

Consolidated Balance Sheet

Unaudited

(in thousands)

	Dec. 31, 2014	Dec. 31, 2013
ASSETS		
Cash and due from banks	\$ 7,009	\$ 7,058
Interest-bearing deposits with other institutions	8,680	7,382
Cash and cash equivalents	15,689	14,440
Certificates of deposit in other financial institutions	2,753	980
Investment securities available for sale	184,324	188,080
Loans held for sale	75	73
Loans	420,070	387,189
Less allowance for loan losses	6,009	5,928
Net Loans	414,061	381,261
Premises and equipment	13,392	14,133
Goodwill	1,669	1,669
Regulatory stock	6,634	6,867
Bank-owned life insurance	14,121	12,937
Accrued interest and other assets	7,127	9,642
TOTAL ASSETS	\$ 659,845	\$ 630,081
LIABILITIES		
Noninterest-bearing deposits	\$ 65,436	\$ 57,822
Interest-bearing deposits	443,139	436,499
Total Deposits	508,575	494,321
Short-term borrowings	3,706	4,414
Other borrowings	93,695	86,074
Accrued interest and other liabilities	5,015	4,592
TOTAL LIABILITIES	610,991	589,401
STOCKHOLDERS' EQUITY		
Common stock, \$.50 par value; 2,000,000 shares authorized, 1,348,750 and 1,348,750 shares issued	674	674
Additional paid-in capital	3,458	3,659
Retained earnings	49,585	47,231
Accumulated other comprehensive income	551	(5,042)
Treasury stock, at cost (124,778 and 130,736 shares)	(5,414)	(5,842)
TOTAL STOCKHOLDERS' EQUITY	48,854	40,680
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 659,845	\$ 630,081

Consolidated Statement of Income

Unaudited

(in thousands)

	Twelve Months Ended		Three Months Ended	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans:				
Taxable	\$ 17,323	\$ 16,822	\$ 4,443	\$ 4,270
Exempt from federal income tax	1,153	985	311	255
Investment securities:				
Taxable	3,273	2,973	817	847
Exempt from federal income tax	1,474	1,335	380	363
Interest-bearing deposits with other institutions	58	62	21	15
Other dividend income	311	166	95	65
TOTAL INTEREST AND DIVIDEND INCOME	23,592	22,343	6,067	5,815
INTEREST EXPENSE				
Deposits	3,220	2,998	817	793
Short-term borrowings	111	115	23	29
Other borrowings	1,631	1,693	390	430
TOTAL INTEREST EXPENSE	4,962	4,806	1,230	1,252
NET INTEREST INCOME	18,630	17,537	4,837	4,563
Provision for loan losses	300	(900)	200	(600)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	18,330	18,437	4,637	5,163
NONINTEREST INCOME				
Service fees on deposit accounts	1,709	1,598	442	420
Investment securities gains, net	509	344	209	(32)
Gain on sale of loans, net	650	1,059	153	156
Earnings on Bank-owned life insurance	424	416	105	104
Insurance commissions	1,068	932	220	200
Travel agency commissions	287	213	54	60
Other	1,758	1,882	421	709
TOTAL NONINTEREST INCOME	6,405	6,444	1,605	1,617
NONINTEREST EXPENSE				
Salaries and employee benefits	11,567	11,352	2,921	2,887
Occupancy and equipment	2,594	2,523	654	659
Data processing	1,704	1,748	340	380
Professional fees	403	330	98	76
Advertising	256	312	47	40
Federal deposit insurance	373	435	66	116
Other	2,708	3,200	724	733
TOTAL NONINTEREST EXPENSE	19,605	19,900	4,851	4,891
INCOME BEFORE INCOME TAXES	5,130	4,981	1,391	1,889
Income taxes	771	764	211	421
NET INCOME	\$ 4,359	\$ 4,217	\$ 1,180	\$ 1,468

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 December 31, 2014. Highlights include:

