

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 September 30, 2016.

Third quarter results demonstrated continued growth in the loan portfolio, which increased \$42 million to \$480.8 million, a 9.7% growth rate from September 30, 2015; continued core earnings momentum; and noninterest revenue growth in the mortgage unit of 9.75%, compared to the same period last year.

Balance Sheet

The Corporation's total assets ended the period at \$729 million, an increase of \$35.9 million, or 5.18%, compared to total assets of \$693 million as of September 30, 2015. Asset growth was driven by strong growth in loans. Year-over-year, gross loans increased by \$42 million, or 9.66%, to \$481 million from \$439 million at the end of September 2015. Total deposits grew by \$25 million to \$566 million, an increase of 4.56% from \$541 million a year ago. Borrowings increased to \$102 million, compared to \$96 million at the end of September 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 Income

Net income for the first nine months of 2016 was \$3.34 million, a modest decrease of \$33,000, or 0.99%, compared to \$3.37 million in 2015. For the year, the net interest margin was 3.30%, compared to 3.29% for 2015. Net interest income after allowance rose to \$15.04 million, an increase of \$631 thousand, or 4.38%, from \$14.41 million the prior year. An additional provision of \$180 thousand was made to the loan loss reserve in the third quarter of 2016 to support the growth in the portfolio. The allowance for loan losses at \$6.18 million represented 1.29% of total loans outstanding. The continued adequacy of the reserve was supported by strong asset quality reflected in the level of classified loans and low loan delinquencies.

Noninterest Income

Noninterest income was \$5.239 million for the nine months ending September 30, 2016, an increase of \$270 thousand from \$4.969 million as of September 2015. The increase in noninterest income largely came from higher gains from both the sale of residential loans and the sale of investment

securities. Noninterest income continued to benefit from increased revenue from other business units, including insurance and travel.

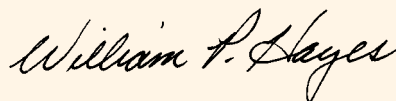
Noninterest Expense

Year-to-date, noninterest expense increased by \$1.0 million, or 6.73%, from \$15.5 million as of September 2015 to \$16.5 million as of September 2016. Primary drivers of the increase were 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 October 31, 2016 to shareholders of record as of October 17, 2016.

Thank you for your continued support.

Sincerely,



William P. Hayes
Chairman, President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	Sept. 30, 2016	Sept. 30, 2015
ASSETS:		
Cash and due from banks	\$ 6,376	\$ 12,739
Interest-bearing deposits with other institutions	24,373	18,059
Cash and cash equivalents	30,749	30,798
Certificates of deposit in other financial institutions	3,247	2,753
Investment securities available for sale	170,530	183,042
Investment securities held to maturity	6,000	1,500
Loans held for sale	1,085	0
Loans	480,793	438,425
Less allowance for loan losses	6,180	6,216
Net Loans	474,613	432,209
Premises and equipment	12,955	13,075
Goodwill	1,669	1,669
Regulatory stock	6,312	6,373
Bank-owned life insurance	14,900	14,453
Accrued interest and other assets	6,704	7,014
TOTAL ASSETS	\$ 728,764	\$ 692,886
LIABILITIES:		
Noninterest-bearing deposits	\$ 76,677	\$ 71,820
Interest-bearing deposits	488,989	469,163
Total Deposits	565,666	540,983
Short-term borrowings	11,033	9,578
Other borrowings	91,142	86,062
Accrued interest and other liabilities	5,622	4,778
TOTAL LIABILITIES	673,463	641,401
STOCKHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 2,000,000 shares authorized, 1,348,750 shares issued	674	674
Additional paid-in capital	2,967	3,267
Retained earnings	53,706	51,370
Accumulated other comprehensive income	2,682	1,335
Treasury stock, at cost (109,212 and 120,052 shares)	(4,728)	(5,161)
TOTAL STOCKHOLDERS' EQUITY	55,301	51,485
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 728,764	\$ 692,886

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Nine Months Ended	
	Sept. 30, 2016	Sept. 30, 2015
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 14,251	\$ 13,217
Exempt from federal income tax	1,093	1,012
Investment securities:		
Taxable	2,349	2,359
Exempt from federal income tax	1,062	1,108
Interest-bearing deposits with other institutions	117	76
Other dividend income	450	492
TOTAL INTEREST AND DIVIDEND INCOME	<u>19,322</u>	<u>18,264</u>
INTEREST EXPENSE		
Deposits	2,430	2,367
Short-term borrowings	25	57
Other borrowings	1,409	1,198
TOTAL INTEREST EXPENSE	<u>3,864</u>	<u>3,622</u>
NET INTEREST INCOME	15,458	14,642
Provision for loan losses	420	235
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>15,038</u>	<u>14,407</u>
NONINTEREST INCOME		
Service fees on deposit accounts	1,241	1,234
Investment securities gains, net	523	317
Gain on sale of loans, net	732	667
Earnings on Bank-owned life insurance	334	332
Insurance commissions	908	870
Travel agency commissions	221	182
Other	1,280	1,367
TOTAL NONINTEREST INCOME	<u>5,239</u>	<u>4,969</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	10,040	9,396
Occupancy and equipment	2,063	2,079
Data processing	1,290	1,144
Professional fees	303	299
Advertising	317	274
Federal deposit insurance	294	293
Other	2,242	2,021
TOTAL NONINTEREST EXPENSE	<u>16,549</u>	<u>15,506</u>
INCOME BEFORE INCOME TAXES	3,728	3,870
Income taxes	391	500
NET INCOME	<u>\$ 3,337</u>	<u>\$ 3,370</u>

SELECTED FINANCIAL HIGHLIGHTS

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

	Nine Months Ended	
	Sept. 30, 2016	Sept. 30, 2015
Net Income	\$ 3,337	\$ 3,370
Total Assets	\$ 728,764	\$ 692,886
Loans Outstanding	\$ 480,793	\$ 438,425
Total Deposits	\$ 565,666	\$ 540,983
ROA (annual)	0.63%	0.67%
ROE (annual)	8.24%	8.97%
Earnings per Share	\$ 2.70	\$ 2.75
Dividends per Share	\$ 1.29	\$ 1.29

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

THIRD QUARTER FINANCIAL REPORT

 **KISH BANCORP**
expect more

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