

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, 2016. The Corporation's first quarter results reflect positive core performance generated by a sustained focus on building relationships, enhancing the client experience, and expanding core business operations. Solid organic growth continued in 2016's first quarter, generated by solid growth in both commercial and residential mortgage lending. This loan growth combined with expansion in both retail and business deposits to fuel stronger noninterest income and continued core earnings momentum.

Net Income and Balance Sheet

Net income for the quarter was \$1.06 million, which was down 6.58% from \$1.13 million in 2015. This decline reflects a one-time special dividend from the Federal Home Loan Bank of Pittsburgh that was included in the previous year's net income. Removing the impact of the special dividend, net income for the quarter grew by 4.04%. The Corporation's total assets ended the quarter at \$717 million, an increase of \$47.7 million, or 7.12%, compared to total assets of \$670 million as of March 31, 2015. Asset growth was driven by strong growth in mortgage and commercial loans. Year-over-year, gross loans increased by \$32 million, or 7.62%, to \$457 million from \$425 million at the end of March 2015. Total deposits grew by \$29 million to \$557 million, an increase of 5.46% from \$528 million a year ago. Borrowings increased to \$102 million, compared to \$86 million at the end of March 2015, reflecting the successful raise of subordinate debt and senior debt, issued by the Corporation during the last three quarters.

Net Interest Income

The net interest margin at the end of March 2016 was 3.26%, compared to 3.36% for the same period in 2015. Net interest income rose to \$4.95 million, an increase of \$133 thousand, or 2.76%, from \$4.81 million the prior year. An additional provision of \$100 thousand was made to the loan loss reserve in the first quarter of 2016. The allowance for loan losses, at \$5.849 million, represented 1.28% of total loans outstanding. The continued adequacy of the reserve is supported by strong asset quality, as reflected in the level of classified loans and low loan delinquencies.

Noninterest Income

Noninterest income was \$1.57 million for the quarter ending March 2016, a decrease of \$66 thousand from \$1.63 million as of March 2015. The decrease in noninterest income resulted largely from lower gains from the sale of securities, which at \$97 thousand, were lower by \$62 thousand compared to gains of \$159 thousand during 2015. Noninterest income benefitted from increased revenue from the sale of mortgages, which increased by \$45 thousand to \$179 thousand as of March 31, 2016, compared to \$134 thousand as of March 31, 2015.


Noninterest Expense

Noninterest expense for the quarter increased by \$210 thousand, or 4.09%, from \$5.14 million as of March 2015 to \$5.35 million as of March 2016. Primary drivers of the increase are higher compensation expenses related to an expanded workforce. Most other expense categories were well controlled when compared to the prior year.

Beginning in the second quarter of 2015, Kish Bancorp commenced an offering of senior debt and subordinated debt to qualified local investors. The total offerings were successful and resulted in new funding of \$7.2 million for the Corporation, which was used to retire existing debt and augment capital to support continued growth. The Board of Directors declared a quarterly dividend in the amount of \$0.43 per share, payable April 30, 2016 to shareholders of record as of April 15, 2016.

We appreciate the loyalty of our shareholders and thank you for your continued support.

Sincerely,



William P. Hayes
Chairman, President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	March 31, 2016	March 31, 2015
ASSETS:		
Cash and due from banks	\$ 8,317	\$ 6,101
Interest-bearing deposits with other institutions	23,417	15,739
Cash and cash equivalents	31,734	21,840
Certificates of deposit in other financial institutions	3,247	2,753
Investment securities available for sale	183,538	182,551
Investment securities held to maturity	5,000	1,500
Loans held for sale	798	894
Loans	456,850	424,518
Less allowance for loan losses	5,849	6,126
Net Loans	451,001	418,392
Premises and equipment	12,861	13,196
Goodwill	1,669	1,669
Regulatory stock	6,429	6,136
Bank-owned life insurance	14,678	14,229
Accrued interest and other assets	6,444	6,575
TOTAL ASSETS	\$ 717,399	\$ 669,735
LIABILITIES:		
Noninterest-bearing deposits	\$ 67,342	\$ 75,221
Interest-bearing deposits	489,471	452,781
Total Deposits	556,813	528,002
Short-term borrowings	7,341	5,577
Other borrowings	94,854	80,844
Accrued interest and other liabilities	4,801	4,684
TOTAL LIABILITIES	663,809	619,107
STOCKHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 2,000,000 shares authorized, 1,348,750 shares issued	674	674
Additional paid-in capital	3,136	3,385
Retained earnings	52,491	50,187
Accumulated other comprehensive income	2,113	1,750
Treasury stock, at cost (114,985 and 127,700 shares)	(4,824)	(5,368)
TOTAL STOCKHOLDERS' EQUITY	53,590	50,628
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 717,399	\$ 669,735

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Three Months Ended	
	March 31, 2016	March 31, 2015
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 4,589	\$ 4,362
Exempt from federal income tax	370	320
Investment securities:		
Taxable	819	771
Exempt from federal income tax	354	355
Interest-bearing deposits with other institutions	43	27
Other dividend income	151	264
TOTAL INTEREST AND DIVIDEND INCOME	<u>6,326</u>	<u>6,099</u>
INTEREST EXPENSE		
Deposits	805	785
Short-term borrowings	15	20
Other borrowings	459	390
TOTAL INTEREST EXPENSE	<u>1,279</u>	<u>1,195</u>
NET INTEREST INCOME	5,047	4,904
Provision for loan losses	100	90
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>4,947</u>	<u>4,814</u>
NONINTEREST INCOME		
Service fees on deposit accounts	397	394
Investment securities gains, net	97	159
Gain on sale of loans, net	179	134
Earnings on Bank-owned life insurance	111	108
Insurance commissions	313	328
Travel agency commissions	57	58
Other	413	452
TOTAL NONINTEREST INCOME	<u>1,567</u>	<u>1,633</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	3,268	3,068
Occupancy and equipment	674	704
Data processing	398	377
Professional fees	98	88
Advertising	105	91
Federal deposit insurance	96	95
Other	709	715
TOTAL NONINTEREST EXPENSE	<u>5,348</u>	<u>5,138</u>
INCOME BEFORE INCOME TAXES	1,165	1,309
Income taxes	110	180
NET INCOME	<u>\$ 1,055</u>	<u>\$ 1,129</u>

SELECTED FINANCIAL HIGHLIGHTS

(Unaudited; in thousands, except for per share data)

	Three Months Ended	
	March 31, 2016	March 31, 2015
Net Income	\$ 1,055	\$ 1,129
Total Assets	\$ 717,399	\$ 669,735
Loans Outstanding	\$ 456,850	\$ 424,518
Total Deposits	\$ 556,813	\$ 528,002
ROA (annual)	0.60%	0.69%
ROE (annual)	8.04%	9.13%
Earnings per Share	\$ 0.86	\$ 0.92
Dividends per Share	\$ 0.43	\$ 0.43

MARKET MAKERS

Stifel, Nicolaus & Company, Incorporated

Contact: Steven Jefferis
614-789-9354
655 Metro Place South, Suite 425
Dublin, OH 43017

Boenning & Scattergood, Inc.

Contact: Eugene Bodo
1-800-883-1212
4 Tower Bridge, 200 Barr Harbor Drive, Suite 300
Conshohocken, PA 19428-2979

Raymond James and Associates, Inc.

Contact: Todd G. Raclaw
312-655-2975
222 South Riverside Plaza, 7th Floor
Chicago, IL 60606

KISH LOCATIONS

NEW! The Expect More Store

114 S. Allen Street, State College	814-234-1026
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

2016

FIRST QUARTER FINANCIAL REPORT

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