

To our shareholders

With this third quarter report of Kish Bancorp's unaudited financial results for the nine-month period ending September 30, 2021, we note that the powerful trends of recent years have continued to accelerate as we progress through 2021. Highlights of 2021 to date are as follows:

- Strong year-over-year net income expansion of 41.1% compared to September 30, 2020
- New customer acquisition driving deposit and balance sheet growth of 17.5% and 14.4%, respectively, from the same period in 2020
- Sustained residential mortgage lending, with revenue from the sale of mortgage loans up 25.5% over 2020
- Strong capital formation, up 12.4% from the prior year, combined with excellent return on shareholders' equity of 14.7%, compared to 11.6% in 2020
- Healthy credit quality metrics that have remained positive throughout the pandemic
- Successful expansion into contiguous counties and northeastern Ohio
- Excellent ROI from investments in operating technology, with data processing expense down 24.4% from the prior year

BALANCE SHEET

The Corporation's total assets ended the period at \$1.197 billion, an increase of \$149.7 million, or 14.30%, compared to total assets of \$1.047 billion as of September 30, 2020. Total loans outstanding grew year over year by \$77 million to \$864.3 million, or 9.79%. Loans originated in 2021 to businesses in our communities as part of the third round of PPP totaled \$35 million, although this was offset by forgiveness of PPP loans of \$44 million during the first three quarters. The strongest contributor to loan growth in the first nine months was the northeastern Ohio lending team, who generated over \$67 million in new loans outstanding. Investment securities increased to \$183.2 million, a \$43 million increase over the balance a year earlier. Total deposits grew by \$143.7 million to \$965.7 million, an increase of 17.48% from \$822.1 million a year ago, with a continued notable expansion in core deposits created by new customer acquisition and the liquidity generated by government stimulus programs.

NET INCOME

Net income for the nine months ended September 30,

2021 was \$7.56 million, an increase of \$2.20 million, or 41.09%, compared to \$5.36 million for the same period in 2020. The increase reflects expansion in both net interest income, up 15.18% over the prior year, and noninterest income, which increased 25.75% overall. The expansion in net interest income benefitted from the continued decline in interest expense on deposits. The sharp increase in noninterest income is attributable to market value increases in the equity portfolio of \$277 thousand, compared to losses of \$497 thousand in 2020, and also to the addition of insurance agency revenue due to the acquisition of the Sausman Insurance Agency of Mifflintown. Net income was also positively impacted by gains on sales of loans and the decline in the contribution to the loan loss reserve as overall credit quality metrics remain at excellent levels.

Year over year, noninterest expense increased by \$2.4 million, or 10.98%, to \$24.6 million as of September 30, 2021, compared to \$22.1 million the prior year. In part, the increase reflects higher salaries and employee benefits associated with additions to the team, as well as occupancy expense related to the opening of the new Kish Innovation Center. Data processing expense for the first nine months of 2021 decreased to \$1.4 million from \$1.8 million in the same period of the prior year, an improvement of 24.37%. These lower costs are the result of a core conversion that was completed during the second quarter of 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 \$0.29 per share, payable October 29, 2021, to shareholders of record as of October 15, 2021. This reflects an increase of \$0.02 per share from the prior year. Return on shareholders' equity continued to be strong as it rose to 14.69%, compared to 11.59% the year earlier. We were also pleased to take advantage of favorable market conditions with the issuance of \$20 million of subordinated debt during the second quarter.

