

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 twelve-month period ending December 31, 2018. Highlights for 2018 include sustained growth in new business, especially as it is reflected in increased loans and deposits, the expansion of new and existing sources of non-bank revenues, lower corporate tax rates, and a record increase in net income.

BALANCE SHEET

The Corporation's total assets ended the period at \$851 million, an increase of \$39.3 million, or 4.85%, compared to total assets of \$811 million as of December 31, 2017. Asset growth continued to be driven by strong growth in lending activities, with loans rising year-over-year by \$62.4 million to \$637 million, or 10.85%, partially offset by a decrease in investment securities of \$10.9 million, or 7.77%. Total deposits grew by \$28.7 million to \$682 million, an increase of 4.38% from \$654 million a year ago. An increase in borrowings to \$101 million, compared to \$95 million as of December 31, 2017, helped to fund strong loan growth.

NET INCOME

Net income for 2018 was \$6.03 million, an increase of \$1.89 million, or 45.63%, compared to \$4.14 million in 2017. When the 2017 accounting charges associated with the passage of the tax law are eliminated, net income for 2018 increased by \$1.47 million, or 32.30%, from \$4.56 million in 2017. The increase includes the benefits of lower corporate tax rates, strong expansion in both net interest and noninterest income, well controlled expenses, and very positive credit quality. These 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

Continued growth in loans and core deposits supported the expansion of net interest income to \$25.8 million as of December 31, 2018, an increase of \$2.66 million, or 11.50%, compared to \$23.10 million as of December 31, 2017. Contributions to the loan loss reserve equaled \$1.02 million in 2018, supporting the growth in loans, compared to \$600 thousand in 2017.

NONINTEREST INCOME

Noninterest income was \$7.44 million for the year ending December 31, 2018, an increase of \$914 thousand, or 14.01%,

from \$6.53 million over the same period in 2017. The increase in noninterest income came from fees derived from lending activities, higher insurance agency and wealth management revenue, and the addition of income from the new employee benefits consulting practice.

NONINTEREST EXPENSE

Year over year, noninterest expense increased by \$1.63 million, or 6.81%, to \$25.51 million as of December 31, 2018, compared to \$23.88 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, higher occupancy costs, and costs related to investments in low income housing projects. All expense categories continued to be 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 January 31, 2019, to shareholders of record as of January 15, 2019. Also during the fourth quarter of 2018, and as previously announced, on October 9, Kish Bancorp affected a two-for-one stock split and announced a post-split increase in the quarterly dividend to \$0.25 from \$0.23 the previous quarter. On October 23, the up-listing of Kish Bancorp (KISB) shares from OTC pink sheets to OTCQX U.S. Premier platform was announced. This up-listing will provide greater access to information by prospective investors and enhanced liquidity and trading efficiency to buyers and sellers of KISB shares. The releases for each of these actions were posted to the Kish Bancorp investor relations website: ir.kishbancorp.com.

Sincerely,



William P. Hayes
Chairman, President and CEO

CONSOLIDATED BALANCE SHEET

(Unaudited; in thousands)

	Dec. 31, 2018	Dec. 31, 2017
ASSETS:		
Cash and due from banks	\$ 10,147	\$ 7,964
Interest-bearing deposits with other institutions	22,622	35,924
Cash and cash equivalents	32,769	43,888
Certificates of deposit in other financial institutions	3,120	3,492
Investment securities available for sale	128,182	140,048
Investment securities held to maturity	7,000	6,000
Loans held for sale	157	1,279
Loans	637,082	574,708
Less allowance for loan losses	6,642	5,698
Net Loans	630,440	569,010
Premises and equipment	14,182	12,997
Goodwill	2,144	2,144
Regulatory stock	6,110	6,149
Bank-owned life insurance	15,422	15,438
Accrued interest and other assets	10,978	10,747
TOTAL ASSETS	\$ 850,504	\$ 811,192
LIABILITIES:		
Noninterest-bearing deposits	\$ 93,955	\$ 85,526
Interest-bearing deposits	588,396	568,161
Total Deposits	682,351	653,687
Short-term borrowings	22,484	8,931
Other borrowings	78,025	85,932
Accrued interest and other liabilities	7,916	6,303
TOTAL LIABILITIES	790,776	754,853
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	3,486	3,071
Retained earnings	59,421	56,291
Accumulated other comprehensive income	(840)	426
Treasury stock, at cost (130,609 and 171,584 shares)	(3,688)	(4,123)
TOTAL STOCKHOLDERS' EQUITY	59,728	56,339
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 850,504	\$ 811,192

CONSOLIDATED STATEMENT OF INCOME

(Unaudited; in thousands)

	Twelve Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 27,895	\$ 22,855
Exempt from federal income tax	1,193	1,337
Investment securities:		
Taxable	2,582	2,656
Exempt from federal income tax	1,066	1,332
Interest-bearing deposits with other institutions	592	345
Other dividend income	636	602
TOTAL INTEREST AND DIVIDEND INCOME	<u>33,964</u>	<u>29,127</u>
INTEREST EXPENSE		
Deposits	5,764	3,865
Short-term borrowings	36	23
Other borrowings	2,407	2,138
TOTAL INTEREST EXPENSE	<u>8,207</u>	<u>6,026</u>
NET INTEREST INCOME	25,757	23,101
Provision for loan losses	1,015	600
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>24,742</u>	<u>22,501</u>
NONINTEREST INCOME		
Service fees on deposit accounts	1,691	1,614
Investment securities gains, net	(7)	101
Gain on sale of loans, net	858	867
Earnings on Bank-owned life insurance	421	430
Insurance commissions	1,225	1,128
Travel agency commissions	311	377
Wealth management	1,516	1,400
Benefit management	474	0
Other	950	608
TOTAL NONINTEREST INCOME	<u>7,439</u>	<u>6,525</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	15,556	14,633
Occupancy and equipment	2,983	2,878
Data processing	2,294	2,089
Professional fees	243	315
Advertising	266	252
Federal deposit insurance	390	237
Other	3,779	3,480
TOTAL NONINTEREST EXPENSE	<u>25,511</u>	<u>23,884</u>
INCOME BEFORE INCOME TAXES	6,670	5,142
Income taxes	641	585
NET INCOME BEFORE ADJUSTMENT	<u>6,029</u>	<u>4,557</u>
Adjustment due to revaluation of net deferred tax assets due to tax reform	0	417
NET INCOME AFTER ADJUSTMENT	<u>\$ 6,029</u>	<u>\$ 4,140</u>

SELECTED FINANCIAL HIGHLIGHTS

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

	Twelve Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Net Income	\$ 6,029	\$ 4,557
Total Assets	\$ 850,504	\$ 811,192
Loans Outstanding	\$ 637,082	\$ 574,708
Total Deposits	\$ 682,351	\$ 653,687
ROA (annual)	0.72%	0.59%
ROE (annual)	10.58%	8.20%
Earnings per Share*	\$ 2.36	\$ 1.65
Dividends per Share*	\$ 0.94	\$ 0.92

*2017 per share data have been adjusted to post stock split levels for comparability.

The highlights above are based on net income before the adjustment required by the enactment of the Tax Cuts and Jobs Act.

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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