

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, 2016.

Year end results reflected continued strong growth in the loan portfolio, noninterest revenue growth from residential mortgage lending, gains from investing activities, and positive earnings momentum.

Balance Sheet

The Corporation's total assets ended the period at \$725 million, an increase of \$28.2 million, or 4.04%, compared to total assets of \$697 million as of December 31, 2015. Asset growth was driven by strong growth in loans. Year-over-year, gross loans increased by \$43 million, or 9.62%, to \$495 million from \$451 million at the end of December 2015. Total deposits grew by \$19 million to \$562 million, an increase of 3.56% from \$543 million a year ago. Borrowings increased to \$104 million, compared to \$98 million at the end of December 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 2016 reached a new high at \$4.617 million, an increase of \$123 thousand, or 2.74%, compared to \$4.494 million in 2015. For the year, the net interest margin was 3.31%, compared to 3.29% for 2015. Net interest income after allowance rose to \$20.34 million, an increase of \$912 thousand, or 4.69%, from \$19.43 million the prior year. An additional provision of \$110 thousand was made to the loan loss reserve in the fourth quarter of 2016 to support the sustained growth in the portfolio. Contributions to the loan loss reserve equaled \$530 thousand in 2016 as compared to \$235 thousand in 2015. The allowance for loan losses at \$6.01 million represented 1.21% of total loans outstanding versus 1.27% the prior year. The continued adequacy of the reserve was supported by good asset quality metrics as reflected in the level of classified loans, low loan delinquencies, and declining net charge-offs of \$271 thousand, as compared to \$492 thousand in 2015.

Noninterest Income

Noninterest income was \$7.095 million for the year ending December 31, 2016, an increase of \$347 thousand from \$6.748 million as of December 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 also benefited from increased revenue from other business units, most notably insurance and travel.

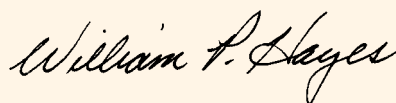
Noninterest Expense

Year-to-date, noninterest expense increased by \$1.1 million, or 5.37%, to \$22.18 million as of December 2016 from \$21.05 million as of December 2015. Primary drivers of the increase were higher compensation expenses related to additions to the sales force, increased employee benefits expenses, and increased data processing expenses related to an expanding customer base and purchased additional services. 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 \$0.46 per share, an increase of 3 cents per share from the prior quarter, payable January 31, 2017 to shareholders of record as of January 17, 2017.

Thank you for your continued support.

Sincerely,



William P. Hayes
Chairman, President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

| | Dec. 31, 2016 | Dec. 31, 2015 |
|--|-------------------|-------------------|
| ASSETS: | | |
| Cash and due from banks | \$ 8,334 | \$ 7,078 |
| Interest-bearing deposits with other institutions | 12,070 | 9,978 |
| Cash and cash equivalents | 20,404 | 17,056 |
| Certificates of deposit in other financial institutions | 3,492 | 3,002 |
| Investment securities available for sale | 161,270 | 183,906 |
| Investment securities held to maturity | 6,000 | 3,250 |
| Loans held for sale | 1,006 | 1,273 |
| Loans | 494,599 | 451,177 |
| Less allowance for loan losses | 6,011 | 5,752 |
| Net Loans | 488,588 | 445,425 |
| Premises and equipment | 12,762 | 12,907 |
| Goodwill | 1,669 | 1,669 |
| Regulatory stock | 6,519 | 6,509 |
| Bank-owned life insurance | 15,011 | 14,567 |
| Accrued interest and other assets | 8,350 | 7,331 |
| TOTAL ASSETS | \$ 725,071 | \$ 696,895 |
| LIABILITIES: | | |
| Noninterest-bearing deposits | \$ 73,448 | \$ 69,160 |
| Interest-bearing deposits | 488,480 | 473,469 |
| Total Deposits | 561,928 | 542,629 |
| Short-term borrowings | 14,783 | 10,012 |
| Other borrowings | 89,349 | 88,132 |
| Accrued interest and other liabilities | 5,418 | 4,841 |
| TOTAL LIABILITIES | 671,478 | 645,614 |
| STOCKHOLDERS' EQUITY: | | |
| Common stock, \$0.50 par value; 2,000,000 shares authorized, 1,348,750 shares issued | 674 | 674 |
| Additional paid-in capital | 2,956 | 3,267 |
| Retained earnings | 54,453 | 51,966 |
| Accumulated other comprehensive income | 110 | 427 |
| Treasury stock, at cost (106,324 and 118,596 shares) | (4,600) | (5,053) |
| TOTAL STOCKHOLDERS' EQUITY | 53,593 | 51,281 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 725,071 | \$ 696,895 |

