

# 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 June 30, 2018. Highlights for the first half of 2018 include strong growth 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 \$844 million, an increase of \$75.0 million, or 9.75%, compared to total assets of \$769 million as of June 30, 2017. Asset growth continued to be driven by strong growth in lending activities, with loans rising year-over-year by \$88.2 million to \$610 million, or 16.89%, partially offset by a decrease in investment securities of \$22.3 million, or 14.21%. Total deposits grew by \$67.0 million to \$672 million, an increase of 11.08% from \$605 million a year ago. Borrowings increased to \$107 million, compared to \$103 million at the end of June 2017. The increase in borrowings helped to fund strong loan growth.

## NET INCOME

Net income for the first half of 2018 was \$2.71 million, an increase of \$490 thousand, or 22.07%, compared to \$2.22 million in the first half of 2017. This increase includes the benefits of lower corporate tax rates and an unrealized gain year-to-date of \$226 thousand required by new FASB rules for equity securities. All other categories of revenue reflected expanded business levels for the bank and its affiliates and the addition of a benefits management consulting practice.

## NET INTEREST INCOME

Year-to-date, continued growth in loans and core deposits supported the expansion of net interest income to \$11.97 million, an increase of \$1.08 million, or 9.89%, compared to \$10.89 million at the end of June 2017. Contributions to the loan loss reserve equaled \$570 thousand for the six months ending June 2018, supporting the growth in loans, compared to \$300 thousand in June 2017.

## NONINTEREST INCOME

Noninterest income was \$3.86 million for the six months ending June 30, 2018, an increase of \$386 thousand, or 11.11%, from \$3.47 million in 2017. The increase in noninterest income came from unrealized gains on equity securities, fees derived from lending

activities, notably higher insurance agency revenue, and the addition of revenues from the new employee benefits consulting practice.

## NONINTEREST EXPENSE

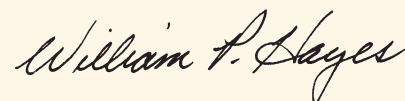
Year-to-date, noninterest expense increased by \$1.17 million, or 9.84%, to \$12.99 million as of June 30, 2018 compared to \$11.83 million the prior year. The increase reflects greater charitable contributions and higher compensation expenses related to normal increases and employee bonuses announced previously. Other factors contributing to higher expenses were higher FDIC assessment based on rising deposits, 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 July 31, 2018, to shareholders of record as of July 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 and CEO

## CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	June 30, 2018	June 30, 2017
<b>ASSETS:</b>		
Cash and due from banks	\$ 20,973	\$ 9,387
Interest-bearing deposits with other institutions	21,049	28,938
<b>Cash and cash equivalents</b>	<b>42,022</b>	<b>38,325</b>
Certificates of deposit in other financial institutions	3,492	3,492
Investment securities available for sale	134,690	156,999
Investment securities held to maturity	6,000	6,000
Loans held for sale	2,881	1,412
Loans	610,391	522,188
Less allowance for loan losses	6,314	6,266
<b>Net Loans</b>	<b>604,077</b>	<b>515,922</b>
Premises and equipment	13,969	13,033
Goodwill	2,144	1,669
Regulatory stock	6,509	6,655
Bank-owned life insurance	15,462	15,227
Accrued interest and other assets	12,793	10,294
<b>TOTAL ASSETS</b>	<b>\$ 844,039</b>	<b>\$ 769,028</b>
<b>LIABILITIES:</b>		
Noninterest-bearing deposits	\$ 99,357	\$ 76,960
Interest-bearing deposits	572,179	527,575
<b>Total Deposits</b>	<b>671,536</b>	<b>604,535</b>
Short-term borrowings	23,330	16,158
Other borrowings	83,635	87,215
Accrued interest and other liabilities	8,653	5,570
<b>TOTAL LIABILITIES</b>	<b>787,154</b>	<b>713,478</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	3,282	2,936
Retained earnings	58,003	55,526
Accumulated other comprehensive income	(1,049)	776
Treasury stock, at cost (71,904 and 96,097 shares)	(4,025)	(4,362)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>56,885</b>	<b>55,550</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 844,039</b>	<b>\$ 769,028</b>

## CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Six Months Ended	
	June 30, 2018	June 30, 2017
<b>INTEREST AND DIVIDEND INCOME</b>		
Interest and fees on loans:		
Taxable	\$ 13,249	\$ 10,850
Exempt from federal income tax	585	670
Investment securities:		
Taxable	1,308	1,352
Exempt from federal income tax	543	689
Interest-bearing deposits with other institutions	232	96
Other dividend income	320	290
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<u>16,237</u>	<u>13,947</u>
<b>INTEREST EXPENSE</b>		
Deposits	2,561	1,671
Short-term borrowings	18	10
Other borrowings	1,115	1,071
<b>TOTAL INTEREST EXPENSE</b>	<u>3,694</u>	<u>2,752</u>
<b>NET INTEREST INCOME</b>	12,543	11,195
Provision for loan losses	570	300
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<u>11,973</u>	<u>10,895</u>
<b>NONINTEREST INCOME</b>		
Service fees on deposit accounts	840	812
Investment securities gains, net	10	255
Gain on sale of loans, net	400	426
Earnings on Bank-owned life insurance	209	218
Insurance commissions	646	578
Travel agency commissions	131	208
Wealth management	698	690
Benefit management	240	0
Other	685	286
<b>TOTAL NONINTEREST INCOME</b>	<u>3,859</u>	<u>3,473</u>
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	7,730	7,358
Occupancy and equipment	1,534	1,418
Data processing	1,135	1,030
Professional fees	202	135
Advertising	182	173
Federal deposit insurance	182	141
Other	2,034	1,579
<b>TOTAL NONINTEREST EXPENSE</b>	<u>12,999</u>	<u>11,834</u>
<b>INCOME BEFORE INCOME TAXES</b>	2,833	2,534
Income taxes	122	313
<b>NET INCOME</b>	<u>\$ 2,711</u>	<u>\$ 2,221</u>

## SELECTED FINANCIAL HIGHLIGHTS

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

	Six Months Ended	
	June 30, 2018	June 30, 2017
Net Income	\$ 2,711	\$ 2,221
Total Assets	\$ 844,039	\$ 769,028
Loans Outstanding	\$ 610,391	\$ 522,188
Total Deposits	\$ 671,536	\$ 604,535
ROA (annual)	0.67%	0.60%
ROE (annual)	9.74%	8.22%
Earnings per Share	\$ 2.13	\$ 1.78
Dividends per Share	\$ 0.92	\$ 0.92

\*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

## Second Quarter Financial Report

