

## Consolidated Balance Sheet

### Unaudited

(in thousands)

	June 30, 2015	June 30, 2014
<b>ASSETS</b>		
Cash and due from banks	\$ 6,678	\$ 9,038
Interest-bearing deposits with other institutions	12,411	5,365
Cash and cash equivalents	19,089	14,403
Certificates of deposit in other financial institutions	2,753	980
Investment securities available for sale	190,012	183,228
Loans held for sale	1,223	297
Loans	432,478	409,143
Less allowance for loan losses	6,131	5,755
Net Loans	426,347	403,388
Premises and equipment	13,062	13,726
Goodwill	1,669	1,669
Regulatory stock	6,145	7,158
Bank-owned life insurance	14,340	13,137
Accrued interest and other assets	7,725	7,636
<b>TOTAL ASSETS</b>	<b>\$ 682,365</b>	<b>\$ 645,622</b>
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 77,291	\$ 63,360
Interest-bearing deposits	465,904	435,337
Total Deposits	543,195	498,697
Short-term borrowings	4,394	6,674
Other borrowings	80,521	89,726
Accrued interest and other liabilities	4,923	4,297
<b>TOTAL LIABILITIES</b>	<b>633,033</b>	<b>599,394</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.50 par value; 2,000,000 shares authorized, 1,348,750 shares issued	674	674
Additional paid-in capital	3,287	3,537
Retained earnings	50,619	48,122
Accumulated other comprehensive income	6	(569)
Treasury stock, at cost (120,680 and 122,504 shares)	(5,254)	(5,536)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>49,332</b>	<b>46,228</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 682,365</b>	<b>\$ 645,622</b>

## Consolidated Statement of Income

### Unaudited

(in thousands)

	Six Months Ended		Three Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<b>INTEREST AND DIVIDEND INCOME</b>				
Interest and fees on loans:				
Taxable	\$ 8,707	\$ 8,482	\$ 4,345	\$ 4,291
Exempt from federal income tax	653	541	333	286
Investment securities:				
Taxable	1,566	1,658	795	802
Exempt from federal income tax	729	724	374	357
Interest-bearing deposits with other institutions	52	20	25	9
Other dividend income	369	130	105	72
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>12,076</b>	<b>11,555</b>	<b>5,977</b>	<b>5,817</b>
<b>INTEREST EXPENSE</b>				
Deposits	1,562	1,571	778	800
Short-term borrowings	38	62	18	33
Other borrowings	787	835	397	412
<b>TOTAL INTEREST EXPENSE</b>	<b>2,387</b>	<b>2,467</b>	<b>1,193</b>	<b>1,244</b>
<b>NET INTEREST INCOME</b>	<b>9,689</b>	<b>9,088</b>	<b>4,785</b>	<b>4,573</b>
Provision for loan losses	180	50	90	50
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>9,509</b>	<b>9,038</b>	<b>4,695</b>	<b>4,523</b>
<b>NONINTEREST INCOME</b>				
Service fees on deposit accounts	813	815	419	429
Investment securities gains, net	164	152	5	242
Gain on sale of loans, net	395	291	261	174
Earnings on Bank-owned life insurance	219	209	111	108
Insurance commissions	582	560	254	254
Travel agency commissions	121	122	63	75
Other	909	922	457	483
<b>TOTAL NONINTEREST INCOME</b>	<b>3,203</b>	<b>3,071</b>	<b>1,570</b>	<b>1,765</b>
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	6,256	5,860	3,188	2,986
Occupancy and equipment	1,392	1,304	688	637
Data processing	765	921	387	465
Professional fees	189	203	101	110
Advertising	180	137	89	67
Federal deposit insurance	194	201	99	106
Other	1,384	1,324	669	701
<b>TOTAL NONINTEREST EXPENSE</b>	<b>10,360</b>	<b>9,950</b>	<b>5,221</b>	<b>5,072</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,352</b>	<b>2,159</b>	<b>1,044</b>	<b>1,216</b>
Income taxes	261	267	82	170
<b>NET INCOME</b>	<b>\$ 2,091</b>	<b>\$ 1,892</b>	<b>\$ 962</b>	<b>\$ 1,046</b>

