

To our shareholders

With this report of unaudited financial results for the six-month period ending June 30, 2021, we begin by highlighting the powerful trends that have marked Kish Bancorp's exceptional results over the past several years.

- Strong net income expansion (a 44.4% increase over earnings for June 30, 2020)
- New customer acquisition driving balance sheet growth (total assets were up 10.5% from 2020)
- Sustained expansion in residential mortgage lending market share (revenue from the sale of mortgage loans was up 66.9% over 2020)
- Strong capital formation (up 12.9% from the prior year) combined with excellent return on shareholders' equity (15.55% compared to 11.83% in 2020) augmented by a successful \$20 million subordinated debt issuance
- Healthy credit quality metrics validating the sufficiency of the loan loss reserve
- Successful expansion into new contiguous markets and northeastern Ohio
- Continuing financial benefits of investments in operating technology (data processing expense was down 32.5% from the prior year)

While there were continued challenges created by the ongoing COVID-19 pandemic, we are pleased with the team's capacity to respond to these challenges while maintaining a strong focus on the many strategic priorities currently underway.

BALANCE SHEET

The Corporation's total assets ended the period at \$1.159 billion, an increase of \$110.9 million, or 10.58%, compared to total assets of \$1.048 billion as of June 30, 2020. Total loans outstanding grew year over year by \$71.3 million to \$856.8 million, or 9.08%. 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 made in 2020 of \$38.2 million during the first and second quarters. The strongest contributor to loan growth in the first half was the northeastern Ohio lending team, who produced over \$50 million in outstandings. Investment securities grew to \$177.5 million, a \$38.9 million increase over the balance a year earlier. Total deposits grew by \$109 million to \$928.8 million, an increase of 13.29% from \$819.8 million a year ago, with a continued notable expansion in core deposits created by new customer acquisition and the liquidity generated by continued government stimulus programs. Borrowings increased marginally to \$137.1 million, compared to \$136 million as of June 30, 2020.

NET INCOME

Net income for the six months ended June 30, 2021 was \$5.22 million, an increase of \$1.60 million, or 44.42%, compared to \$3.61 million for the same period in 2020. The increase reflects expansion in both net interest income, up 13.86% over the prior year, and noninterest income, which increased 35.18% 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 first to the increase in gains on the sale of mortgage loans of \$1.367 million in 2021 versus \$0.819 million the prior year, and second, to the addition of insurance agency revenue due to the acquisition of the Sausman Insurance Agency. Net income was also positively impacted by market value increases in the equity portfolio 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 \$1.6 million, or 11.05%, to \$16.4 million as of June 30, 2021, compared to \$14.8 million the prior year. In part, the increase reflects higher salaries and employee benefits associated with additions to the team since the same period in 2020, as well as occupancy expense related to the opening of the new Kish Innovation Center. Data processing expense for the first six months of 2021 decreased to \$882 thousand from \$1.3 million in the same period of the prior year, an improvement of 33.52%. 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 July 30, 2021, to shareholders of record as of July 15, 2021. This is an increase on \$0.02 per share from the prior year. Return on shareholders' equity continued to be strong as it rose to 15.55%, compared to 11.83% the year earlier. We were also pleased to announce the issuance of \$20 million of subordinated debt by the holding company during the period. These funds stand available to support continued bank expansion.

While the financial performance during this period of uncertainty has been strong, we are particularly pleased that in this time of great economic distress, the Kish team has been successful at pivoting our resources to focus on the needs of our clients and communities while simultaneously strengthening our balance sheet to respond to any uncertainty that may lie ahead. Because of our focus on what matters, we are confident that this time period will prove to be foundational to Kish Bancorp's success for the years ahead.

