Kish Bancorp, Inc. Announces Fourth Quarter Financial Results

State College, Pennsylvania (KISB) – January 31, 2018 – William P. Hayes, Chairman, President and CEO of Kish Bancorp, Inc., has announced unaudited financial results for the period ending December 31, 2017.

Year-end highlights for 2017 include:

- Total assets at an historic high of $811 million;
- Growth in total loans and deposits of $80 million and $92 million, respectively;
- Net income of $5.06 million, growing by 10% before the impact of the Tax Cuts and Jobs Act;
- A record level of residential mortgage loan originations at over $64 million;
- Strong results for both the wealth management division and travel services unit;
- Completion of the acquisition of the Benefit Management Group employee benefits consulting practice;
- Capacity to absorb one-time adjustments and tax-related securities losses associated with the passage of the Tax Cuts and Jobs Act; and
- The announcement of economic stimulus actions that will benefit Kish's employees, communities, and investors as a result of tax reform and anticipated regulatory relief.

"It was a year of unprecedented growth for the Corporation, which supported an associated expansion in sales revenues and earnings." Hayes said. "The enactment of the Tax Cuts and Jobs Act in late December, however, triggered adjustments to net deferred tax assets for financial statement reporting purposes, as well as non-recurring, tax related losses that better position the Corporation to take advantage of lower income tax rates going forward," Hayes added.

The Corporation's total assets ended the period at $811 million, an increase of $86.1 million, or 11.88%, compared to total assets of $725 million as of December 31, 2016. Asset growth continued to be driven by strong growth in lending activities, with loans rising $80.1 million to $575 million, or 16.20%, from $495 million at the end of December 2016. Total deposits grew by $91.8 million to $654 million, an increase of 16.33% from $562 million a year ago.

Robust growth in loans and deposits generated net interest income of $23.10 million, an increase of $2.23 million, or 10.70%, compared to $20.87 million at the end of December 2016. Contributions to the loan loss reserve equaled $600 thousand for the year ending December 2017, as compared to $530 thousand in December 2016. Higher loan charge-offs at year end meant reserves were relatively unchanged year over year.

Noninterest income was $6.53 million for the year ending December 31, 2017, a decrease of $570 thousand, or 8.03%, from $7.10 million in 2016. Noninterest income was generally stable to stronger as reflected in income from secondary market mortgage originations, bank service fees, and insurance agency revenues. Notably higher revenues were generated by travel services and wealth management services, which both registered double digit gains in 2017. Gains in noninterest income were more than offset by year-end actions taken to recognize expenses due to the passage of tax reform, including losses from the sale of tax free municipal investments. Reinvestment strategies will more than recoup those losses in 2018. When compared to 2016, 2017 investment securities gains declined by $672 thousand.

Year over year, noninterest expense increased by $1.70 million, or 7.69%, to $23.88 million at year-end 2017 from $22.18 million the prior year. The increase reflects higher compensation expenses related primarily to an expansion in the sales force throughout 2016 and 2017. Another factor contributing to higher expenses was increased data processing costs necessary to support the growth in customer numbers and activity. Most other expense categories were well controlled when compared to the prior year. At year end, following the passage of the Tax Cuts and Jobs Act, there was an additional expense recognized for the payment of an employee bonus.

Before the year-end reporting adjustments and actions taken to reposition the balance sheet, net income for 2017 was $5.06 million, an increase of 9.65%, over 2016 net income of $4.62 million. Normalized earnings per share for 2017 was $4.04 compared to 2016 EPS of $3.80. After year-end adjustments related to tax reform, net income for the year-ending 2017 was $4.14 million, a decline of $480 thousand, or 10.35%, compared to $4.62 million in 2016. This amount included tax related securities losses that exceeded $400 thousand, plus a write down of net deferred tax assets of over $400 thousand. Hayes observed, “While the timing of the implementation of the act required some adjustments to an otherwise strong earnings report, the resulting benefit of significantly lower income tax rates will have a positive impact in 2018 and beyond."

Almost immediately following the passage of the Tax Cuts and Jobs Act, the Corporation took a number of actions to pass along the benefits of the Act to Kish’s employees, communities, and investors. At that time, Hayes said, “Kish Bancorp was very well positioned to act swiftly. The Corporation’s strong earnings performance in 2017, along with the anticipated continued growth of the franchise, enabled a number of decisions and actions that will seize the benefits of tax reform for all of the key constituents of Kish Bancorp.”

These actions included the authorization of a one-time bonus to full-time employees of $1,000 and $500 to part-time employees, a decision to increase the starting minimum wage for entry level employees, a commitment to add 10 full-time employees to the team in 2018. The Corporation further announced a commitment to expand its level of support for community and charitable organizations by $50,000.

Kish has also committed to an enhanced investment in technology, infrastructure, capital equipment, and facilities, with total projected expenditures of approximately $10 million over the next three years, including a decision to move forward with plans for a new Technology, Operations, and Customer Service Center to be constructed at the intersection of Routes 655 and 322 in Reedsville. That facility will provide a technology and operations hub that will house a workforce of close to 100 employees and will afford Kish the opportunity to take advantage of emerging digital delivery channels. The Company anticipates that construction on this project will commence in early 2019.

Finally, the Corporation anticipates more rapidly expanding its lending and related customer activities as the benefits of income tax reductions are realized through an increase in the capital base in the form of retained earnings.

Following the end of the fourth quarter, a quarterly dividend was declared in the amount of $0.46 per share, payable January 31, 2018, to shareholders of record as of January 15, 2018. The dividend is unchanged from the prior quarter.

About Kish Bancorp, Inc.

Kish Bancorp, Inc. is a diversified financial services corporation headquartered in Belleville, PA, where it was founded in 1900. Kish Bank, a subsidiary of Kish Bancorp, Inc., operates fifteen 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, Benefit Management Group, and Kish Travel. For additional information, please visit www.kishbank.com. KISB is the OTC stock ticker symbol for Kish Bancorp, Inc.