## 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 June 30, 2015. Highlights include the following:

- Net income of \$2.1 million, or \$1.71 per share, compared to net income of \$1.9 million, or \$1.55 per share, in the first six months of 2014.
- Annualized returns on average shareholders' equity and assets of 8.39% and 0.63%, respectively for the six months ended June 30, 2015.
- Tangible book value per share of \$38.48 per share as of June 30, 2015, an increase of 6.66% over tangible book value per share of \$36.08 at June 30, 2014.
- Loans of \$432 million at June 30, 2015, an increase of \$23.0 million, or 5.7%, compared to June 30, 2014.
- Total assets reached a new quarterly high of \$682 million.
- YTD net interest margin of 3.30%, compared to 3.24% for the same period last year.
- Net charge offs to total loans remained close to zero levels at 0.01%, compared to 0.06% for the same period last year.

Growth in the balance sheet and across our business units remains consistently positive and reflects the broad engagement of our team across Kish's region. Despite the begrudging economic expansion and concerns about global economic forces, the Company remains optimistic about the continued trajectory of earnings and performance for our communities.

### Balance Sheet

The Corporation's total assets ended the quarter at \$682 million, an increase of \$37 million, or 5.69%, compared to total assets of \$646 million as of June 30, 2014. Asset growth was driven by strong growth in loans. Year-over-year, gross loans increased by \$23 million, or 5.7%, to \$432 million from \$409 million at the end of June 2015. Total deposits grew by \$44 million to \$543 million, an increase of 8.92% from \$499 million a year ago. Borrowings decreased by \$11 million to \$85 million, compared to \$96 million at the end of June 2014.

### Net Interest Margin

Year-to-date the net interest margin at the end of June 2015 was 3.30% compared to 3.24% during the same period in 2014. The primary component of the increase was growth in net interest income, which, at \$9.7 million, increased by \$601 thousand, or 6.61%, from \$9.1 million the prior year. An additional provision of \$180 thousand was made towards the loan loss reserve in the first six months of 2015. The allowance for loan losses at \$6.131 million represented 1.44% of total loans outstanding. The adequacy of the reserve is supported by strong asset quality as reflected in loan charge-offs that remained near zero, the level of classified loans, and low loan delinquencies.

### Noninterest Income

Noninterest income was \$3.2 million for the first two quarters ending June 2015, an increase of \$132 thousand from \$3.1 million as of June 2014. The increase in noninterest income came from gains from the sale of mortgages, which increased by \$104 thousand to \$395 thousand, compared to gains of \$291 thousand in the first two quarters of 2014. Noninterest income also benefitted from positive results from increased

## Selected Financial Highlights

Unaudited	Six Months Ended	
	June 2015	June 2014
(\$ in thousands, except per share data)		
Net Income	\$ 2,091	\$ 1,892
Total Assets	\$ 682,365	\$ 645,622
Loans Outstanding	\$ 432,478	\$ 409,143
Total Deposits	\$ 543,195	\$ 498,697
ROA (annual)	0.63%	0.60%
ROE (annual)	8.39%	8.67%
Earnings per Share	\$ 1.71	\$ 1.55
Dividends per Share	\$ 0.86	\$ 0.82

revenue from other business units, including insurance and wealth management.

### Noninterest Expense

Year-to-date noninterest expense was \$10.4 million at the end of June 2015, representing a semi-annual increase of \$410 thousand, or 4.12%, from \$9.9 million during the same period in 2014. Primary drivers of the increase in the current period are higher compensation expense and expenses related to higher state bank shares tax accruals. The Governor's proposal regarding a dramatic increase in Pennsylvania's bank shares tax continues to be debated in Harrisburg. Bankers and shareholders alike are actively engaged in opposing this proposal as unhealthy for banks and the communities to which they lend. Most other expense categories were well controlled when compared to the prior year.

The Board has declared a quarterly dividend in the amount of \$0.43 per share, payable July 30, 2015 to shareholders of record as of June 15, 2015.

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

Sincerely,

William P. Hayes  
Chairman, President 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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