

# TO OUR SHAREHOLDERS

We are pleased to release fourth quarter and full year financial results (unaudited) that reflect the very complex and challenging crosscurrents and opportunities created by COVID-19 during 2020. The fourth quarter witnessed the continued impact of extremely low interest rates, extraordinary residential mortgage demand, the commencement of Paycheck Protection Program (PPP) forgiveness and PPP revenue recognition, as well as other fee income generated by loan and interest rate concessions. The high level of fee income generation was offset to some extent by risk mitigation in the form of significant additions to the loan loss reserve, COVID-19 mitigation measures, higher liquidity that resulted in a narrowing net interest margin, the one-time costs of the core conversion in May, costs associated with the Kish Innovation Center in Reedsville, which is now nearing completion and final move-in, and management additions as we expand into new markets. There were also some costs related to the acquisition of the Sausman Insurance Agency, as well higher fee income associated with that addition.

## BALANCE SHEET

The Corporation's total assets ended the period at \$1.107 billion, an increase of \$189.8 million, or 20.70%, compared to total assets of \$916.8 million as of December 31, 2019. Total loans outstanding grew year over year by \$78.7 million to \$765.7 million, or 11.46%. Loans originated to businesses in our communities as part of the PPP totaled \$43.4 million, after customers received forgiveness of \$33 million during the fourth quarter. The loan loss reserve increased to \$9.78 million from \$7.5 million at year end 2019. Requests for PPP forgiveness continue to be received and processed, even as the next round of PPP is being rolled out. Investment securities remained relatively flat at \$141.2 million, a \$1 million increase over the prior year. Total deposits grew by \$167.6 million to \$877.8 million, an increase of 23.59% from \$710.2 million a year ago, with a continued notable expansion in core deposits. Borrowings increased to \$134 million, compared to \$126.8 million as of December 31, 2019, reflecting the importance of hedging interest rate risk in this low rate environment.

## NET INCOME

Net income for the year ended 2020 was \$8.04 million, an increase of \$1.03 million, or 14.72%, compared to \$7.01 million for the year ended 2019. The increase includes expansion in both net interest income, up 12.52% over the prior year, and noninterest income, which increased 19.07% 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. Loan charge-offs during the year were minimal. 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 as economic activity is restored following the recession created by the pandemic.

## NET INTEREST INCOME

Strong growth in loans and core deposits supported an expansion of net interest income before provision to \$31 million as of December 31, 2020, an increase of \$3.4 million, or 12.52%, compared to \$27.5 million as of December 31, 2019. Contributions to the loan loss reserve from earnings equaled \$2.3 million in 2020, compared to \$390 thousand in 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 \$10.1 million for the year ended 2020, which is an increase of \$1.6 million, or 19.07%, when compared to 2019. When unrealized gains/losses from equity securities are excluded, noninterest income increased by \$2.2 million, or 26.21%, year over year. Residential mortgage originations resulted in a 107.00% increase in fee income from mortgage loan sales. Fees derived from deposit activities remained steady, while revenues from benefits consulting and wealth management activities both showed good growth when compared to 2019. The bank completed the acquisition of Sausman Insurance Agency during the second quarter, providing an additional \$819 thousand in noninterest income in the form of insurance commissions during the second, third, and fourth quarters.

## NONINTEREST EXPENSE

Year over year, noninterest expense increased by \$1.8 million, or 6.54%, to \$29.5 million as of December 31, 2020, compared to \$27.7 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 January 29, 2021, to shareholders of record as of January 15, 2021.

## OTHER

2020 truly was an unprecedented period in our history. Despite the many measures taken to mitigate the threat of the contagion to our team member and customers, we are proud of the capacity of the team to adjust, adapt, and pivot to meet the urgent and varied needs of our customers and communities. This was accomplished while the conversion team completed the first virtual conversion of a core operating system of its size in the country. The completion of the Kish Innovation Center, while suspended for a period of time under the governor's order, is now complete and will support further initiatives that will lead to the long-term sustainability of the Corporation. While we are all being tested in many ways, we are proud that the entire Kish team responded to every challenge as an opportunity to deliver often life-sustaining solutions. As we await the delivery of life-saving vaccines, 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, while producing positive results for our shareholders. As we continue on the path to full economic recovery, I invite you to keep abreast of our public communications on our investor relations website, [ir.kishbancorp.com](http://ir.kishbancorp.com).

Thank you for your continuing support and confidence.