- New highs for loans outstanding
- Record net income and net interest income for the twelve-month period
- Continued excellence in the Bank's credit quality measures
- Robust results by the wealth management, insurance, and travel divisions
- Reduced noninterest expenses
- Double-digit expansion in total shareholders' equity
- Sustained dividend levels above industry norms

The Corporation's total assets ended the quarter at \$660 million, an increase of \$30 million, or 4.7%, compared to total assets of \$630 million as of December 31, 2013. Asset growth was driven by strong growth in loans. Year-over-year, gross loans increased by \$33 million, or 8.5%, to \$420 million from \$387 million at the end of December 2013. Total deposits grew by \$14 million to \$508 million, an increase of 2.9% from \$494 million a year ago. Borrowings increased by \$7 million to \$97 million compared to \$90 million at the end of December 2013.

Net income for year end 2014 grew to \$4.36 million, an increase of \$142 thousand, or 3.4%, compared to \$4.22 million in 2013. The primary component of the increase was growth in net interest income, which, at \$18.6 million, increased by \$1.1 million, or 6.2%, from \$17.5 million the prior year. This strong growth in net interest income enabled the Corporation to more than cover a year over swing in loan loss provision of \$1.2 million. In 2013, a negative provision added \$900 thousand to income.

Noninterest income was \$6.40 million for the year ending December 2014, a modest decline of \$39 thousand from \$6.44 million as of December 2013. This is despite a decrease in revenue from the sale of residential mortgage loans in the secondary market, which declined to \$650 thousand from \$1.1 million the prior year. Residential mortgage lending volumes had contracted in the first half of 2014, following an increase in interest rates. Gains from the sale of investment securities increased by \$165 thousand to \$509 thousand compared to \$344 thousand in gains realized in 2013. Most notably, noninterest income benefitted from positive results from wealth management, insurance, and travel, all of which achieved revenue growth in excess of 10%, sustaining their upward momentum of the last several years.

Noninterest expense was \$19.6 million in 2014, representing a year-to-date decrease of \$295 thousand, or 1.5%, from \$19.9 million during the same period in 2013. Primary drivers of the decrease in current year expenses were lower healthcare, regulatory, and general expenses compared to the same period last year. Most other expense categories were well controlled when compared to the prior year.

The allowance for loan losses at \$6.009 million represented 1.43% 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, the level of classified loans, and low loan delinquencies.

Previously, it was announced that Registrar and Transfer Company, the transfer agent for Kish Bancorp, Inc., would be acquired by Computershare. In late December, Computershare

Selected Financial Highlights

Unaudited	Twelve Months Ended	
	Dec. 2014	Dec. 2013
(\$ in thousands, except per share data)		
Net Income	\$ 4,359	\$ 4,217
Total Assets	\$ 659,845	\$ 630,081
Loans Outstanding	\$ 420,070	\$ 387,189
Total Deposits	\$ 508,575	\$ 494,321
ROA (annual)	0.67%	0.69%
ROE (annual)	9.54%	9.70%
Earnings per Share	\$ 3.57	\$ 3.34
Dividends per Share	\$ 1.64	\$ 1.62

completed the migration of Kish Bancorp shareholder information to the Computershare system. Computershare provides transfer agent services to over 3,600 corporate clients. Our review of their services concluded that Computershare will elevate shareholder service and data security regarding the management of Kish Bancorp investor information. As always, please contact us if you have questions or would like assistance with matters related to our transfer agent.

At December 31, the Bancorp completed an offering of subordinated debt to qualified local investors. We were pleased to be able to exceed our target of \$3 million for this issuance. The Board has declared a quarterly dividend in the amount of \$0.43 per share, payable January 31, 2015 to shareholders of record as of January 15, 2015, an increase of 2 cents per share from the prior quarter.

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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Spyros A. Degleris, Member
Edward A. Friedman, Member

Paul G. Howes, Member
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Phyllis L. Palm, Member
J. Bradley Scovill, Member

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Sangeeta Kishore, Senior Executive Vice President, Chief Financial Officer and Senior Risk Officer

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2014 Fourth Quarter Financial Report



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