

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 nine-month period ending September 30, 2018. Highlights for the first three quarters of 2018 include sustained growth in loans and deposits, the expansion of new and existing sources of non-bank revenues, lower corporate tax rates, and the positive impact of banking reform. After quarter end, we also were pleased to announce significant actions that will benefit Kish Bancorp shareholders and prospective investors, including a two-for-one stock split, an increase in the quarterly dividend, and an upgrade to the OTCQX Market for Kish Bancorp (KISB) shares.

BALANCE SHEET

The Corporation's total assets ended the period at \$843 million, an increase of \$35.0 million, or 4.31%, compared to total assets of \$808 million as of September 30, 2017. Asset growth continued to be driven by strong growth in lending activities, with loans rising year-over-year by \$72.2 million to \$623 million, or 13.10%, partially offset by a decrease in investment securities of \$20.5 million, or 13.47%. Total deposits grew by \$24.8 million to \$671 million, an increase of 3.84% from \$646 million a year ago. Borrowings increased to \$106 million, compared to \$99 million as of September 30, 2017. The increase in borrowings helped to fund strong loan growth.

NET INCOME

Net income for the first nine months of 2018 was \$4.45 million, an increase of \$813 thousand, or 22.33%, compared to \$3.64 million in the first nine months of 2017. This increase includes the benefits of lower corporate tax rates and an unrealized gain year-to-date of \$261 thousand required by new FASB rules for equity securities. Most other categories of higher revenue reflected expanded business levels for the Bank and its affiliates and the addition of a benefits management consulting practice.

NET INTEREST INCOME

Year-to-date, continued growth in loans and core deposits supported the expansion of net interest income to \$19.1 million, an increase of \$2.04 million, or 11.96%, compared to \$17.06 million as of September 30, 2017. Contributions to the loan loss reserve equaled \$800 thousand for the nine months ending September 30, 2018, supporting the growth in loans, compared to \$450 thousand for the nine months ending September 2017.

NONINTEREST INCOME

Noninterest income was \$6.02 million for the nine months ending

September 30, 2018, an increase of \$712 thousand, or 13.40%, from \$5.31 million over the same period in 2017. The increase in noninterest income came from unrealized gains on equity securities, fees derived from lending activities, higher insurance agency and wealth management revenue, and the addition of revenues from the new employee benefits consulting practice.

NONINTEREST EXPENSE

Year-to-date, noninterest expense increased by \$1.92 million, or 10.94%, to \$19.52 million as of September 30, 2018, compared to \$17.60 million the prior year. In part, the increase reflects greater charitable contributions and higher employee compensation expenses. Other factors contributing to higher expenses were increased FDIC assessment costs based on rising deposits, higher occupancy costs, increased data processing costs necessary to support higher levels of customer activity, and costs related to investments in low income housing projects. Most other expense categories continued to be well controlled when compared to the prior year.

DIVIDEND

Following quarter end, the Board of Directors declared a two-for-one split of the common stock in the form of a stock dividend. In addition, the Board of Directors declared a quarterly dividend in the amount of \$0.25 per share, payable October 31, 2018, to shareholders of record as of October 15, 2018. The dividend will be payable subsequent to the stock split and represents an increase of 8.7% from the prior quarter. The previous dividend rate of \$0.46 per share would have been equal to \$0.23 per share on a post-split basis.

We were also pleased to announce that shares of Kish Bancorp (KISB) stock would now trade through the OTCQX market. The OTCQX will provide expanded national visibility of KISB shares as well as improved execution for all future trades. More information and the full OTCQX announcement can be found on the Kish Bancorp investor relations website: ir.kishbancorp.com.

