

# TO OUR SHAREHOLDERS

As 2020 continues to unfold in this unprecedented period for Americans, the critical financial needs of individuals, businesses, and communities have continued to escalate. Kish Bank has responded with meaningful and differentiating support for many segments of our customer base and of the regional economy. We provide this report with the acknowledgement that there are many public and private partnerships working hard to provide relief in this difficult environment, and we have been privileged to engage and support many of these programs in addition to those we have provided on our own initiative. Revenue generated from the bank's participation in selected programs, along with fees for interest rate concessions, has been reflected in the results for the nine-month period ending September 30, 2020.

## BALANCE SHEET

The Corporation's total assets ended the period at \$1.047 billion, an increase of \$145.6 million, or 16.15%, compared to total assets of \$901.4 million as of September 30, 2019. Total loans outstanding grew year over year by \$113.2 million to \$787.3 million, or 16.79%. Loans originated to businesses in our communities as part of the Paycheck Protection Program (PPP) totaled \$76.4 million. An increase in investment securities of \$12 million was funded by rising deposits. Total deposits grew by \$128.5 million to \$822.1 million, an increase of 18.52% from \$693.6 million a year ago, with a continued notable expansion in core deposits. An increase in borrowings to \$133 million, compared to \$127.8 million as of September 30, 2019, helped to hedge interest rate risk.

## NET INCOME

Net income for the first nine months of 2020 was \$5.36 million, an increase of \$477 thousand, or 9.78%, compared to \$4.88 million in the first nine months of 2019. The increase includes expansion in both net interest income, up 12.11% over the prior year, and noninterest income, which increased 16.22% overall. Net income was negatively impacted by market value declines in the equity portfolio, and an increased loan loss provision reflecting the elevated risks inherent in the current economic environment and an expanding loan portfolio. Overall credit quality metrics remain at excellent levels as is reflected in low delinquencies and non-performing loan levels; however, the potential for loan quality deterioration cannot be underestimated given the uncertain path of the pandemic and its economic impact.

## NET INTEREST INCOME

Strong growth in loans and core deposits supported an expansion of net interest income before provision to \$22.9 million as of September 30, 2020, an increase of \$2.5 million, or 12.11%, compared to \$20.4 million as of September 30, 2019. Contributions to the loan loss reserve from earnings equaled \$1.7 million in the first nine months of 2020, compared to \$390 thousand in the same period of 2019. Supporting the increased provision was fee income recognized during the second and third quarters related to the origination of PPP loans.

## NONINTEREST INCOME

Noninterest income was \$7.1 million for the first nine months of

2020, which is an increase of \$992 thousand, or 16.22%, when compared to the same period in 2019. When unrealized gains/losses from equity securities are excluded, noninterest income increased by \$1.4 million, or 22.46%, year over year. Residential mortgage originations resulted in a 99.35% increase in fee income from mortgage loan sales. Fees derived from deposit activities remained steady, while revenues from insurance commissions, benefits consulting, and wealth management activities all showed modest growth when compared to the same period in 2019. The bank completed the acquisition of Sausman Insurance Agency during the second quarter, providing an additional \$555 thousand in noninterest income during the second and third quarters.

## NONINTEREST EXPENSE

Year over year, noninterest expense increased by \$1.3 million, or 6.44%, to \$22.1 million as of September 30, 2020, compared to \$20.8 million the prior year. In part, the increase reflects non-recurring data processing costs of \$322,000 related to the core processing conversion. It should be noted that a marked decline in data processing expense is projected to follow the core conversion that was completed during the second quarter. 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 \$0.27 per share, payable October 30, 2020, to shareholders of record as of October 15, 2020.

## OTHER

2020 continues as an unprecedented period in our history. The ongoing impact of the COVID-19 pandemic remains with us and is now entering its next uncertain phase. The adverse economic impact on many sectors of our regional economy will be sustained until a vaccine has been developed and made widely available. We are all being tested in ways we may not have dreamt would be possible less than a year ago. Yet we should remain optimistic that the incredible power of the American economy, underpinned by the strength and diversity of the banking system, will support the recovery of all economic sectors once the threat of the disease is alleviated. Until then, I can only reiterate my confidence in the Kish team to continue its incredible effort to provide timely and effective responses to the financial challenges faced by our customers and communities, all while implementing the transformational projects that will truly elevate the customer experience at Kish.

Thank you for your continuing support and confidence.