While the challenges created by the ongoing COVID-19 pandemic continue, we are pleased that our strong financial performance and focus on strategic priorities remain unhindered. As always, your ownership stake in Kish Bancorp is greatly 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)

	Sept. 30, 2021	Sept. 30, 2020
ASSETS		
Cash and due from banks	\$ 9,978	\$ 15,005
Interest-bearing deposits with other institutions	69,637	34,144
Cash and cash equivalents	<u>79,615</u>	<u>49,149</u>
Certificates of deposit in other financial institutions	245	739
Investment securities available for sale	170,495	128,499
Equity securities	2,709	1,948
Investment securities held to maturity	10,000	9,750
Loans held for sale	3,820	8,310
Loans	864,289	787,256
Less allowance for loan losses	10,569	9,226
Net Loans	<u>853,720</u>	<u>778,030</u>
Premises and equipment	24,983	21,370
Goodwill	3,561	3,561
Regulatory stock	6,114	7,004
Bank-owned life insurance	23,627	16,134
Accrued interest and other assets	17,790	22,473
TOTAL ASSETS	<u>\$ 1,196,679</u>	<u>\$ 1,046,967</u>
LIABILITIES		
Noninterest-bearing deposits	\$ 174,687	\$ 140,047
Interest-bearing deposits	791,023	682,006
Total Deposits	<u>965,710</u>	<u>822,053</u>
Short-term borrowings	67,344	65,007
Other borrowings	67,843	68,015
Accrued interest and other liabilities	20,082	24,559
TOTAL LIABILITIES	<u>1,120,979</u>	<u>979,634</u>
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	3,975	3,742
Retained earnings	74,869	67,556
Accumulated other comprehensive income	(1,329)	(1,504)
Treasury stock, at cost (66,341 and 95,855 shares)	(3,164)	(3,810)
TOTAL STOCKHOLDERS' EQUITY	<u>75,700</u>	<u>67,333</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,196,679</u>	<u>\$ 1,046,967</u>

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Nine Months Ended	
	Sept. 30, 2021	Sept. 30, 2020
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 25,952	\$ 25,325
Exempt from federal income tax	966	985
Investment securities:		
Taxable	2,304	2,171
Exempt from federal income tax	210	344
Interest-bearing deposits with other institutions	74	178
Other dividend income	491	584
TOTAL INTEREST AND DIVIDEND INCOME	29,997	29,587
INTEREST EXPENSE		
Deposits	2,251	4,292
Short-term borrowings	25	66
Other borrowings	2,514	2,303
TOTAL INTEREST EXPENSE	4,790	6,661
NET INTEREST INCOME	25,207	22,926
Provision for loan losses	780	1,718
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	24,427	21,208
NONINTEREST INCOME		
Service fees on deposit accounts	1,325	1,166
Investment securities gains, net	16	104
Equity securities gains, net	277	(497)
Gain on sale of loans, net	1,924	1,533
Earnings on Bank-owned life insurance	700	363
Insurance commissions	2,084	1,624
Travel agency commissions	76	83
Wealth management	1,559	1,254
Benefits consulting	483	452
Other	494	1,026
TOTAL NONINTEREST INCOME	8,938	7,108
NONINTEREST EXPENSE		
Salaries and employee benefits	15,013	13,038
Occupancy and equipment	2,946	2,248
Data processing	1,372	1,814
Professional fees	431	395
Advertising	373	411
Federal deposit insurance	512	330
Other	3,933	3,911
TOTAL NONINTEREST EXPENSE	24,580	22,147
INCOME BEFORE INCOME TAXES	8,785	6,169
Income taxes	1,230	814
NET INCOME	\$ 7,555	\$ 5,355

SELECTED FINANCIAL HIGHLIGHTS

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

	Nine Months Ended	
	Sept. 30, 2021	Sept. 30, 2020
Net Income	\$ 7,555	\$ 5,355
Total Assets	\$ 1,196,679	\$ 1,046,967
Loans Outstanding	\$ 864,289	\$ 787,256
Total Deposits	\$ 965,710	\$ 822,053
ROA (annual)	0.88%	0.72%
ROE (annual)	14.69%	11.59%
Earnings per Share	\$ 2.88	\$ 2.06
Dividends per Share	\$ 0.85	\$ 0.81

MARKET MAKERS

BOENNING & SCATTERGOOD, INC.

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

2021 THIRD QUARTER FINANCIAL REPORT

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are
why.**

**We
are
Kish.**

 **KISH BANCORP**
expect more

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