

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 nine-month period ending September 30, 2019. Highlights include record earnings driven by sustained lending activity and expanded noninterest income for bank and non-bank business units.

BALANCE SHEET

The Corporation's total assets ended the period at \$901 million, an increase of \$59 million, or 6.95%, compared to total assets of \$843 million as of September 30, 2018, with loans rising year over year by \$50 million to \$667 million, or 8.09%. Loan growth was partially offset by a decrease in investment securities of \$9 million. Total deposits grew by \$23 million to \$694 million, an increase of 3.43% from \$671 million a year ago, with a notable expansion in core deposits. An increase in borrowings to \$128 million, compared to \$106 million as of September 30, 2018, helped to fund loan growth.

NET INCOME

Net income before taxes was \$5.37 million in the first nine months of 2019, an increase of \$559 thousand, or 11.64%, compared to \$4.81 million during the same period in 2018. This resulted in net income for the first nine months of 2019 growing to \$4.88 million, an increase of \$426 thousand, or 9.57%, compared to \$4.45 million in the first nine months of 2018. The increase includes strong expansion in both net interest income, up 9.58% when compared to the same period last year, and noninterest income, which increased 1.53% overall, but 7.8% when gains/losses from equity securities are excluded. Continued positive credit quality was augmented by the resolution of several problem credits in the first nine months of 2019, with overall credit quality metrics currently at excellent levels. Nonperforming loans at September 30, 2019 stood at 0.03% of total loans, compared to 0.23% the prior year.

NET INTEREST INCOME

Continued growth in loans and core deposits supported the expansion of net interest income before provision to \$20.4 million as of September 30, 2019, an increase of \$1.3 million, or 7.03%, compared to \$19.1 million as of September 30, 2018. The net interest margin is modestly higher in 2019 compared to the first nine months of 2018. Contributions to the loan loss reserve equaled \$390 thousand in the first nine months of 2019, compared to \$800 thousand in the first nine months of 2018. The allowance for loan losses was further strengthened in 2019 by the recovery of prior period losses, with the reserve rising to 1.10% of total loans from 1.05% the prior year.

NONINTEREST INCOME

Noninterest income was \$6.12 million for the first nine months of 2019, which is an increase of \$92 thousand, or 1.53%, when compared to the same period in 2018. When gains/losses from equity securities are excluded, noninterest income increased by \$447 thousand or 7.8% year over year. Fees derived from deposit activities remained steady, while revenues from residential mortgage loan sales and travel agency, benefits consulting, and wealth management activities all showed double-digit growth when compared to the previous year. Property and casualty insurance commissions also grew well, but were offset by a decline in contingency income. Non-recurring income from lending activities declined, but was offset by an increase in gains on the sale of residential mortgage loans. The volume of residential mortgage loan originations is at record levels for the second consecutive year.

NONINTEREST EXPENSE

Year over year, noninterest expense increased by \$1.29 million, or 6.59%, to \$20.8 million as of September 30, 2019, compared to \$19.5 million the prior year. Most increases in noninterest expense categories were close to budget, but it should be noted that increased operating costs of \$167 thousand in the third quarter of 2019 related to the Bank's upcoming core conversion. A marked decline in core processing expense is projected to follow the core conversion scheduled for mid-year 2020. 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 October 31, 2019, to shareholders of record as of October 15, 2019.

Kish Bancorp, Inc. stock is traded on the OTCQX market using the stock ticker symbol KISB. For more information, please visit ir.kishbancorp.com.

