

# To Our Shareholders

I am pleased to report unaudited financial results for Kish Bancorp, Inc., parent company of Kish Bank and related affiliates, for the period ending March 31, 2018. First quarter results reflect the strong momentum created by the excellent growth and balance sheet repositioning achieved in 2017, sustained expansion in loans and deposits, the expansion of new and existing sources of non-bank revenues, and the positive impact of the Tax Cuts and Jobs Act.

## BALANCE SHEET

The Corporation's total assets ended the period at \$819 million, an increase of \$73.7 million, or 9.90%, compared to total assets of \$745 million as of March 31, 2017. Asset growth continued to be driven by strong growth in lending activities, with loans rising year-over-year by \$82.1 million to \$589 million, or 16.18%, partially offset by a decrease in investment securities of \$19.3 million, or 12.17%. Total deposits grew by \$75.8 million to \$653 million, an increase of 13.12% from \$578 million a year ago. Borrowings decreased to \$101 million, compared to \$108 million at the end of March 2017. The decrease in borrowings was due to strong deposit growth and a reduction in the securities portfolio.

## NET INCOME

Net income for the first quarter of 2018 was \$1.36 million, an increase of \$368 thousand, or 36.91%, compared to \$1.00 million in the first quarter of 2017. This was prior to an additional downward adjustment of \$75 thousand required by new FASB rules for equity securities. Due to this change, there was an adjustment required for the accounting treatment of unrealized gains or losses on equity securities held by the Corporation.

## NET INTEREST INCOME

For the quarter, robust growth in loans and core deposits supported the expansion of net interest income to \$6.19 million, an increase of \$697 thousand, or 12.70%, compared to \$5.49 million at the end of March 2017. Contributions to the loan loss reserve equaled \$225 thousand for the quarter ending March 2018, supporting the growth in loans, compared to \$150 thousand in March 2017.

## NONINTEREST INCOME

Noninterest income was \$1.82 million for the quarter ending March 31, 2018, an increase of \$162 thousand, or 9.75%, from \$1.66 million in 2017. The increase in noninterest income came from fees

derived from lending activities, sustained strength in the insurance and wealth management units, and the addition of revenues from the new employee benefits practice.

## NONINTEREST EXPENSE

Noninterest expense increased by \$456 thousand, or 7.77%, to \$6.33 million as of March 31, 2018 from \$5.87 million the prior year. The increase reflects higher compensation expenses related to employee bonuses announced previously and additions to the workforce during 2017. Other factors contributing to higher expenses were higher occupancy costs, increased data processing costs necessary to support higher levels of customer activity, and costs related to investments in low income housing projects. Most other expense categories were well controlled when compared to the prior year.

## DIVIDEND

The Board of Directors has declared a quarterly dividend in the amount of \$0.46 per share, payable April 30, 2018, to shareholders of record as of April 16, 2018.

Your ownership stake in Kish Bancorp is appreciated. Please consider using Kish for all your financial service needs and recommending us to others as opportunities arise.

Sincerely,



William P. Hayes  
Chairman, President and CEO

## CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	Mar. 31, 2018	Mar. 31, 2017
<b>ASSETS:</b>		
Cash and due from banks	\$ 6,579	\$ 7,420
Interest-bearing deposits with other institutions	22,162	16,468
<b>Cash and cash equivalents</b>	<b>28,741</b>	<b>23,888</b>
Certificates of deposit in other financial institutions	3,492	3,492
Investment securities available for sale	139,003	158,261
Investment securities held to maturity	6,000	6,000
Loans held for sale	364	477
Loans	595,552	513,417
Less allowance for loan losses	6,199	6,125
<b>Net Loans</b>	<b>589,353</b>	<b>507,292</b>
Premises and equipment	14,034	12,725
Goodwill	2,144	1,669
Regulatory stock	6,194	6,872
Bank-owned life insurance	15,359	15,119
Accrued interest and other assets	14,328	9,468
<b>TOTAL ASSETS</b>	<b>\$ 819,012</b>	<b>\$ 745,263</b>
<b>LIABILITIES:</b>		
Noninterest-bearing deposits	\$ 86,731	\$ 77,467
Interest-bearing deposits	566,742	500,199
<b>Total Deposits</b>	<b>653,473</b>	<b>577,666</b>
Short-term borrowings	18,309	19,692
Other borrowings	82,848	88,126
Accrued interest and other liabilities	8,286	5,365
<b>TOTAL LIABILITIES</b>	<b>762,916</b>	<b>690,849</b>
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$0.50 par value; 2,000,000 shares authorized, 1,348,750 shares issued	674	674
Additional paid-in capital	3,078	2,920
Retained earnings	57,166	54,878
Accumulated other comprehensive income	(896)	297
Treasury stock, at cost (79,780 and 101,862 shares)	(3,926)	(4,355)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>56,096</b>	<b>54,414</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 819,012</b>	<b>\$ 745,263</b>

## CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Three Months Ended	
	Mar. 31, 2018	Mar. 31, 2017
<b>INTEREST AND DIVIDEND INCOME</b>		
Interest and fees on loans:		
Taxable	\$ 6,368	\$ 5,277
Exempt from federal income tax	305	334
Investment securities:		
Taxable	668	678
Exempt from federal income tax	274	353
Interest-bearing deposits with other institutions	141	47
Other dividend income	158	144
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<u>7,914</u>	<u>6,833</u>
<b>INTEREST EXPENSE</b>		
Deposits	1,201	810
Short-term borrowings	9	5
Other borrowings	518	529
<b>TOTAL INTEREST EXPENSE</b>	<u>1,728</u>	<u>1,344</u>
<b>NET INTEREST INCOME</b>	6,186	5,489
Provision for loan losses	225	150
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<u>5,961</u>	<u>5,339</u>
<b>NONINTEREST INCOME</b>		
Service fees on deposit accounts	399	414
Investment securities gains, net	8	153
Gain on sale of loans, net	184	175
Earnings on Bank-owned life insurance	103	109
Insurance commissions	362	305
Travel agency commissions	49	83
Wealth management	321	288
Benefit management	117	0
Other	281	135
<b>TOTAL NONINTEREST INCOME</b>	<u>1,824</u>	<u>1,662</u>
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	3,760	3,619
Occupancy and equipment	781	721
Data processing	565	508
Professional fees	84	43
Advertising	92	82
Federal deposit insurance	78	71
Other	969	828
<b>TOTAL NONINTEREST EXPENSE</b>	<u>6,329</u>	<u>5,872</u>
<b>INCOME BEFORE INCOME TAXES</b>	1,456	1,129
Income taxes	93	133
Adjustment for unrealized gains/losses on equity securities <sup>2</sup>	75	-
<b>NET INCOME</b>	<u>\$ 1,288</u>	<u>\$ 996</u>

## SELECTED FINANCIAL HIGHLIGHTS

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

	Three Months Ended	
	Mar. 31, 2018	Mar. 31, 2017
Net Income	\$ 1,288	\$ 996
Total Assets	\$ 819,012	\$ 745,263
Loans Outstanding	\$ 595,552	\$ 513,417
Total Deposits	\$ 653,473	\$ 577,666
ROA (annual)	0.64%	0.55%
ROE (annual)	9.32%	7.47%
Earnings per Share	\$ 1.02	\$ 0.80
Dividends per Share	\$ 0.46	\$ 0.46

\*Starting in 2018, publicly traded companies are required to adopt FASB pronouncement ASU 2016-1, which requires unrealized gains or losses to be included in net income, rather than other comprehensive income.

## MARKET MAKERS

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# 2018

## First Quarter Financial Report

