

TO OUR SHAREHOLDERS

We are pleased to report unaudited financial results for Kish Bancorp, Inc., parent company of Kish Bank and related affiliates, for the twelve-month period ending December 31, 2019. Year-end highlights include record earnings powered by sustained lending activity, a shift in the deposit mix that helped to sustain the Bank's net interest margin, and strong noninterest income expansion by the Bank and non-bank business units.

BALANCE SHEET

The Corporation's total assets ended the period at \$916.8 million, an increase of \$66.3 million, or 7.80%, compared to total assets of \$850.5 million as of December 31, 2018. Total loans outstanding grew year over year by \$49.1 million to \$679.5 million, or 7.78%. Loan growth was complemented by an increase in investment securities of \$6.6 million. Total deposits grew by \$27.9 million to \$710.2 million, an increase of 4.09% from \$682.4 million a year ago, with a notable expansion in core deposits partially offset by a decline in high balance CD deposits. An increase in borrowings to \$126.8 million, compared to \$100.5 million as of December 31, 2018, can be attributed primarily to fixed-rate, longer-term loan funding.

NET INCOME

The continued strong growth of the Bank and its affiliates resulted in record-breaking net income for 2019 of \$7.01 million, an increase of \$980 thousand, or 16.22%, compared to \$6.03 million in 2018. The increase includes positive expansion in both net interest income, up 6.83% over the prior year, and noninterest income, which increased 14.29% overall. Continued positive credit quality was augmented by the resolution of several problem credits in 2019, with overall credit quality metrics currently at excellent levels as is reflected in low delinquencies and non-performing loan levels.

NET INTEREST INCOME

Continued growth in loans and core deposits supported the expansion of net interest income before provision to \$27.5 million as of December 31, 2019, an increase of \$1.8 million, or 6.83%, compared to \$25.8 million as of December 31, 2018. The net interest margin remained relatively stable in 2019 compared to 2018, allowing net interest income to reflect the growth in earning assets. Contributions to the loan loss reserve from earnings equaled \$390 thousand in 2019, compared to \$1.0 million in 2018. The allowance for loan losses was further strengthened in 2019 by the recovery of prior period losses, with the reserve rising to 1.09% of total loans from 1.04% the prior year.

NONINTEREST INCOME

Noninterest income was \$8.5 million for 2019, which is an increase of \$1.1 million, or 14.29%, when compared to 2018. When unrealized gains/losses from equity securities are excluded, noninterest income increased by \$1.4 million, or 17.90%, year over year. Record-level residential mortgage originations resulted in a 36.48% in gains from loan sales. Fees derived from deposit

activities remained steady, while revenues from travel agency, benefits consulting, and wealth management activities all showed strong growth when compared to the previous year. Property and casualty insurance commissions also grew, but results for the insurance unit were offset by a decline in contingency income.

NONINTEREST EXPENSE

Year over year, noninterest expense increased by \$2.2 million, or 8.67%, to \$27.7 million as of December 31, 2019, compared to \$25.5 million the prior year. Most increases in noninterest expense categories were close to budget, but it should be noted that increased non-recurring operating costs of \$429 thousand in the second half 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 \$0.27 per share, payable January 31, 2020, to shareholders of record as of January 15, 2020. This represents an 8.00% increase in the quarterly dividend, compared to \$0.25 the previous quarter.

OTHER

Kish Bank and President and COO, Greg Hayes, were recently featured in the January ABA Banking Journal for a major new commitment to a visionary approach to next-generation banking solutions. To achieve long-term sustainability through a migration to new digital and cloud-based platforms, Kish has forged a new outsourced partnership with core provider CSI, as well as other ancillary providers that support digital banking. The full article, "What Risk Managers Need to Know about Cloud Migration," can be accessed at <https://bit.ly/2uP3AWU>. We will provide regular updates to shareholders on these distinct but related projects as we progress through 2020.