Your ownership stake in Kish Bancorp is appreciated. We always welcome the opportunity to discuss any of your banking, wealth management, financial planning, insurance, benefits consulting, 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 and CEO

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	Sept. 30, 2019	Sept. 30, 2018
ASSETS:		
Cash and due from banks	\$ 11,324	\$ 9,817
Interest-bearing deposits with other institutions	33,951	24,115
Cash and cash equivalents	45,275	33,932
Certificates of deposit in other financial institutions	1,719	3,364
Investment securities available for sale	119,553	127,605
Equity securities	1,598	4,178
Investment securities held to maturity	7,000	6,000
Loans held for sale	2,853	983
Loans	674,092	623,229
Less allowance for loan losses	7,472	6,526
Net Loans	666,620	616,703
Premises and equipment	14,655	14,150
Goodwill	2,144	2,144
Regulatory stock	7,030	6,366
Bank-owned life insurance	15,727	15,566
Accrued interest and other assets	17,237	11,821
TOTAL ASSETS	\$ 901,411	\$ 842,812
LIABILITIES:		
Noninterest-bearing deposits	\$ 103,552	\$ 94,823
Interest-bearing deposits	590,034	575,786
Total Deposits	693,586	670,609
Short-term borrowings	47,121	23,647
Other borrowings	80,687	82,831
Accrued interest and other liabilities	17,165	7,847
TOTAL LIABILITIES	838,559	784,934
STOCKHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 8,000,000 shares authorized, 2,697,500 shares issued	1,349	1,349
Additional paid-in capital	3,666	3,349
Retained earnings	62,823	58,482
Accumulated other comprehensive income	(1,313)	(1,370)
Treasury stock, at cost (108,382 and 139,838 shares)	(3,673)	(3,932)
TOTAL STOCKHOLDERS' EQUITY	62,852	57,878
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 901,411	\$ 842,812

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Nine Months Ended	
	Sept. 30, 2019	Sept. 30, 2018
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 23,964	\$ 20,415
Exempt from federal income tax	937	866
Investment securities:		
Taxable	1,875	1,954
Exempt from federal income tax	674	806
Interest-bearing deposits with other institutions	461	463
Other dividend income	466	477
TOTAL INTEREST AND DIVIDEND INCOME	<u>28,377</u>	<u>24,981</u>
INTEREST EXPENSE		
Deposits	5,587	4,093
Short-term borrowings	48	26
Other borrowings	2,293	1,757
TOTAL INTEREST EXPENSE	<u>7,928</u>	<u>5,876</u>
NET INTEREST INCOME	20,449	19,105
Provision for loan losses	390	800
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>20,059</u>	<u>18,305</u>
NONINTEREST INCOME		
Service fees on deposit accounts	1,252	1,264
Investment securities gains, net	389	10
Equity securities gains, net	(94)	261
Gain on sale of loans, net	769	663
Earnings on Bank-owned life insurance	353	315
Insurance commissions	986	991
Travel agency commissions	287	257
Wealth management	1,192	1,077
Benefits consulting	445	363
Other	537	1,084
TOTAL NONINTEREST INCOME	<u>6,116</u>	<u>6,024</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	12,476	11,601
Occupancy and equipment	2,342	2,283
Data processing	1,842	1,685
Professional fees	329	303
Advertising	311	274
Federal deposit insurance	249	286
Other	3,259	3,089
TOTAL NONINTEREST EXPENSE	<u>20,808</u>	<u>19,521</u>
INCOME BEFORE INCOME TAXES	5,367	4,808
Income taxes	489	356
NET INCOME	<u>\$ 4,878</u>	<u>\$ 4,452</u>

SELECTED FINANCIAL HIGHLIGHTS

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

	Nine Months Ended	
	Sept. 30, 2019	Sept. 30, 2018
Net Income	\$ 4,878	\$ 4,452
Total Assets	\$ 901,411	\$ 842,812
Loans Outstanding	\$ 674,092	\$ 623,229
Total Deposits	\$ 693,586	\$ 670,609
ROA (annual)	0.75%	0.72%
ROE (annual)	10.80%	10.52%
Earnings per Share*	\$ 1.89	\$ 1.74
Dividends per Share*	\$ 0.75	\$ 0.69

*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 THIRD QUARTER
FINANCIAL REPORT