Sincerely,  
William P. Hayes  
Chairman and CEO

## CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	Dec. 31, 2020	Dec. 31, 2019
<b>ASSETS</b>		
Cash and due from banks	\$ 12,443	\$ 6,878
Interest-bearing deposits with other institutions	117,223	29,332
<b>Cash and cash equivalents</b>	<b>129,666</b>	<b>36,210</b>
Certificates of deposit in other financial institutions	490	1,474
Investment securities available for sale	128,038	131,181
Equity securities	2,132	1,695
Investment securities held to maturity	11,023	7,250
Loans held for sale	5,667	3,465
Loans	765,731	687,018
Less allowance for loan losses	9,771	7,499
<b>Net Loans</b>	<b>755,960</b>	<b>679,519</b>
Premises and equipment	24,269	15,635
Goodwill	3,561	1,844
Regulatory stock	6,875	6,915
Bank-owned life insurance	16,237	15,830
Accrued interest and other assets	22,691	15,822
<b>TOTAL ASSETS</b>	<b>\$ 1,106,609</b>	<b>\$ 916,840</b>
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 135,622	\$ 99,839
Interest-bearing deposits	742,174	610,387
<b>Total Deposits</b>	<b>877,796</b>	<b>710,226</b>
Short-term borrowings	69,360	46,740
Other borrowings	64,657	80,029
Accrued interest and other liabilities	24,834	15,493
<b>TOTAL LIABILITIES</b>	<b>1,036,647</b>	<b>852,488</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	3,826	3,663
Retained earnings	69,538	64,304
Accumulated other comprehensive income	(1,009)	(1,015)
Treasury stock, at cost (94,460 and 113,937 shares)	(3,742)	(3,949)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>69,962</b>	<b>64,352</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,106,609</b>	<b>\$ 916,840</b>

## CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Twelve Months Ended	
	Dec. 31, 2020	Dec. 31, 2019
<b>INTEREST AND DIVIDEND INCOME</b>		
Interest and fees on loans:		
Taxable	\$ 33,849	\$ 32,147
Exempt from federal income tax	1,312	1,230
Investment securities:		
Taxable	2,881	2,606
Exempt from federal income tax	437	825
Interest-bearing deposits with other institutions	206	645
Other dividend income	769	644
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>39,454</b>	<b>38,097</b>
<b>INTEREST EXPENSE</b>		
Deposits	5,322	7,481
Short-term borrowings	85	69
Other borrowings	3,085	3,031
<b>TOTAL INTEREST EXPENSE</b>	<b>8,492</b>	<b>10,581</b>
<b>NET INTEREST INCOME</b>	<b>30,962</b>	<b>27,516</b>
Provision for loan losses	2,268	390
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>28,694</b>	<b>27,126</b>
<b>NONINTEREST INCOME</b>		
Service fees on deposit accounts	1,581	1,679
Investment securities gains, net	108	161
Equity securities gains, net	(313)	233
Gain on sale of loans, net	2,424	1,171
Earnings on Bank-owned life insurance	486	473
Insurance commissions	2,174	1,254
Travel agency commissions	88	371
Wealth management	1,780	1,643
Benefits consulting	599	585
Other	1,196	932
<b>TOTAL NONINTEREST INCOME</b>	<b>10,123</b>	<b>8,502</b>
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	17,984	16,533
Occupancy and equipment	2,909	3,091
Data processing	2,167	2,519
Professional fees	573	523
Advertising	398	264
Federal deposit insurance	500	208
Other	5,007	4,586
<b>TOTAL NONINTEREST EXPENSE</b>	<b>29,538</b>	<b>27,724</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>9,279</b>	<b>7,904</b>
Income taxes	1,240	897
<b>NET INCOME</b>	<b>\$ 8,039</b>	<b>\$ 7,007</b>

## SELECTED FINANCIAL HIGHLIGHTS

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

	Twelve Months Ended	
	Dec. 31, 2020	Dec. 31, 2019
Net Income	\$ 8,039	\$ 7,007
Total Assets	\$ 1,106,609	\$ 916,840
Loans Outstanding	\$ 765,731	\$ 687,018
Total Deposits	\$ 877,796	\$ 710,226
ROA (annual)	0.79%	0.79%
ROE (annual)	12.86%	11.56%
Earnings per Share	\$ 3.09	\$ 2.71
Dividends per Share	\$ 1.08	\$ 1.00

### 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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