

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 March 31, 2017.

First quarter results include strong growth in the loan portfolio, noninterest revenue growth from continued strength in residential mortgage lending, gains from investing activities, and positive core earnings momentum.

Balance Sheet

The Corporation's total assets ended the period at \$745 million, an increase of \$27.9 million, or 3.88%, compared to total assets of \$717 million as of March 31, 2016. Asset growth was driven by strong loan growth of \$56.6 million, or 12.38%, offset in part by a decrease in investment securities of \$25.3 million, or 13.77%. Year-over-year, gross loans increased to \$513 million from \$456 million at the end of March 2016. Total deposits grew by \$21 million to \$578 million, an increase of 3.75% from \$557 million a year ago. Borrowings increased to \$108 million, compared to \$102 million at the end of March 2016. The additional borrowings helped to fund loan growth.

Net Interest Income

For the quarter, the net interest margin was 3.36%, compared to 3.26% in 2016. The higher margin, plus the strong growth in loans supported higher net interest income, which rose to \$5.49 million, an increase of \$442 thousand, or 8.76%, from \$5.05 million at the end of March 2016. Contributions to the loan loss reserve equaled \$150 thousand in the quarter ending March 2017, supporting the growth in loans, as compared to \$100 thousand in March 2016.

Noninterest Income

Noninterest income was \$1.66 million for the quarter ending March 31, 2017, an increase of \$95 thousand, or 6.06%, from \$1.57 million as of March 2016. The increase in noninterest income came from higher gains from the sale of investment securities and an increase in service fees on deposit accounts. Noninterest income also benefited from increased revenue from other business units, most notably travel.

Noninterest Expense

Year-to-date, noninterest expense increased by \$524 thousand, or 9.80%, to \$5.87 million as of March 2017 from \$5.34 million as of March 2016. 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 expenses necessary to support higher levels of customer activity. Most other expense categories were well controlled when compared to the prior year.

Net Income

Net income for the first quarter of 2017 was \$996 thousand, a small decrease of \$59 thousand compared to \$1.05 million in the first quarter of 2016. Higher tax accruals contributed to a portion of this decline.

The Board of Directors declared a quarterly dividend in the amount of \$0.46 per share, payable April 28, 2017, to shareholders of record as of April 17, 2017. This compares to a quarterly dividend of \$0.43 per share the prior year.

I want to thank you for your continued loyalty and support. We hope you will utilize and recommend Kish when the opportunity arises.

Sincerely,



William P. Hayes
Chairman, President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	Three Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
ASSETS:		
Cash and due from banks	\$ 7,420	\$ 8,317
Interest-bearing deposits with other institutions	16,468	23,417
Cash and cash equivalents	23,888	31,734
Certificates of deposit in other financial institutions	3,492	3,247
Investment securities available for sale	158,261	183,538
Investment securities held to maturity	6,000	5,000
Loans held for sale	477	798
Loans	513,417	456,850
Less allowance for loan losses	6,125	5,849
Net Loans	507,292	451,001
Premises and equipment	12,725	12,861
Goodwill	1,669	1,669
Regulatory stock	6,872	6,429
Bank-owned life insurance	15,119	14,678
Accrued interest and other assets	9,468	6,444
TOTAL ASSETS	\$ 745,263	\$ 717,399
LIABILITIES:		
Noninterest-bearing deposits	\$ 77,467	\$ 67,342
Interest-bearing deposits	500,199	489,471
Total Deposits	577,666	556,813
Short-term borrowings	19,692	7,341
Other borrowings	88,126	94,854
Accrued interest and other liabilities	5,365	4,801
TOTAL LIABILITIES	690,849	663,809
STOCKHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 2,000,000 shares authorized, 1,348,750 shares issued	674	674
Additional paid-in capital	2,920	3,136
Retained earnings	54,878	52,491
Accumulated other comprehensive income	297	2,113
Treasury stock, at cost (101,862 and 114,985 shares)	(4,355)	(4,824)
TOTAL STOCKHOLDERS' EQUITY	54,414	53,590
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 745,263	\$ 717,399

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Three Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 5,277	\$ 4,589
Exempt from federal income tax	334	370
Investment securities:		
Taxable	678	819
Exempt from federal income tax	353	354
Interest-bearing deposits with other institutions	47	43
Other dividend income	144	151
TOTAL INTEREST AND DIVIDEND INCOME	<u>6,833</u>	<u>6,326</u>
INTEREST EXPENSE		
Deposits	810	805
Short-term borrowings	5	15
Other borrowings	529	459
TOTAL INTEREST EXPENSE	<u>1,344</u>	<u>1,279</u>
NET INTEREST INCOME	5,489	5,047
Provision for loan losses	150	100
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>5,339</u>	<u>4,947</u>
NONINTEREST INCOME		
Service fees on deposit accounts	414	397
Investment securities gains, net	153	97
Gain on sale of loans, net	175	179
Earnings on Bank-owned life insurance	109	111
Insurance commissions	305	313
Travel agency commissions	83	57
Other	423	413
TOTAL NONINTEREST INCOME	<u>1,662</u>	<u>1,567</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	3,619	3,268
Occupancy and equipment	721	674
Data processing	508	398
Professional fees	43	98
Advertising	82	105
Federal deposit insurance	71	96
Other	828	709
TOTAL NONINTEREST EXPENSE	<u>5,872</u>	<u>5,348</u>
INCOME BEFORE INCOME TAXES	1,129	1,165
Income taxes	133	110
NET INCOME	<u>\$ 996</u>	<u>\$ 1,055</u>

SELECTED FINANCIAL HIGHLIGHTS

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

	Three Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Net Income	\$ 996	\$ 1,055
Total Assets	\$ 745,263	\$ 717,399
Loans Outstanding	\$ 513,417	\$ 456,850
Total Deposits	\$ 577,666	\$ 556,813
ROA (annual)	0.55%	0.60%
ROE (annual)	7.47%	8.04%
Earnings per Share	\$ 0.80	\$ 0.86
Dividends per Share	\$ 0.46	\$ 0.43

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: Anthony LanFranca

312-655-2961

222 South Riverside Plaza, 7th Floor

Chicago, IL 60606



4255 East Main Street, Belleville, PA 17004

1-888-554-4748 | www.KishBank.com



2017 First Quarter Financial Report

