

To Our Shareholders

Kish Bancorp, Inc., parent company of Kish Bank and related affiliates, is pleased to report unaudited financial results for the six month period ending June 30, 2017.

Highlights for the first half of 2017 include total assets at a new high; robust growth in the loan portfolio and a corresponding expansion in net interest income; and sustained contributions from noninterest sources, including service fees, mortgage origination income, insurance commissions, and a notable expansion in income from travel services and wealth management services. Despite higher operating expenses associated with an expanded sales force and growing customer base, net income for the six month period grew by almost 3% compared to 2016.

Balance Sheet

The Corporation's total assets ended the period at \$769 million, an increase of \$58.2 million, or 8.19%, compared to total assets of \$711 million as of June 30, 2016. Asset growth continued to be driven by strong loan growth, which rose \$53.4 million to \$522 million, or 11.39%, from \$469 million at the end of June 2016, offset in part by a decrease in investment securities of \$10.2 million. Total deposits grew by \$46 million to \$605 million, an increase of 8.31% from \$558 million a year ago. Borrowings increased to \$103 million, compared to \$93 million at the end of June 2016. The additional borrowings helped to fund loan growth.

Net Interest Income

Year-to-date, higher margins from the strong growth in loans have generated net interest income of \$11.20 million, an increase of \$1.01 million, or 9.95%, compared to \$10.18 million at the end of June 2016. Contributions to the loan loss reserve equaled \$300 thousand in the quarter ending June 2017, supporting the growth in loans, as compared to \$240 thousand in June 2016.

Noninterest Income

Noninterest income was \$3.47 million for the six months ending June 30, 2017, an increase of \$103 thousand, or 3.06%, from \$3.37 million as of June 2016. The increase in noninterest income resulted from continued strength in service fees on deposit accounts, mortgage origination income, and insurance agency revenue. Notably higher revenue was generated by travel services and wealth management services.

Noninterest Expense

Year-to-date, noninterest expense increased by \$935 thousand, or 8.58%, to \$11.83 million as of June 30, 2017 from \$10.90

million the prior year. The increase reflects higher compensation expenses related primarily to a significant expansion in the sales force throughout 2016. These additions, though creating short term pressure on earnings, will dramatically enhance the Corporation's capacity to drive future market share expansion. Another factor contributing to higher expenses was increased data processing costs necessary to support higher levels of customer activity. There was also an unfavorable comparison with the prior year caused by an adjustment to 2016 data processing accruals. Most other expense categories were well controlled when compared to the prior year.

Net Income


Net income for the first half of 2017 was \$2.22 million, an increase of \$61 thousand, or 2.81%, compared to \$2.16 million in the first half of 2016. We are pleased to note that higher interest rates resulting from Federal Reserve tightening have not precipitated a contraction in earnings.

We are further pleased to announce that Frances V. Vaughn has been appointed to the Kish Bancorp Board of Directors. Ms. Vaughn is a Senior Executive at Mutual Benefit Group in Huntingdon. Earlier in 2017, we had announced Ms. Vaughn's appointment to the Bank's Board of Directors. Her full announcement was posted to the Kish website. Her appointment is through the next shareholders' meeting, at which time she will stand for election by the shareholders.

The Board of Directors declared a quarterly dividend in the amount of \$0.46 per share, payable July 31, 2017, to shareholders of record as of July 17, 2017. This compares to a quarterly dividend of \$0.43 per share the prior year.

Your ownership stake in Kish Bancorp is appreciated, as is the opportunity to discuss any of your banking, wealth management, financial planning, insurance, and travel needs. Your support, loyalty, and referrals make us a stronger company.