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

| | Twelve Months Ended | |
|--|---------------------|-----------------|
| | Dec. 31, 2016 | Dec. 31, 2015 |
| INTEREST AND DIVIDEND INCOME | | |
| Interest and fees on loans: | | |
| Taxable | \$ 19,372 | \$ 17,781 |
| Exempt from federal income tax | 1,443 | 1,378 |
| Investment securities: | | |
| Taxable | 3,045 | 3,182 |
| Exempt from federal income tax | 1,416 | 1,467 |
| Interest-bearing deposits with other institutions | 152 | 107 |
| Other dividend income | 610 | 631 |
| TOTAL INTEREST AND DIVIDEND INCOME | 26,038 | 24,546 |
| INTEREST EXPENSE | | |
| Deposits | 3,236 | 3,180 |
| Short-term borrowings | 30 | 73 |
| Other borrowings | 1,904 | 1,632 |
| TOTAL INTEREST EXPENSE | 5,170 | 4,885 |
| NET INTEREST INCOME | 20,868 | 19,661 |
| Provision for loan losses | 530 | 235 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 20,338 | 19,426 |
| NONINTEREST INCOME | | |
| Service fees on deposit accounts | 1,673 | 1,654 |
| Investment securities gains, net | 773 | 538 |
| Gain on sale of loans, net | 964 | 820 |
| Earnings on Bank-owned life insurance | 444 | 445 |
| Insurance commissions | 1,124 | 1,094 |
| Travel agency commissions | 273 | 247 |
| Other | 1,844 | 1,950 |
| TOTAL NONINTEREST INCOME | 7,095 | 6,748 |
| NONINTEREST EXPENSE | | |
| Salaries and employee benefits | 13,477 | 12,946 |
| Occupancy and equipment | 2,744 | 2,763 |
| Data processing | 1,943 | 1,564 |
| Professional fees | 421 | 395 |
| Advertising | 304 | 268 |
| Federal deposit insurance | 352 | 379 |
| Other | 2,938 | 2,734 |
| TOTAL NONINTEREST EXPENSE | 22,179 | 21,049 |
| INCOME BEFORE INCOME TAXES | 5,254 | 5,125 |
| Income taxes | 637 | 631 |
| NET INCOME | \$ 4,617 | \$ 4,494 |

SELECTED FINANCIAL HIGHLIGHTS

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

| | Twelve Months Ended | |
|---------------------|---------------------|---------------|
| | Dec. 31, 2016 | Dec. 31, 2015 |
| Net Income | \$ 4,617 | \$ 4,494 |
| Total Assets | \$ 725,071 | \$ 696,895 |
| Loans Outstanding | \$ 494,599 | \$ 451,177 |
| Total Deposits | \$ 561,928 | \$ 542,629 |
| ROA (annual) | 0.65% | 0.66% |
| ROE (annual) | 8.54% | 8.89% |
| Earnings per Share | \$ 3.73 | \$ 3.66 |
| Dividends per Share | \$ 1.72 | \$ 1.72 |

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

| | |
|------------------------------|--------------|
| 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—Allen Street | 814-234-1026 |
| State College—North Atherton | 814-861-4747 |
| State College—South Atherton | 814-861-5500 |
| Bellefonte | 814-353-1770 |

2016

FOURTH QUARTER FINANCIAL REPORT



4255 East Main Street, Belleville, PA 17004
1-888-554-4748 | www.KishBank.com