

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, 2016.

Second quarter results demonstrate continued growth in the loan portfolio, which increased \$36 million to \$468.8 million, an 8.4% growth rate from June 30, 2015; continued core earnings momentum; and a sustained and well-positioned mortgage unit with noninterest revenue growth of 14.4%.

Net Income and Balance Sheet

Net income for the first six months of 2016 was \$2.16 million, an increase of 3.3% from \$2.091 million in 2015. The Corporation's total assets ended the period at \$711 million, an increase of \$28.5 million, or 4.17%, compared to total assets of \$682 million as of June 30, 2015. Asset growth was driven by strong growth in loans. Year-over-year, gross loans increased by \$36 million, or 8.40%, to \$469 million from \$433 million at the end of June 2015. Total deposits grew by \$15 million to \$558 million, an increase of 2.75% from \$543 million a year ago. Borrowings increased to \$93 million, compared to \$85 million at the end of June 2015, reflecting the successful raise of subordinate debt and senior debt issued by the Corporation during the second half of 2015 and first quarter of 2016.

Net Interest Income

For the year, the net interest margin was 3.26%, compared to 3.30% for 2015. Net interest income after allowance rose to \$9.94 million, an increase of \$433 thousand or 4.55%, from \$9.51 million the prior year. An additional provision of \$140 thousand was made to the loan loss reserve in the second quarter of 2016. The allowance for loan losses at \$5.986 million represented 1.28% of total loans outstanding. The continued adequacy of the reserve is supported by strong asset quality reflected in the level of classified loans and low loan delinquencies.

Noninterest Income

Noninterest income was \$3.370 million for the six months ending June 30, 2016, an increase of \$167 thousand from \$3.203 million as of June 2015. The increase in noninterest income largely came from higher gains from both the sale of loans and sale of securities. Noninterest income also benefitted from increased revenue from other business units, including insurance and travel.

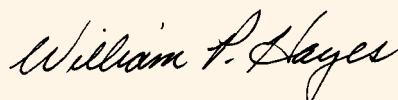
Noninterest Expense

Year-to-date, noninterest expense increased by \$540 thousand, or 5.21%, from \$10.360 million as of June 2015 to \$10.899 million as of June 2016. Primary drivers of the increase are higher compensation expenses related to additions to the sales force and increased employee benefits expenses. Most other expense categories were well controlled when compared to the prior year.

The Board of Directors declared a quarterly dividend in the amount of \$0.43 per share, payable July 31, 2016 to shareholders of record as of July 15, 2016.

We were pleased to announce the opening of Kish's new Expect More Store in downtown State College during the second quarter. This exciting new technology-enabled facility provides a new template for delivering banking, insurance, wealth, and travel services in a relaxed and informal environment that invites clients to interact, explore, and discover, as well as transact business. We invite you to drop in and experience this new facility. Thank you for your continued loyalty and support.

Sincerely,



William P. Hayes
Chairman, President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	June 30, 2016	June 30, 2015
ASSETS:		
Cash and due from banks	\$ 6,740	\$ 6,678
Interest-bearing deposits with other institutions	21,922	12,411
Cash and cash equivalents	28,662	19,089
Certificates of deposit in other financial institutions	3,247	2,753
Investment securities available for sale	167,210	188,512
Investment securities held to maturity	6,000	1,500
Loans held for sale	587	1,223
Loans	468,809	432,478
Less allowance for loan losses	5,986	6,131
Net Loans	462,823	426,347
Premises and equipment	12,936	13,062
Goodwill	1,669	1,669
Regulatory stock	6,207	6,145
Bank-owned life insurance	14,789	14,340
Accrued interest and other assets	6,713	7,725
TOTAL ASSETS	\$ 710,843	\$ 682,365
LIABILITIES:		
Noninterest-bearing deposits	\$ 73,827	\$ 77,291
Interest-bearing deposits	484,303	465,904
Total Deposits	558,130	543,195
Short-term borrowings	3,887	4,394
Other borrowings	88,805	80,521
Accrued interest and other liabilities	5,178	4,923
TOTAL LIABILITIES	656,000	633,033
STOCKHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 2,000,000 shares authorized, 1,348,750 shares issued	674	674
Additional paid-in capital	3,029	3,287
Retained earnings	53,061	50,619
Accumulated other comprehensive income	2,859	6
Treasury stock, at cost (109,781 and 120,680 shares)	(4,780)	(5,254)
TOTAL STOCKHOLDERS' EQUITY	54,843	49,332
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 710,843	\$ 682,365

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Six Months Ended	
	June 30, 2016	June 30, 2015
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 9,321	\$ 8,707
Exempt from federal income tax	735	653
Investment securities:		
Taxable	1,610	1,566
Exempt from federal income tax	707	729
Interest-bearing deposits with other institutions	84	52
Other dividend income	298	369
TOTAL INTEREST AND DIVIDEND INCOME	<u>12,755</u>	<u>12,076</u>
INTEREST EXPENSE		
Deposits	1,627	1,562
Short-term borrowings	20	38
Other borrowings	926	787
TOTAL INTEREST EXPENSE	<u>2,573</u>	<u>2,387</u>
NET INTEREST INCOME	10,182	9,689
Provision for loan losses	240	180
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>9,942</u>	<u>9,509</u>
NONINTEREST INCOME		
Service fees on deposit accounts	813	813
Investment securities gains, net	325	164
Gain on sale of loans, net	452	395
Earnings on Bank-owned life insurance	222	219
Insurance commissions	599	582
Travel agency commissions	141	121
Other	818	909
TOTAL NONINTEREST INCOME	<u>3,370</u>	<u>3,203</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	6,661	6,256
Occupancy and equipment	1,363	1,392
Data processing	822	765
Professional fees	206	189
Advertising	212	180
Federal deposit insurance	194	194
Other	1,441	1,384
TOTAL NONINTEREST EXPENSE	<u>10,899</u>	<u>10,360</u>
INCOME BEFORE INCOME TAXES	2,413	2,352
Income taxes	253	261
NET INCOME	<u>\$ 2,160</u>	<u>\$ 2,091</u>

SELECTED FINANCIAL HIGHLIGHTS

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

	Six Months Ended	
	June 30, 2016	June 30, 2015
Net Income	\$ 2,160	\$ 2,091
Total Assets	\$ 710,843	\$ 682,365
Loans Outstanding	\$ 468,809	\$ 432,478
Total Deposits	\$ 558,130	\$ 543,195
ROA (annual)	0.61%	0.63%
ROE (annual)	8.13%	8.39%
Earnings per Share	\$ 1.75	\$ 1.71
Dividends per Share	\$ 0.86	\$ 0.86

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

SECOND QUARTER FINANCIAL REPORT

 **KISH BANCORP**
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