
Investment securities gains, net	(90)	272
Gain on sale of loans, net	117	331
Earnings on Bank-owned life insurance	101	103
Insurance commissions	307	239
Travel agency commissions	47	50
Other	439	380
TOTAL NONINTEREST INCOME	1,306	1,763
NONINTEREST EXPENSE		
Salaries and employee benefits	2,874	2,841
Occupancy and equipment	667	638
Data processing	456	453
Professional fees	93	87
Advertising	70	96
Federal deposit insurance	95	185
Other	623	809
TOTAL NONINTEREST EXPENSE	4,878	5,109
INCOME BEFORE INCOME TAXES	943	733
Income taxes	97	27
NET INCOME	\$ 846	\$ 706

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 March 31, 2014. These results reflected positive gains in earnings, loans, deposits and revenues from the Corporation's non-bank units.

The Corporation's total assets ended the quarter at \$641 million, an increase of \$50 million, or 8.4%, compared to total assets of \$591 million as of March 31, 2013. Asset growth was driven by strong growth in loans and investment securities. Year-over-year, gross loans increased by \$31 million, or 8.5%, to \$402 million from \$370 million at the end of March 2013. Net of reserves, loans outstanding increased by \$32 million, or 8.9%, to \$396 million from \$363 million as of March 31, 2013. Investment securities increased by \$21 million, or 13.1%, to \$183 million from \$162 million at the end of the first quarter of 2013. Growth in long-term assets at satisfactory margins has been a management strategy that commenced in 2013 and continued into the first quarter of 2014. The success of this strategy was made possible by the interest rate environment and the availability of low cost, long-term fixed rate funding. Consequently, asset growth over the past year was supported by a corresponding increase in funding sources with similarly matched maturities. Total deposits grew by \$29 million to \$494 million, an increase of 6.3% from \$465 million a year ago. Borrowings increased by \$23.2 million to \$98.8 million, up 30.7%, as compared to \$75.6 million at March 31, 2013.

With strong balance sheet growth, net income for the first quarter of 2014 at \$846 thousand showed an increase of \$140 thousand, or 19.8%, from \$706 thousand in 2013. The primary component of the increase was growth in net interest income, which, at \$4.5 million, increased by \$436 thousand, or 10.7%, from \$4.1 million the prior year.

The allowance for loan losses at \$5.936 million represents 1.48% 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 \$1.3 million at the end of March 2014, a decline of \$457 thousand from \$1.8 million in the first quarter of 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 \$117 thousand from \$331 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 \$272 thousand in investment securities gains; this compares to \$90 thousand in realized losses in 2014. The losses were taken as a part of a balance sheet strategy to shift the mix from securities to higher earning loans for greater long-term benefit. Positively, the decrease in noninterest income was partially offset by an increase in noninterest income from wealth management,

Selected Financial Highlights

Unaudited (\$ in thousands, except per share data)	Three Months Ended	
	Mar. 2014	Mar. 2013
Net Income	\$ 846	\$ 706
Total Assets	\$ 641,046	\$ 591,379
Loans Outstanding	\$ 401,502	\$ 370,183
Total Deposits	\$ 494,464	\$ 465,263
ROA (annual)	0.54%	0.50%
ROE (annual)	8.00%	6.24%
Earnings per Share*	\$ 0.69	\$ 0.58
Dividends per Share*	\$ 0.41	\$ 0.41

*EPS and dividends per share for 2013 and 2014 have been adjusted to reflect the 2-for-1 stock split.

insurance, travel, and other noninterest income sources, all of which have sustained their upward momentum of the last several years.

Noninterest expense was \$4.9 million in 2014, representing a quarter-to-date decrease of \$231 thousand, or 4.5%, from \$5.1 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 Board declared a quarterly dividend in the amount of \$0.41 per share, payable April 30, 2014 to shareholders of record as of April 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 First Quarter Financial Report

KISH BANCORP
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