Sincerely,



William P. Hayes
Chairman and CEO

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

| | June 30, 2021 | June 30, 2020 |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash and due from banks | \$ 10,173 | \$ 10,430 |
| Interest-bearing deposits with other institutions | 50,910 | 48,024 |
| Cash and cash equivalents | <u>61,083</u> | <u>58,454</u> |
| Certificates of deposit in other financial institutions | 245 | 984 |
| Investment securities available for sale | 164,272 | 128,088 |
| Equity securities | 2,431 | 1,265 |
| Investment securities held to maturity | 10,750 | 9,250 |
| Loans held for sale | 3,869 | 6,024 |
| Loans | 856,778 | 785,457 |
| Less allowance for loan losses | <u>10,276</u> | <u>8,776</u> |
| Net Loans | <u>846,502</u> | <u>776,681</u> |
| Premises and equipment | 25,228 | 18,663 |
| Goodwill | 3,561 | 3,561 |
| Regulatory stock | 6,245 | 7,219 |
| Bank-owned life insurance | 16,439 | 16,031 |
| Accrued interest and other assets | <u>18,703</u> | <u>22,228</u> |
| TOTAL ASSETS | <u>\$ 1,159,328</u> | <u>\$ 1,048,448</u> |
| LIABILITIES | | |
| Noninterest-bearing deposits | \$ 169,037 | \$ 150,380 |
| Interest-bearing deposits | 759,799 | 669,462 |
| Total Deposits | <u>928,836</u> | <u>819,842</u> |
| Short-term borrowings | 67,661 | 63,469 |
| Other borrowings | 69,450 | 72,528 |
| Accrued interest and other liabilities | <u>19,238</u> | <u>26,941</u> |
| TOTAL LIABILITIES | <u>1,085,185</u> | <u>982,780</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 | 3,944 | 3,725 |
| Retained earnings | 73,291 | 66,513 |
| Accumulated other comprehensive income | (1,036) | (1,932) |
| Treasury stock, at cost (70,882 and 98,538 shares) | <u>(3,405)</u> | <u>(3,987)</u> |
| TOTAL STOCKHOLDERS' EQUITY | <u>74,143</u> | <u>65,668</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 1,159,328</u> | <u>\$ 1,048,448</u> |

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

| | Six Months Ended | |
|--|------------------|-----------------|
| | June 30, 2021 | June 30, 2020 |
| INTEREST AND DIVIDEND INCOME | | |
| Interest and fees on loans: | | |
| Taxable | \$ 17,681 | \$ 17,337 |
| Exempt from federal income tax | 655 | 654 |
| Investment securities: | | |
| Taxable | 1,540 | 1,450 |
| Exempt from federal income tax | 151 | 237 |
| Interest-bearing deposits with other institutions | 49 | 152 |
| Other dividend income | 314 | 377 |
| TOTAL INTEREST AND DIVIDEND INCOME | 20,390 | 20,207 |
| INTEREST EXPENSE | | |
| Deposits | 1,614 | 3,144 |
| Short-term borrowings | 24 | 46 |
| Other borrowings | 1,637 | 1,157 |
| TOTAL INTEREST EXPENSE | 3,275 | 4,347 |
| NET INTEREST INCOME | 17,115 | 15,860 |
| Provision for loan losses | 500 | 1,268 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 16,615 | 14,592 |
| NONINTEREST INCOME | | |
| Service fees on deposit accounts | 856 | 757 |
| Investment securities gains, net | 11 | 36 |
| Equity securities gains, net | 299 | (430) |
| Gain on sale of loans, net | 1,367 | 819 |
| Earnings on Bank-owned life insurance | 301 | 241 |
| Insurance commissions | 1,317 | 916 |
| Travel agency commissions | 33 | 67 |
| Wealth management | 977 | 863 |
| Benefits consulting | 318 | 293 |
| Other | 450 | 824 |
| TOTAL NONINTEREST INCOME | 5,929 | 4,386 |
| NONINTEREST EXPENSE | | |
| Salaries and employee benefits | 10,160 | 8,603 |
| Occupancy and equipment | 1,907 | 1,512 |
| Data processing | 882 | 1,307 |
| Professional fees | 257 | 274 |
| Advertising | 250 | 270 |
| Federal deposit insurance | 300 | 220 |
| Other | 2,681 | 2,616 |
| TOTAL NONINTEREST EXPENSE | 16,437 | 14,802 |
| INCOME BEFORE INCOME TAXES | 6,107 | 4,176 |
| Income taxes | 892 | 565 |
| NET INCOME | \$ 5,215 | \$ 3,611 |

SELECTED FINANCIAL HIGHLIGHTS

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

| | Six Months Ended | |
|---------------------|------------------|---------------|
| | June 30, 2021 | June 30, 2020 |
| Net Income | \$ 5,215 | \$ 3,611 |
| Total Assets | \$ 1,159,328 | \$ 1,048,448 |
| Loans Outstanding | \$ 856,778 | \$ 785,457 |
| Total Deposits | \$ 928,836 | \$ 819,842 |
| ROA (annual) | 0.93% | 0.74% |
| ROE (annual) | 15.55% | 11.83% |
| Earnings per Share | \$ 1.99 | \$ 1.39 |
| Dividends per Share | \$ 0.56 | \$ 0.54 |

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, 7th 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.

2021 SECOND QUARTER FINANCIAL REPORT

**You
are
why.**

**We
are
Kish.**

 **KISH BANCORP**
expect more

 **KISH BANCORP**
expect more

4255 East Main Street, Belleville, PA 17004
1-800-981-5474 | www.KishBank.com