

# To Our Shareholders

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

Highlights for the first three quarters of 2017 include total assets at a new high, exceeding \$800 million at quarter end for the first time in our history; powerful new business development results driving expansion in the loan portfolio and retail and business deposit accounts, and a corresponding expansion in net interest income; and sustained contributions from noninterest sources, with 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 nine month period grew by over 9% compared to 2016.

## Balance Sheet

The Corporation's total assets ended the period at \$808 million, an increase of \$79.2 million, or 10.87%, compared to total assets of \$729 million as of September 30, 2016. Asset growth continued to be driven by strong growth in lending activities, with loans rising \$70.3 million to \$551 million, or 14.62%, from \$481 million at the end of September 2016. Total deposits grew by \$80.2 million to \$646 million, an increase of 14.17% from \$566 million a year ago. Borrowings decreased to \$99 million, compared to \$102 million at the end of September 2016. The decrease in borrowings was due to strong deposit growth and a reduction in the securities portfolio.

## Net Interest Income

Year-to-date, higher margins resulting from the strong growth in loans and expanded core deposits have generated net interest income of \$17.06 million, an increase of \$1.61 million, or 10.39%, compared to \$15.46 million at the end of September 2016. Contributions to the loan loss reserve equaled \$450 thousand in the quarter ending September 2017, as compared to \$420 thousand in September 2016. Higher reserves supported the growth in the loan portfolio.

## Noninterest Income

Noninterest income was \$5.31 million for the nine months ending September 30, 2017, an increase of \$73 thousand, or 1.39%, from \$5.24 million as of September 2016. The increase in noninterest income resulted from continued strength in 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 \$1.05 million, or 6.33%, to \$17.60 million as of September 30, 2017 from \$16.55 million the prior year. The increase reflects higher compensation expenses related primarily to an expansion in the sales force throughout 2016 and 2017. These additions have served to dramatically expand growth across all business units and support 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 though the first nine months of 2017 was \$3.64 million, an increase of \$302 thousand, or 9.05%, compared to \$3.34 million in the first nine months of 2016.

During the quarter, we were pleased to announce that Kish Bank and Benefit Management Group, Inc. reached agreement to join forces to expand Kish's offering of benefit management advisory services to our business clients and their individual team members. An application to the FDIC requesting their approval of this transaction is currently in process and we look forward to concluding this combination in the fourth quarter.

The Board of Directors has declared a quarterly dividend in the amount of \$0.46 per share, payable October 31, 2017, to shareholders of record as of October 16, 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. 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 Chief Executive Officer

## CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	Sept. 30, 2017	Sept. 30, 2016
<b>ASSETS:</b>		
Cash and due from banks	\$ 9,410	\$ 6,376
Interest-bearing deposits with other institutions	44,209	24,373
<b>Cash and cash equivalents</b>	<b>53,619</b>	<b>30,749</b>
Certificates of deposit in other financial institutions	3,492	3,247
Investment securities available for sale	152,294	170,530
Investment securities held to maturity	6,000	6,000
Loans held for sale	546	1,085
Loans	551,062	480,793
Less allowance for loan losses	6,381	6,180
<b>Net Loans</b>	<b>544,681</b>	<b>474,613</b>
Premises and equipment	13,094	12,955
Goodwill	1,669	1,669
Regulatory stock	6,279	6,312
Bank-owned life insurance	15,336	14,900
Accrued interest and other assets	10,944	6,704
<b>TOTAL ASSETS</b>	<b>\$ 807,954</b>	<b>\$ 728,764</b>
<b>LIABILITIES:</b>		
Noninterest-bearing deposits	\$ 83,512	\$ 76,677
Interest-bearing deposits	562,307	488,989
<b>Total Deposits</b>	<b>645,819</b>	<b>565,666</b>
Short-term borrowings	12,460	11,033
Other borrowings	86,918	91,142
Accrued interest and other liabilities	6,237	5,622
<b>TOTAL LIABILITIES</b>	<b>751,434</b>	<b>673,463</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	2,960	2,967
Retained earnings	56,367	53,706
Accumulated other comprehensive income	723	2,682
Treasury stock, at cost (94,205 and 109,212 shares)	(4,204)	(4,728)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>56,520</b>	<b>55,301</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 807,954</b>	<b>\$ 728,764</b>

## CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Nine Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
<b>INTEREST AND DIVIDEND INCOME</b>		
Interest and fees on loans:		
Taxable	\$ 16,722	\$ 14,251
Exempt from federal income tax	1,007	1,093
Investment securities:		
Taxable	2,012	2,349
Exempt from federal income tax	1,018	1,062
Interest-bearing deposits with other institutions	188	117
Other dividend income	445	450
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<u>21,392</u>	<u>19,322</u>
<b>INTEREST EXPENSE</b>		
Deposits	2,701	2,430
Short-term borrowings	16	25
Other borrowings	1,611	1,409
<b>TOTAL INTEREST EXPENSE</b>	<u>4,328</u>	<u>3,864</u>
<b>NET INTEREST INCOME</b>	17,064	15,458
Provision for loan losses	450	420
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<u>16,614</u>	<u>15,038</u>
<b>NONINTEREST INCOME</b>		
Service fees on deposit accounts	1,201	1,241
Investment securities gains, net	505	523
Gain on sale of loans, net	642	732
Earnings on Bank-owned life insurance	327	334
Insurance commissions	890	908
Travel agency commissions	312	221
Wealth management	999	873
Other	436	407
<b>TOTAL NONINTEREST INCOME</b>	<u>5,312</u>	<u>5,239</u>
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	10,959	10,040
Occupancy and equipment	2,135	2,063
Data processing	1,539	1,290
Professional fees	232	303
Advertising	257	317
Federal deposit insurance	167	294
Other	2,308	2,242
<b>TOTAL NONINTEREST EXPENSE</b>	<u>17,597</u>	<u>16,549</u>
<b>INCOME BEFORE INCOME TAXES</b>	4,329	3,728
Income taxes	690	391
<b>NET INCOME</b>	<u>\$ 3,639</u>	<u>\$ 3,337</u>

## SELECTED FINANCIAL HIGHLIGHTS

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

	Nine Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
Net Income	\$ 3,639	\$ 3,337
Total Assets	\$ 807,954	\$ 728,764
Loans Outstanding	\$ 551,062	\$ 480,793
Total Deposits	\$ 645,819	\$ 565,666
ROA (annual)	0.65%	0.63%
ROE (annual)	8.82%	8.24%
Earnings per Share	\$ 2.91	\$ 2.70
Dividends per Share	\$ 1.38	\$ 1.29

## 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

West 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](http://www.KishBank.com)



# 2017 Third Quarter Financial Report

