

Tri City Bankshares Corporation

Quarterly Financial Data

INCOME STATEMENT (unaudited)

	Three Months Ended	
	<u>3/31/2019</u>	<u>3/31/2018</u>
Interest Income	\$ 13,381,270	\$ 12,382,988
Interest Expense	<u>639,241</u>	<u>435,488</u>
Net Interest Income	12,742,029	11,947,500
Noninterest Income	4,439,964	3,948,176
Less: Provision for Loan Losses	-	-
Noninterest Expenses	<u>11,807,776</u>	<u>11,085,088</u>
Income Before Taxes	5,374,217	4,810,588
Income Tax Expense	<u>899,500</u>	<u>1,039,500</u>
Net Income	<u><u>\$ 4,474,717</u></u>	<u><u>\$ 3,771,088</u></u>
Net Income Per Share	\$ 0.50	\$ 0.42
Dividends Per Share	\$ 0.13	\$ 0.12

BALANCE SHEET (unaudited) March 31, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>	Liabilities & Equity	<u>2019</u>	<u>2018</u>
Cash and Due from Banks	\$ 87,963,221	\$ 63,172,889	Noninterest Bearing	\$ 299,083,207	\$ 302,188,692
Total Investment Securities	359,870,995	419,291,562	Interest Bearing	<u>968,360,072</u>	<u>948,194,865</u>
Federal Funds Sold	11,210,718	1,443,798	Total Deposits	1,267,443,279	1,250,383,557
Total Loans	912,470,034	852,082,433	Other Liabilities	<u>22,486,557</u>	<u>1,171,455</u>
Allowance for Loan Losses	<u>(11,037,025)</u>	<u>(10,930,842)</u>	Total Liabilities	1,289,929,836	1,251,555,012
Net Loans	901,433,009	841,151,591	Common Stock	8,904,915	8,904,915
Bank Premises & Equipment	16,389,708	14,759,648	Additional Paid-In Capital	26,543,470	26,543,470
Cash Surrender Value of Life Insurance	37,929,392	38,539,065	Unrealized (Loss) on Securities	(2,417,498)	(7,247,047)
Other Real Estate Owned	-	-	Retained Earnings	<u>127,210,942</u>	<u>113,909,657</u>
Other Assets	<u>35,374,622</u>	<u>15,307,454</u>	Total Stockholders' Equity	<u>160,241,829</u>	<u>142,110,995</u>
Total Assets	<u><u>\$ 1,450,171,665</u></u>	<u><u>\$ 1,393,666,007</u></u>	Total Liabilities & Equity	<u><u>\$ 1,450,171,665</u></u>	<u><u>\$ 1,393,666,007</u></u>

Management Comments

The Corporation posted net income of \$4.5 million for the first three months of 2019, an increase of \$0.7 million or 18.7% from the first three months of 2018. Earnings per share increased to \$0.50 for the three months ended March 31, 2019 compared to \$0.42 for the same period in 2018.

Net interest income was \$12.7 million during the first three months of 2019, an increase of \$0.8 million or 6.7% over the prior year. The increase was due to a \$1.3 million increase in interest income on loans, which was partially offset by a \$0.3 million decrease in investment income and a \$0.2 million increase in interest paid on deposits. The increase in interest income on loans was due to continued loan growth and rising interest rates. In addition, acquisition-related purchase accounting income decreased \$0.1 million.

Noninterest income during the first three months of 2019 was \$4.4 million, an increase of \$0.5 million or 12.5% from the prior year, which was primarily due to a one-time gain of \$0.8 million related to the death benefit on bank owned life insurance. This was partially offset by a decrease of \$0.2 million in acquisition-related purchase accounting income.

There was no provision for loan losses during the first three months of 2019 or 2018 due to continued low levels of charge-offs net of recoveries.

Noninterest expense during the first three months of 2019 was \$11.8 million, an increase \$0.7 million or 6.5% compared to 2018. The increase was primarily due to an increase in salary expense as management invested in additional experienced personnel.

Income tax expense during the first three months of 2019 was \$0.9 million compared to \$1.0 million for the same period in 2018. The decrease in the effective tax rate from 21.6% to 16.7% was primarily because the death benefit on the bank owned life insurance is not taxable.

The Corporation's total assets as of March 31, 2019 were \$1,450.2 million, an increase of \$56.5 million, or 4.1%, compared to March 31, 2018. The increase in total assets was due to an increase in cash and due from banks, net loans and other assets which was partially offset by a decline in investments. Total net loans increased \$60.3 million, or 7.2%, from \$841.2 million at March 31, 2018 to \$901.4 million at March 31, 2019. Management continues to focus on redeploying the Bank's excess liquidity into higher yielding loans while maintaining our strong credit culture. Core deposits remained stable year over year.

Total shareholders' equity was \$160.2 million at March 31, 2019, an increase of \$18.1 million compared to March 31, 2018. The increase was due to a \$13.3 million increase in retained earnings and a \$4.8 million increase in the unrealized loss on securities.

Dividend Announcement

The Board of Directors declared a dividend of \$0.13 per share payable on May 2, 2019 to shareholders as of the record date of April 22, 2019.

The Corporation has a long history of maintaining capital ratios in excess of the levels required to be considered well capitalized. This philosophy is unchanged. However, new capital rules for banks, which became effective January 1, 2015 have increased the capital required for this classification and added additional capital buffer requirements to be phased-in from now through 2019.

The Board will continue to monitor earnings, on-going regulatory requirements and other factors when approving future dividends.