Sincerely,



William P. Hayes  
Chairman and CEO

## CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	Sept. 30, 2020	Sept. 30, 2019
<b>ASSETS</b>		
Cash and due from banks	\$ 15,005	\$ 11,324
Interest-bearing deposits with other institutions	34,144	33,951
<b>Cash and cash equivalents</b>	<b>49,149</b>	<b>45,275</b>
Certificates of deposit in other financial institutions	739	1,719
Investment securities available for sale	128,499	119,553
Equity securities	1,948	1,598
Investment securities held to maturity	9,750	7,000
Loans held for sale	8,310	2,853
Loans	787,256	674,092
Less allowance for loan losses	9,226	7,472
<b>Net Loans</b>	<b>778,030</b>	<b>666,620</b>
Premises and equipment	21,370	14,655
Goodwill	3,561	2,144
Regulatory stock	7,004	7,030
Bank-owned life insurance	16,134	15,727
Accrued interest and other assets	22,473	17,237
<b>TOTAL ASSETS</b>	<b>\$ 1,046,967</b>	<b>\$ 901,411</b>
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 140,047	\$ 103,552
Interest-bearing deposits	682,006	590,034
<b>Total Deposits</b>	<b>822,053</b>	<b>693,586</b>
Short-term borrowings	65,007	47,121
Other borrowings	68,015	80,687
Accrued interest and other liabilities	24,559	17,165
<b>TOTAL LIABILITIES</b>	<b>979,634</b>	<b>838,559</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.50 par value; 8,000,000 shares authorized, 2,697,500 shares issued	1,349	1,349
Additional paid-in capital	3,742	3,666
Retained earnings	67,556	62,823
Accumulated other comprehensive income	(1,504)	(1,313)
Treasury stock, at cost (95,855 and 108,382 shares)	(3,810)	(3,673)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>67,333</b>	<b>62,852</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,046,967</b>	<b>\$ 901,411</b>

## CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Nine Months Ended	
	Sept. 30, 2020	Sept. 30, 2019
<b>INTEREST AND DIVIDEND INCOME</b>		
Interest and fees on loans:		
Taxable	\$ 25,325	\$ 23,964
Exempt from federal income tax	985	937
Investment securities:		
Taxable	2,171	1,875
Exempt from federal income tax	344	674
Interest-bearing deposits with other institutions	178	461
Other dividend income	584	466
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>29,587</b>	<b>28,377</b>
<b>INTEREST EXPENSE</b>		
Deposits	4,292	5,587
Short-term borrowings	66	48
Other borrowings	2,303	2,293
<b>TOTAL INTEREST EXPENSE</b>	<b>6,661</b>	<b>7,928</b>
<b>NET INTEREST INCOME</b>	<b>22,926</b>	<b>20,449</b>
Provision for loan losses	1,718	390
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>21,208</b>	<b>20,059</b>
<b>NONINTEREST INCOME</b>		
Service fees on deposit accounts	1,166	1,252
Investment securities gains, net	104	389
Equity securities gains, net	(497)	(94)
Gain on sale of loans, net	1,533	769
Earnings on Bank-owned life insurance	363	353
Insurance commissions	1,624	986
Travel agency commissions	83	287
Wealth management	1,254	1,192
Benefits consulting	452	445
Other	1,026	537
<b>TOTAL NONINTEREST INCOME</b>	<b>7,108</b>	<b>6,116</b>
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	13,038	12,476
Occupancy and equipment	2,248	2,342
Data processing	1,814	1,842
Professional fees	395	329
Advertising	411	311
Federal deposit insurance	330	249
Other	3,911	3,259
<b>TOTAL NONINTEREST EXPENSE</b>	<b>22,147</b>	<b>20,808</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>6,169</b>	<b>5,367</b>
Income taxes	814	489
<b>NET INCOME</b>	<b>\$ 5,355</b>	<b>\$ 4,878</b>

## SELECTED FINANCIAL HIGHLIGHTS

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

	Nine Months Ended	
	Sept. 30, 2020	Sept. 30, 2019
Net Income	\$ 5,355	\$ 4,878
Total Assets	\$ 1,046,967	\$ 901,411
Loans Outstanding	\$ 787,256	\$ 674,092
Total Deposits	\$ 822,053	\$ 693,586
ROA (annual)	0.72%	0.75%
ROE (annual)	11.59%	10.80%
Earnings per Share	\$ 2.06	\$ 1.89
Dividends per Share	\$ 0.81	\$ 0.75

### MARKET MAKERS

#### 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, 7<sup>th</sup> Floor  
Chicago, IL 60606

Kish Bancorp, Inc. stock is traded on the OTCQX market under the stock ticker symbol: KISB. For more information, please visit [ir.kishbancorp.com](http://ir.kishbancorp.com).

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