

# Tri City Bankshares Corporation

## Quarterly Financial Data

### *INCOME STATEMENT (unaudited)*

	Six Months Ended		Three Months Ended	
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Interest Income	\$ 26,754,596	\$ 24,919,092	\$ 13,373,326	\$ 12,536,104
Interest Expense	<u>1,199,400</u>	<u>862,662</u>	<u>560,159</u>	<u>427,174</u>
Net Interest Income	25,555,196	24,056,430	12,813,167	12,108,930
Noninterest Income	8,238,367	7,836,270	3,798,403	3,888,094
Less: Provision for Loan Losses	-	-	-	-
Noninterest Expense	<u>23,588,894</u>	<u>22,259,988</u>	<u>11,781,118</u>	<u>11,174,900</u>
Income Before Taxes	10,204,669	9,632,712	4,830,452	4,822,124
Income Tax Expense	<u>1,909,500</u>	<u>2,027,000</u>	<u>1,010,000</u>	<u>987,500</u>
Net Income	<u>\$ 8,295,169</u>	<u>\$ 7,605,712</u>	<u>\$ 3,820,452</u>	<u>\$ 3,834,624</u>
Net Income Per Share	\$ 0.93	\$ 0.85	\$ 0.43	\$ 0.43
Dividends Per Share	\$ 0.26	\$ 0.24	\$ 0.13	\$ 0.12

### *BALANCE SHEET (unaudited) June 30, 2019 and 2018*

<b>Assets</b>	<u>2019</u>	<u>2018</u>	<b>Liabilities &amp; Equity</b>	<u>2019</u>	<u>2018</u>
Cash and Due from Banks	\$ 92,553,705	\$ 83,013,684	Noninterest Bearing Deposits	\$ 300,973,597	\$ 296,982,139
Total Investment Securities	353,485,722	399,414,774	Interest Bearing Deposits	<u>945,045,908</u>	<u>966,910,194</u>
Federal Funds Sold	11,272,917	2,237,438	Total Deposits	1,246,019,505	1,263,892,333
Total Loans	902,810,474	863,170,085	Other Liabilities	<u>23,614,983</u>	<u>3,306,747</u>
Allowance for Loan Losses	<u>(11,096,459)</u>	<u>(10,860,447)</u>	Total Liabilities	1,269,634,488	1,267,199,080
Net Loans	891,714,015	852,309,638	Common Stock	8,904,915	8,904,915
Bank Premises & Equipment	16,392,451	15,492,184	Additional Paid-In Capital	26,543,470	26,543,470
Cash surrender value of life insurance	38,153,156	38,777,381	Unrealized Gain (Loss) on Securities	955,654	(8,491,049)
Other Real Estate Owned	-	608,000	Retained Earnings	<u>129,873,756</u>	<u>116,675,692</u>
Other Assets	<u>32,340,317</u>	<u>18,979,009</u>	Total Stockholders' Equity	<u>166,277,795</u>	<u>143,633,028</u>
Total Assets	<u>\$ 1,435,912,283</u>	<u>\$ 1,410,832,108</u>	Total Liabilities & Equity	<u>\$ 1,435,912,283</u>	<u>\$ 1,410,832,108</u>

## Management Comments

The Corporation posted net income of \$8.3 million for the first six months of 2019, an increase of \$0.7 million, or 9.1%, from the first six months of 2018. Earnings per share increased to \$0.93 for the six months ended June 30, 2019 compared to \$0.85 for the same period in 2018.

Net interest income was \$25.6 million during the first six months of 2019, an increase of \$1.5 million or 6.2% over the prior year. The increase was due to an increase of \$2.3 million in interest income on loans and \$0.4 million in interest income on funds held at the Fed, which was offset by a \$0.3 million increase in interest paid on deposits and a \$0.9 million decrease in interest income on investments. The increase in interest income on loans was due to both loan growth and rising interest rates.

Noninterest income during the first six months of 2019 was \$8.2 million, an increase of \$0.4 million or 5.1% 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 offset by a decrease in service charges on deposits of \$0.2 million and a decrease of \$0.2 million in acquisition-related purchase accounting income.

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

Noninterest expense during the first six months of 2019 was \$23.6 million, an increase of \$1.3 million or 6.0% compared to 2018. The increase was primarily due continued hiring of experienced personnel, branch expansion into Waukesha and upgrades in technology infrastructure.

Income tax expense during the first six months of 2019 was \$1.9 million compared to \$2.0 million for the same period in 2018. The decrease in the effective tax rate from 21.0% to 18.7% is primarily because the death benefit of the bank owned life insurance is not taxable.

The Corporation's total assets as of June 30, 2019 were \$1,435.9 million, an increase of \$25.1 million, or 1.8%, compared to June 30, 2018. The increase in total assets was due to an increase in liquidity and net loans which was partially offset by a decline in investment securities. Total net loans increased \$39.4 million, or 4.6%, from \$852.3 million at June 30, 2018 to \$891.7 million at June 30, 2019. Management continues to focus on redeploying the Bank's excess liquidity into higher yielding loans while maintaining our strong credit culture. Core deposits declined \$17.9 million or 1.4% year over year due to interest rate pressure.

Total shareholders' equity was \$166.3 million at June 30, 2019, an increase of \$22.6 million compared to June 30, 2018. The increase was due to a \$13.2 million increase in retained earnings and a \$9.4 million reversal of the unrealized loss on securities.

## Dividend Announcement

The Board of Directors declared a dividend of \$0.13 per share payable on August 1, 2019 to shareholders as of the record date of July 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.