



## Kish Bancorp Announces Record Earnings for 2013

### Summary

- Kish's 2013 net income of \$4.2 million represented an increase of \$.6 million, or 16.17%, from \$3.6 million in 2012 and was the highest annual net income in the Corporation's history.
- Earnings per share reached \$3.34 compared to \$3.00 per share in 2012. (Share data has been adjusted to reflect the two-for-one stock split announced in May 2013.)
- Net interest income, after provisions for loan losses, at \$18.4 million for 2013, increased by \$1.9 million, or 11.4%, from \$16.6 million the prior year.
- Noninterest income, though lower due to reduced mortgage origination fees and gains on securities, was strengthened by the results of Kish's wealth management, insurance and travel units.
- Total assets for the period increased to a record \$630 million, an increase of \$73 million, or 13.0%, compared to total assets of \$558 million at December 31, 2012.
- Total loans for the period increased by \$29 million, or 8.2%, to \$387 million, and total deposits increased by \$34 million to \$494 million, an increase of 7.4%.
- Loan quality remained exceptionally strong, with a reduction in the loan loss reserve contributing \$.9 million to net income as net charge-offs in 2013 remained near zero.
- Delinquent loans remain very low, ranking Kish Bank in the top 5% of its peers.
- Return on shareholders' equity was 9.7% compared to 8.0% in 2012.

### Release

State College, Pennsylvania (KISB) – January 31, 2014 – William P. Hayes, Chairman and CEO of Kish Bancorp, Inc., has announced Kish's unaudited financial results for the period ending December 31, 2013.

The Corporation's total assets ended the year at \$630 million, an increase of \$73 million, or 13.0%, compared to total assets of \$558 million as of December 31, 2012. Asset growth was driven by strong growth in loans and investment securities. Loans outstanding increased by \$29 million, or 8.2%, to \$387 million from \$358 million as of December 31, 2012. Growth in investment securities was a management focus for 2013 given the interest rate environment and the availability of low cost, long-term fixed rate funding sources. Investments increased by \$53 million to \$195 million from \$142 million at the prior year end. Asset growth was supported by a corresponding increase in funding sources with similarly

matched maturities. Total deposits grew by \$34 million to \$494 million, an increase of 7.4% from \$460 million a year ago. Borrowings increased by \$44 million to \$90 million as compared to \$46 million at year end 2012.

With strong balance sheet growth, net income for 2013 reached a record \$4.2 million, an increase of \$587 thousand, or 16.17%, from \$3.6 million in 2012. Net interest income at \$18.4 million increased by \$1.9 million, or 11.4%, from \$16.6 million the prior year.

“I am pleased to note Kish Bancorp’s record earnings in 2013,” Hayes said. “This achievement represents significant progress in overcoming some of the headwinds which had mounted in the years following the financial crisis. However, more work remains and the benefits of a broad economic recovery are still ahead of us.”

Hayes added, “In addition to strong growth in earning assets, net income was also aided by a reduction in the loan loss reserve due to the sustained high quality of the loan portfolio.” \$900 thousand was included in earnings through a reverse loan loss provision during 2013, as compared to a \$270 thousand expense for the same period in 2012. The allowance for loan losses at \$5.928 million represents 1.53% of total loans outstanding.

“The adequacy of this reserve is supported by strong asset quality as reflected in loan charge-offs that remained near zero, a declining level of classified loans, and a very low level of delinquent loans,” Hayes explained.

Noninterest income was \$6.4 million during 2013, a decline of 6.8% from \$6.9 million in 2012, primarily due to the decrease in revenue from the sale of residential mortgage loans in the secondary market, which declined to \$1.1 million from \$1.9 million. Prior year results also included \$797 thousand in investment securities gains, compared to \$344 thousand in gains that were recognized in 2013. Positively, the decrease in noninterest income was offset to some extent by an increase in income from non-banking business units and other noninterest income sources. Hayes indicated, “Excellent results by the wealth management unit and strengthened performance of Kish’s insurance and travel units were noteworthy. I commend them for their efforts.”

Noninterest expense was \$19.9 million in 2013, an increase of \$610 thousand, or 3.2%, from \$19.3 million in 2012. A primary driver of the increase in 2013 expenses was employee benefits costs associated with higher healthcare costs and employer taxes. The Corporation also experienced higher core processing costs related to increasing customer counts and transaction activity, as well as additions to the Corporation’s menu of services.

The Board declared a quarterly dividend in the amount of \$0.41 per share, payable January 31, 2014 to shareholders of record as of January 15, 2014, a \$0.005 increase over the prior quarter.

Prior to year end 2013, the Bank completed a conversion of its banking charter from a national to a Pennsylvania charter. Going forward, Kish Bank will be supervised by the Pennsylvania Department of Banking and Securities and the FDIC.

“The charter conversion will not have a material impact on the Bank’s current business activities or sources of revenue,” Hayes said, noting that the Bank will experience annual cost savings as a result of the conversion. Further, the charter conversion will not impact Bank customers.

In addition to the cost savings, the Bank will benefit from the experience and insight provided by the Pennsylvania Department of Banking and Securities through its focus on Pennsylvania community banks and financial institutions.

“We expect that the supervision provided by the Pennsylvania Department of Banking and Securities and the FDIC will be of a similar quality and thoroughness to that delivered by our federal regulators in the past,” Hayes concluded.

***About Kish Bancorp, Inc.***

*Kish Bancorp, Inc. is a diversified financial services corporation headquartered in Belleville, PA. Kish Bank, a subsidiary of Kish Bancorp, Inc., operates thirteen banking offices and financial centers in Centre, Huntingdon, and Mifflin Counties. In addition to Kish Bank, other business units include: Kish Insurance, Kish Financial Solutions, and Kish Travel. For additional information, please visit Kish Bancorp, Inc. online at [www.kishbank.com](http://www.kishbank.com). KISB is the stock ticker symbol for Kish Bancorp, Inc.*