

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 six-month period ending June 30, 2019. Highlights for the first half of 2019 include sustained earnings growth driven by continued loan development and expanded non-bank revenues for selected business units.

BALANCE SHEET

The Corporation's total assets ended the period at \$905 million, an increase of \$61 million, or 7.28%, compared to total assets of \$844 million as of June 30, 2018, with loans rising year over year by \$66 million to \$670 million, or 10.94%. Loan growth was partially offset by a decrease in investment securities of \$16 million, or 11.17%. Total deposits grew by \$26 million to \$698 million, an increase of 3.88% from \$672 million a year ago. An increase in borrowings to \$128 million, compared to \$107 million as of June 30, 2018, helped to fund loan growth.

NET INCOME

Net income for the first half of 2019 was \$3.11 million, an increase of \$397 thousand, or 14.64%, compared to \$2.71 million in the first half of 2018. The increase includes strong expansion in both net interest income, up 10.42% when compared to the same period last year, and noninterest income, which increased 2.51%. Continued positive credit quality was augmented by the resolution of a substantial problem credit in the first half of 2019.

NET INTEREST INCOME

Continued growth in loans and core deposits supported the expansion of net interest income before provision to \$13.5 million as of June 30, 2019, an increase of \$1.0 million, or 8.12%, compared to \$12.5 million as of June 30, 2018. The net interest margin is modestly higher in 2019 compared to the first half of 2018. Contributions to the loan loss reserve equaled \$340 thousand in the first half of 2019, supporting the growth in loans, compared to \$570 thousand in the first half of 2018. The allowance for

loan losses was further strengthened by the partial recovery of a prior period loss with the reserve rising to 1.08% of total loans from 1.03% the prior year.

NONINTEREST INCOME

Noninterest income was \$3.96 million for the first half of 2019, which is an increase of \$97 thousand, or 2.51%, when compared to the same period in 2018. Fees derived from deposit activities remained steady, while travel agency, benefits consulting, and wealth management revenue all showed double-digit growth when compared to the previous year. Non-recurring income from lending activities declined, but was offset by an increase in gains on the sale of mortgage loans. Net gains and losses on investment and equity securities were also flat when compared to the same period in 2018.

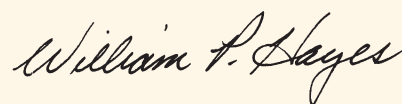
NONINTEREST EXPENSE

Year over year, noninterest expense increased by \$834 thousand, or 6.42%, to \$13.8 million as of June 30, 2019, compared to \$13.0 million the prior year. In part, the increase reflects higher employee compensation expenses and data processing costs supporting new business levels. Other factors contributing to higher expenses were increased FDIC assessment costs based on rising deposits and costs related to investments in low income housing projects. All 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 \$0.25 per share, payable July 31, 2019, to shareholders of record as of July 15, 2019.

Sincerely,



William P. Hayes
Chairman and CEO

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	June 30, 2019	June 30, 2018
ASSETS:		
Cash and due from banks	\$ 9,230	\$ 20,973
Interest-bearing deposits with other institutions	36,841	21,049
Cash and cash equivalents	<u>46,071</u>	<u>42,022</u>
Certificates of deposit in other financial institutions	3,120	3,492
Investment securities available for sale	116,063	130,548
Equity securities	2,179	4,142
Investment securities held to maturity	7,000	6,000
Loans held for sale	2,267	2,881
Loans	677,481	610,391
Less allowance for loan losses	7,348	6,314
Net Loans	<u>670,133</u>	<u>604,077</u>
Premises and equipment	14,311	13,969
Goodwill	2,144	2,144
Regulatory stock	7,140	6,509
Bank-owned life insurance	15,623	15,462
Accrued interest and other assets	19,451	12,793
TOTAL ASSETS	<u>\$ 905,502</u>	<u>\$ 844,039</u>
LIABILITIES:		
Noninterest-bearing deposits	\$ 100,117	\$ 99,357
Interest-bearing deposits	597,461	572,179
Total Deposits	<u>697,578</u>	<u>671,536</u>
Short-term borrowings	46,887	23,330
Other borrowings	81,243	83,635
Accrued interest and other liabilities	17,483	8,653
TOTAL LIABILITIES	<u>843,191</u>	<u>787,154</u>
STOCKHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 8,000,000 shares authorized, 2,697,500 shares issued	1,349	674
Additional paid-in capital	3,660	3,282
Retained earnings	61,701	58,003
Accumulated other comprehensive income	(765)	(1,049)
Treasury stock, at cost (106,360 and 143,808 shares)	(3,634)	(4,025)
TOTAL STOCKHOLDERS' EQUITY	<u>62,311</u>	<u>56,885</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 905,502</u>	<u>\$ 844,039</u>

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Six Months Ended	
	June 30, 2019	June 30, 2018
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 15,846	\$ 13,249
Exempt from federal income tax	628	585
Investment securities:		
Taxable	1,251	1,308
Exempt from federal income tax	479	543
Interest-bearing deposits with other institutions	256	232
Other dividend income	301	320
TOTAL INTEREST AND DIVIDEND INCOME	<u>18,761</u>	<u>16,237</u>
INTEREST EXPENSE		
Deposits	3,692	2,561
Short-term borrowings	29	18
Other borrowings	1,479	1,115
TOTAL INTEREST EXPENSE	<u>5,200</u>	<u>3,694</u>
NET INTEREST INCOME	13,561	12,543
Provision for loan losses	340	570
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>13,221</u>	<u>11,973</u>
NONINTEREST INCOME		
Service fees on deposit accounts	822	840
Investment securities gains, net	279	10
Equity securities gains, net	(34)	226
Gain on sale of loans, net	417	400
Earnings on Bank-owned life insurance	233	209
Insurance commissions	603	646
Travel agency commissions	150	131
Wealth management	832	698
Benefit management	277	240
Other	377	459
TOTAL NONINTEREST INCOME	<u>3,956</u>	<u>3,859</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	8,279	7,730
Occupancy and equipment	1,570	1,534
Data processing	1,232	1,135
Professional fees	235	202
Advertising	213	182
Federal deposit insurance	237	182
Other	2,067	2,034
TOTAL NONINTEREST EXPENSE	<u>13,833</u>	<u>12,999</u>
INCOME BEFORE INCOME TAXES	3,344	2,833
Income taxes	236	122
NET INCOME	<u>\$ 3,108</u>	<u>\$ 2,711</u>

SELECTED FINANCIAL HIGHLIGHTS

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

	Six Months Ended	
	June 30, 2019	June 30, 2018
Net Income	\$ 3,108	\$ 2,711
Total Assets	\$ 905,502	\$ 844,039
Loans Outstanding	\$ 677,481	\$ 610,391
Total Deposits	\$ 697,578	\$ 671,536
ROA (annual)	0.73%	0.67%
ROE (annual)	10.40%	9.74%
Earnings per Share*	\$ 1.20	\$ 1.07
Dividends per Share*	\$ 0.50	\$ 0.46

*2018 per share data have been adjusted to post stock split levels for comparability.

MARKET MAKERS

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KISH CLIENTS ON THE FRONT (LEFT TO RIGHT): A. Christian Baum, Founder of Co.Space and Giv Local; **Doreen Perks**, Founder of Bob Perks Cancer Assistance Fund; **Sherren and Pastor Harold McKenzie**, Unity Church of Jesus Christ; **Angie Thompson**, Co-Owner of Thompson's Candle Co.; and **Luke Lake**, General Manager of Lake Auto.



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expect more

2019 SECOND QUARTER
FINANCIAL REPORT