Sincerely,



William P. Hayes
Chairman, President and CEO

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	Sept. 30, 2018	Sept. 30, 2017
ASSETS:		
Cash and due from banks	\$ 9,817	\$ 9,410
Interest-bearing deposits with other institutions	24,115	44,209
Cash and cash equivalents	33,932	53,619
Certificates of deposit in other financial institutions	3,364	3,492
Investment securities available for sale	131,783	152,294
Investment securities held to maturity	6,000	6,000
Loans held for sale	983	546
Loans	623,229	551,062
Less allowance for loan losses	6,526	6,381
Net Loans	616,703	544,681
Premises and equipment	14,150	13,094
Goodwill	2,144	1,669
Regulatory stock	6,366	6,279
Bank-owned life insurance	15,566	15,336
Accrued interest and other assets	11,821	10,944
TOTAL ASSETS	\$ 842,812	\$ 807,954
LIABILITIES:		
Noninterest-bearing deposits	\$ 94,823	\$ 83,512
Interest-bearing deposits	575,786	562,307
Total Deposits	670,609	645,819
Short-term borrowings	23,647	12,460
Other borrowings	82,831	86,918
Accrued interest and other liabilities	7,847	6,237
TOTAL LIABILITIES	784,934	751,434
STOCKHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 4,000,000 shares authorized, 2,697,500 shares issued	1,349	674
Additional paid-in capital	3,349	2,960
Retained earnings	58,482	56,367
Accumulated other comprehensive income	(1,370)	723
Treasury stock, at cost (69,919 and 94,205 shares)	(3,932)	(4,204)
TOTAL STOCKHOLDERS' EQUITY	57,878	56,520
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 842,812	\$ 807,954

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Nine Months Ended	
	Sept. 30, 2018	Sept. 30, 2017
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 20,415	\$ 16,722
Exempt from federal income tax	866	1,007
Investment securities:		
Taxable	1,954	2,012
Exempt from federal income tax	806	1,018
Interest-bearing deposits with other institutions	463	188
Other dividend income	477	445
TOTAL INTEREST AND DIVIDEND INCOME	<u>24,981</u>	<u>21,392</u>
INTEREST EXPENSE		
Deposits	4,093	2,701
Short-term borrowings	26	16
Other borrowings	1,757	1,611
TOTAL INTEREST EXPENSE	<u>5,876</u>	<u>4,328</u>
NET INTEREST INCOME	19,105	17,064
Provision for loan losses	800	450
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>18,305</u>	<u>16,614</u>
NONINTEREST INCOME		
Service fees on deposit accounts	1,264	1,201
Investment securities gains, net	10	505
Gain on sale of loans, net	663	642
Earnings on Bank-owned life insurance	315	327
Insurance commissions	991	890
Travel agency commissions	257	312
Wealth management	1,077	999
Benefit management	363	0
Other	1,084	436
TOTAL NONINTEREST INCOME	<u>6,024</u>	<u>5,312</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	11,601	10,959
Occupancy and equipment	2,283	2,135
Data processing	1,685	1,539
Professional fees	303	232
Advertising	274	257
Federal deposit insurance	286	167
Other	3,089	2,308
TOTAL NONINTEREST EXPENSE	<u>19,521</u>	<u>17,597</u>
INCOME BEFORE INCOME TAXES	4,808	4,329
Income taxes	356	690
NET INCOME	<u>\$ 4,452</u>	<u>\$ 3,639</u>

SELECTED FINANCIAL HIGHLIGHTS

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

	Nine Months Ended	
	Sept. 30, 2018	Sept. 30, 2017
Net Income	\$ 4,452	\$ 3,639
Total Assets	\$ 842,812	\$ 807,954
Loans Outstanding	\$ 623,229	\$ 554,062
Total Deposits	\$ 670,609	\$ 645,819
ROA (annual)	0.72%	0.65%
ROE (annual)	10.52%	8.82%
Earnings per Share	\$ 3.48	\$ 2.91
Dividends per Share	\$ 1.38	\$ 1.38

*Starting in 2018, publicly traded companies are required to adopt FASB pronouncement ASU 2016-1, which requires unrealized gains or losses on equity securities to be included in net income, rather than other comprehensive income.

MARKET MAKERS

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Third Quarter Financial Report