Sincerely,



William P. Hayes
Chairman, President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	June 30, 2017	June 30, 2016
ASSETS:		
Cash and due from banks	\$ 9,387	\$ 6,740
Interest-bearing deposits with other institutions	28,938	21,922
Cash and cash equivalents	38,325	28,662
Certificates of deposit in other financial institutions	3,492	3,247
Investment securities available for sale	156,999	167,210
Investment securities held to maturity	6,000	6,000
Loans held for sale	1,412	587
Loans	522,188	468,809
Less allowance for loan losses	6,266	5,986
Net Loans	515,922	462,823
Premises and equipment	13,033	12,936
Goodwill	1,669	1,669
Regulatory stock	6,655	6,207
Bank-owned life insurance	15,227	14,789
Accrued interest and other assets	10,294	6,713
TOTAL ASSETS	\$ 769,028	\$ 710,843
LIABILITIES:		
Noninterest-bearing deposits	\$ 76,960	\$ 73,827
Interest-bearing deposits	527,575	484,303
Total Deposits	604,535	558,130
Short-term borrowings	16,158	3,887
Other borrowings	87,215	88,805
Accrued interest and other liabilities	5,570	5,178
TOTAL LIABILITIES	713,478	656,000
STOCKHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 2,000,000 shares authorized, 1,348,750 shares issued	674	674
Additional paid-in capital	2,936	3,029
Retained earnings	55,526	53,061
Accumulated other comprehensive income	776	2,859
Treasury stock, at cost (96,097 and 109,781 shares)	(4,362)	(4,780)
TOTAL STOCKHOLDERS' EQUITY	55,550	54,843
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 769,028	\$ 710,843

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Six Months Ended	
	June 30, 2017	June 30, 2016
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 10,850	\$ 9,321
Exempt from federal income tax	670	735
Investment securities:		
Taxable	1,352	1,610
Exempt from federal income tax	689	707
Interest-bearing deposits with other institutions	96	84
Other dividend income	290	298
TOTAL INTEREST AND DIVIDEND INCOME	<u>13,947</u>	<u>12,755</u>
INTEREST EXPENSE		
Deposits	1,671	1,627
Short-term borrowings	10	20
Other borrowings	1,071	926
TOTAL INTEREST EXPENSE	<u>2,752</u>	<u>2,573</u>
NET INTEREST INCOME	11,195	10,182
Provision for loan losses	300	240
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>10,895</u>	<u>9,942</u>
NONINTEREST INCOME		
Service fees on deposit accounts	812	813
Investment securities gains, net	255	325
Gain on sale of loans, net	426	452
Earnings on Bank-owned life insurance	218	222
Insurance commissions	578	599
Travel agency commissions	208	141
Wealth management	690	578
Other	286	240
TOTAL NONINTEREST INCOME	<u>3,473</u>	<u>3,370</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	7,358	6,661
Occupancy and equipment	1,418	1,363
Data processing	1,030	822
Professional fees	135	206
Advertising	173	212
Federal deposit insurance	141	194
Other	1,579	1,441
TOTAL NONINTEREST EXPENSE	<u>11,834</u>	<u>10,899</u>
INCOME BEFORE INCOME TAXES	2,534	2,413
Income taxes	313	253
NET INCOME	<u>\$ 2,221</u>	<u>\$ 2,160</u>

SELECTED FINANCIAL HIGHLIGHTS

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

	Six Months Ended	
	June 30, 2017	June 30, 2016
Net Income	\$ 2,221	\$ 2,160
Total Assets	\$ 769,028	\$ 710,843
Loans Outstanding	\$ 522,188	\$ 468,809
Total Deposits	\$ 604,535	\$ 558,130
ROA (annual)	0.60%	0.61%
ROE (annual)	8.22%	8.13%
Earnings per Share	\$ 1.78	\$ 1.75
Dividends per Share	\$ 0.92	\$ 0.86

MARKET MAKERS

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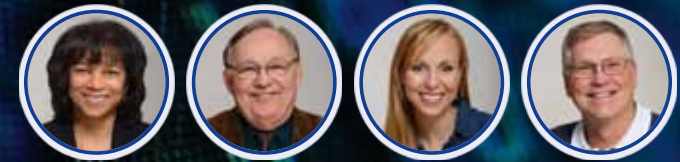
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2017 Second Quarter Financial Report

