

TO OUR SHAREHOLDERS

I am pleased to report unaudited financial results for Kish Bancorp, Inc., parent company of Kish Bank and related affiliates, for the three-month period ending March 31, 2019. Highlights for the first quarter of 2019 include sustained earnings growth driven by continued strong increases in loans and expanded non-bank revenues for selected business units.

BALANCE SHEET

The Corporation's total assets ended the period at \$872 million, an increase of \$53 million, or 6.50%, compared to total assets of \$819 million as of March 31, 2018, with loans rising year over year by \$59 million to \$649 million, or 10.05%. Loan growth was partially offset by a decrease in investment securities of \$12 million, or 8.31%. Total deposits grew by \$23 million to \$676 million, an increase of 3.44% from \$653 million a year ago. An increase in borrowings to \$118 million, compared to \$101 million as of March 31, 2018, helped to fund loan growth.

NET INCOME

Net income for the first quarter of 2019 was \$1.33 million, an increase of \$46 thousand, or 3.57%, compared to \$1.29 million in the first quarter of 2018. The increase includes strong expansion in both net interest income, up 8.36%, and noninterest income when nonrecurring other revenue from 2018 is excluded. Continued positive credit quality was augmented by the resolution of a substantial problem credit during the quarter.

NET INTEREST INCOME

Continued growth in loans and core deposits supported the expansion of net interest income to \$6.7 million as of March 31, 2019, an increase of \$517 thousand, or 8.36%, compared to \$6.2 million as of March 31, 2018. The net interest margin is modestly higher in 2019 compared to the first quarter of 2018. Contributions to the loan loss reserve equaled \$240 thousand in the first quarter of 2019, supporting the growth in loans, com-

pared to \$225 thousand in the first quarter of 2018. The allowance for loan losses was further strengthened by partial recovery of a prior period loss with the reserve rising to 1.11% of total loans from 1.04% the prior year.

NONINTEREST INCOME

Noninterest income was \$1.8 million for the quarter ending March 31, 2019, which is flat when compared to the same period in 2018. Fees derived from deposit activities remained steady, while travel agency, benefits consulting, and wealth management revenue showed year-over-year expansion. A decline in non-recurring income from lending activities and gains on the sale of mortgage loans was partially offset by gains from investment activities.

NONINTEREST EXPENSE

Year over year, noninterest expense increased by \$529 thousand, or 8.36%, to \$6.9 million as of March 31, 2019, compared to \$6.3 million the prior year. In part, the increase reflects higher employee compensation expenses and data processing costs supporting new business levels. Other factors contributing to higher expenses were increased FDIC assessment costs based on rising deposits and costs related to investments in low income housing projects. 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 \$0.25 per share, payable April 30, 2019, to shareholders of record as of April 15, 2019.

Sincerely,



William P. Hayes
Chairman, President and CEO

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	Mar. 31, 2019	Mar. 31, 2018
ASSETS:		
Cash and due from banks	\$ 9,435	\$ 6,579
Interest-bearing deposits with other institutions	20,841	22,162
Cash and cash equivalents	30,276	28,741
Certificates of deposit in other financial institutions	3,120	3,492
Investment securities available for sale	125,297	139,003
Investment securities held to maturity	7,000	6,000
Loans held for sale	1,079	364
Loans	655,861	595,552
Less allowance for loan losses	7,275	6,199
Net Loans	648,586	589,353
Premises and equipment	14,178	14,034
Goodwill	2,144	2,144
Regulatory stock	6,778	6,194
Bank-owned life insurance	15,521	15,359
Accrued interest and other assets	18,244	14,328
TOTAL ASSETS	\$ 872,223	\$ 819,012
LIABILITIES:		
Noninterest-bearing deposits	\$ 90,079	\$ 86,731
Interest-bearing deposits	585,850	566,742
Total Deposits	675,929	653,473
Short-term borrowings	39,078	18,309
Other borrowings	79,818	82,848
Accrued interest and other liabilities	16,144	8,286
TOTAL LIABILITIES	810,969	762,916
STOCKHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 8,000,000 shares authorized, 2,697,500 shares issued	1,349	674
Additional paid-in capital	3,468	3,078
Retained earnings	60,574	57,166
Accumulated other comprehensive income	(576)	(896)
Treasury stock, at cost (124,347 and 159,560 shares)	(3,561)	(3,926)
TOTAL STOCKHOLDERS' EQUITY	61,254	56,096
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 872,223	\$ 819,012

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Three Months Ended	
	Mar. 31, 2019	Mar. 31, 2018
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 7,702	\$ 6,368
Exempt from federal income tax	314	305
Investment securities:		
Taxable	630	668
Exempt from federal income tax	251	274
Interest-bearing deposits with other institutions	108	141
Other dividend income	165	158
TOTAL INTEREST AND DIVIDEND INCOME	<u>9,170</u>	<u>7,914</u>
INTEREST EXPENSE		
Deposits	1,802	1,201
Short-term borrowings	12	9
Other borrowings	653	518
TOTAL INTEREST EXPENSE	<u>2,467</u>	<u>1,728</u>
NET INTEREST INCOME	6,703	6,186
Provision for loan losses	240	225
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>6,463</u>	<u>5,961</u>
NONINTEREST INCOME		
Service fees on deposit accounts	390	399
Investment securities gains, net	175	8
Gain on sale of loans, net	131	184
Earnings on Bank-owned life insurance	115	103
Insurance commissions	317	362
Travel agency commissions	68	49
Wealth management	379	321
Benefit management	137	117
Other	99	281
TOTAL NONINTEREST INCOME	<u>1,811</u>	<u>1,824</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	4,070	3,760
Occupancy and equipment	812	781
Data processing	618	565
Professional fees	101	84
Advertising	106	92
Federal deposit insurance	118	78
Other	1,033	969
TOTAL NONINTEREST EXPENSE	<u>6,858</u>	<u>6,329</u>
INCOME BEFORE INCOME TAXES	1,416	1,456
Income taxes	82	93
NET INCOME	<u>\$ 1,334</u>	<u>\$ 1,288</u>

SELECTED FINANCIAL HIGHLIGHTS

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

	Three Months Ended	
	Mar. 31, 2019	Mar. 31, 2018
Net Income	\$ 1,334	\$ 1,288
Total Assets	\$ 872,223	\$ 819,012
Loans Outstanding	\$ 655,861	\$ 595,552
Total Deposits	\$ 675,929	\$ 653,473
ROA (annual)	0.64%	0.64%
ROE (annual)	9.06%	9.32%
Earnings per Share*	\$ 0.52	\$ 0.51
Dividends per Share*	\$ 0.25	\$ 0.23

*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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expect more

2019 FIRST QUARTER
FINANCIAL REPORT