

To our shareholders

Consistent with previous 2021 quarterly reports, Kish Bancorp's sustained performance across all business units has produced strong financial results (unaudited) for the full year ending December 31, 2021. Highlights of 2021 are as follows:

- Strong year-over-year net income expansion of 22.9%
- Deposit and balance sheet growth of 14.2% and 11.4%, respectively, compared to December 31, 2020
- Sustained residential mortgage lending at the exceptionally strong levels achieved in 2020, with revenue from the sale of mortgage loans holding steady
- Strong internal capital formation, up 10.2% from the prior year, while achieving excellent return on shareholders' equity of 14.1%, compared to 12.9% in 2020
- Healthy credit quality metrics that have remained positive throughout the pandemic
- Continued expansion into contiguous Pennsylvania counties
- Excellent results from the northeastern Ohio lending group
- Strong ROI from investments in operating technology, with data processing expense down 12.7% from the prior year

BALANCE SHEET

The Corporation's total assets ended the period at \$1.233 billion, an increase of \$126.2 million, or 11.40%, compared to total assets of \$1.107 billion as of December 31, 2020. Total loans outstanding grew year over year by \$113 million to \$878.7 million, or 14.75%. Loans originated in 2021 to businesses in our communities as part of the third round of PPP totaled \$35 million, although this was more than offset by forgiveness of PPP loans in the amount of \$67.8 million during the year. The strongest contributor to loan growth in 2021 was the northeastern Ohio lending team, who generated over \$77 million in new loans outstanding. Investment securities increased to \$191.2 million, a \$50 million increase over the balance a year earlier. Total deposits grew by \$124.8 million to \$1.003 billion, an increase of 14.22% from \$877.8 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 twelve months ended December 31, 2021, was \$9.88 million, an increase of \$1.84 million, or 22.91%,

compared to \$8.04 million for the same period in 2020. The increase reflects expansion in both net interest income, up 13.45% over the prior year, and noninterest income, which increased 12.08% 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 \$262 thousand, compared to losses of \$313 thousand in 2020, and to the addition of insurance agency revenue resulting from the acquisition of the Sausman Insurance Agency of Mifflintown. Net income was also positively impacted by gains on sales of residential mortgage 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 \$3.13 million, or 10.59%, to \$32.67 million as of December 31, 2021, compared to \$29.5 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 2021 decreased to \$1.9 million from \$2.2 million in 2020, an improvement of 12.74%. 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 an increased quarterly dividend in the amount of \$0.32 per share, payable January 31, 2022, to shareholders of record as of January 14, 2022. This is a 10.3% increase compared to \$0.29 per share the prior quarter. Return on shareholders' equity continued to be strong as it rose to 14.08%, compared to 12.86% 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. This issuance enabled the redemption of higher cost debt and provides additional capital flexibility at the holding company to support future growth.

While the challenges created by the ongoing COVID-19 pandemic continue, we have remained vigilant while maintaining a steady focus on the Corporation's long-term strategic priorities. As always, your ownership stake in Kish Bancorp is greatly appreciated.

Sincerely,



William P. Hayes
Chairman and CEO

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	Dec. 31, 2021	Dec. 31, 2020
ASSETS		
Cash and due from banks	\$ 7,006	\$ 12,443
Interest-bearing deposits with other institutions	86,755	117,223
Cash and cash equivalents	<u>93,761</u>	<u>129,666</u>
Certificates of deposit in other financial institutions	245	490
Investment securities available for sale	178,747	128,038
Equity securities	2,694	2,132
Investment securities held to maturity	9,778	11,023
Loans held for sale	3,255	5,667
Loans	878,713	765,731
Less allowance for loan losses	10,560	9,771
Net Loans	<u>868,153</u>	<u>755,960</u>
Premises and equipment	25,578	24,269
Goodwill	3,561	3,561
Regulatory stock	5,969	6,875
Bank-owned life insurance	23,780	16,237
Accrued interest and other assets	17,257	22,691
TOTAL ASSETS	<u>\$ 1,232,778</u>	<u>\$ 1,106,609</u>
LIABILITIES		
Noninterest-bearing deposits	\$ 177,080	\$ 135,622
Interest-bearing deposits	825,565	742,174
Total Deposits	<u>1,002,645</u>	<u>877,796</u>
Short-term borrowings	67,434	69,360
Other borrowings	67,185	64,657
Accrued interest and other liabilities	18,415	24,834
TOTAL LIABILITIES	<u>1,155,679</u>	<u>1,036,647</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	3,987	3,826
Retained earnings	76,432	69,538
Accumulated other comprehensive income	(1,573)	(1,009)
Treasury stock, at cost (66,818 and 94,460 shares)	(3,096)	(3,742)
TOTAL STOCKHOLDERS' EQUITY	<u>77,099</u>	<u>69,962</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,232,778</u>	<u>\$ 1,106,609</u>

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Twelve Months Ended	
	Dec. 31, 2021	Dec. 31, 2020
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 34,194	\$ 33,849
Exempt from federal income tax	1,272	1,312
Investment securities:		
Taxable	3,122	2,881
Exempt from federal income tax	266	437
Interest-bearing deposits with other institutions	117	206
Other dividend income	631	769
TOTAL INTEREST AND DIVIDEND INCOME	39,602	39,454
INTEREST EXPENSE		
Deposits	2,862	5,322
Short-term borrowings	26	85
Other borrowings	3,380	3,085
TOTAL INTEREST EXPENSE	6,268	8,492
NET INTEREST INCOME	33,334	30,962
Provision for loan losses	780	2,268
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	32,554	28,694
NONINTEREST INCOME		
Service fees on deposit accounts	1,813	1,581
Investment securities gains, net	16	108
Equity securities gains, net	262	(313)
Gain on sale of loans, net	2,459	2,424
Earnings on Bank-owned life insurance	902	486
Insurance commissions	2,683	2,174
Travel agency commissions	98	88
Wealth management	2,124	1,780
Benefits consulting	642	599
Other	347	1,196
TOTAL NONINTEREST INCOME	11,346	10,123
NONINTEREST EXPENSE		
Salaries and employee benefits	19,932	17,984
Occupancy and equipment	4,001	2,909
Data processing	1,891	2,167
Professional fees	643	573
Advertising	348	398
Federal deposit insurance	725	500
Other	5,127	5,007
TOTAL NONINTEREST EXPENSE	32,667	29,538
INCOME BEFORE INCOME TAXES	11,233	9,279
Income taxes	1,352	1,240
NET INCOME	\$ 9,881	\$ 8,039

SELECTED FINANCIAL HIGHLIGHTS

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

	Twelve Months Ended	
	Dec. 31, 2021	Dec. 31, 2020
Net Income	\$ 9,881	\$ 8,039
Total Assets	\$ 1,232,778	\$ 1,106,609
Loans Outstanding	\$ 878,713	\$ 765,731
Total Deposits	\$ 1,002,645	\$ 877,796
ROA (annual)	0.85%	0.79%
ROE (annual)	14.08%	12.86%
Earnings per Share	\$ 3.77	\$ 3.09
Dividends per Share	\$ 1.14	\$ 1.08

MARKET MAKERS

BOENNING & SCATTERGOOD, INC.

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RAYMOND JAMES AND ASSOCIATES, 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 FOURTH QUARTER FINANCIAL REPORT

**You
are
why.**

**We
are
Kish.**

 **KISH BANCORP**
expect more

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