Kish Bancorp, Inc. stock is traded on the OTCQX market under 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)

	Dec. 31, 2019	Dec. 31, 2018
ASSETS:		
Cash and due from banks	\$ 6,878	\$ 10,147
Interest-bearing deposits with other institutions	29,332	22,622
Cash and cash equivalents	36,210	32,769
Certificates of deposit in other financial institutions	1,474	3,120
Investment securities available for sale	131,181	124,732
Equity securities	1,695	3,450
Investment securities held to maturity	7,250	7,000
Loans held for sale	3,465	157
Loans	687,018	637,082
Less allowance for loan losses	7,499	6,642
Net Loans	679,519	630,440
Premises and equipment	15,635	14,182
Goodwill	1,844	2,144
Regulatory stock	6,915	6,110
Bank-owned life insurance	15,830	15,422
Accrued interest and other assets	15,822	10,978
TOTAL ASSETS	\$ 916,840	\$ 850,504
LIABILITIES:		
Noninterest-bearing deposits	\$ 99,839	\$ 93,955
Interest-bearing deposits	610,387	588,396
Total Deposits	710,226	682,351
Short-term borrowings	46,740	22,484
Other borrowings	80,029	78,025
Accrued interest and other liabilities	15,493	7,916
TOTAL LIABILITIES	852,488	790,776
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	3,663	3,486
Retained earnings	64,304	59,421
Accumulated other comprehensive income	(1,015)	(840)
Treasury stock, at cost (113,937 and 130,609 shares)	(3,949)	(3,688)
TOTAL STOCKHOLDERS' EQUITY	64,352	59,728
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 916,840	\$ 850,504

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Twelve Months Ended	
	Dec. 31, 2019	Dec. 31, 2018
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 32,147	\$ 27,895
Exempt from federal income tax	1,230	1,193
Investment securities:		
Taxable	2,606	2,582
Exempt from federal income tax	825	1,066
Interest-bearing deposits with other institutions	645	592
Other dividend income	644	636
TOTAL INTEREST AND DIVIDEND INCOME	<u>38,097</u>	<u>33,964</u>
INTEREST EXPENSE		
Deposits	7,481	5,764
Short-term borrowings	69	36
Other borrowings	3,031	2,407
TOTAL INTEREST EXPENSE	<u>10,581</u>	<u>8,207</u>
NET INTEREST INCOME	27,516	25,757
Provision for loan losses	390	1,015
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>27,126</u>	<u>24,742</u>
NONINTEREST INCOME		
Service fees on deposit accounts	1,679	1,691
Investment securities gains, net	161	(7)
Equity securities gains, net	233	(171)
Gain on sale of loans, net	1,171	858
Earnings on Bank-owned life insurance	473	421
Insurance commissions	1,254	1,225
Travel agency commissions	371	311
Wealth management	1,643	1,516
Benefits consulting	585	474
Other	932	1,121
TOTAL NONINTEREST INCOME	<u>8,502</u>	<u>7,439</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	16,533	15,556
Occupancy and equipment	3,091	2,983
Data processing	2,519	2,294
Professional fees	523	243
Advertising	264	266
Federal deposit insurance	208	390
Other	4,586	3,779
TOTAL NONINTEREST EXPENSE	<u>27,724</u>	<u>25,511</u>
INCOME BEFORE INCOME TAXES	7,904	6,670
Income taxes	897	641
NET INCOME	<u>\$ 7,007</u>	<u>\$ 6,029</u>

SELECTED FINANCIAL HIGHLIGHTS

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

	Twelve Months Ended	
	Dec. 31, 2019	Dec. 31, 2018
Net Income	\$ 7,007	\$ 6,029
Total Assets	\$ 916,840	\$ 850,504
Loans Outstanding	\$ 687,018	\$ 637,082
Total Deposits	\$ 710,226	\$ 682,351
ROA (annual)	0.79%	0.72%
ROE (annual)	11.56%	10.58%
Earnings per Share*	\$ 2.71	\$ 2.36
Dividends per Share*	\$ 1.00	\$ 0.94

*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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KISH BANCORP
expect more

2019 FOURTH QUARTER
FINANCIAL REPORT