

# Tri City Bankshares Corporation

## Quarterly Financial Data

### INCOME STATEMENT (unaudited)

	Six Months Ended		Three Months Ended	
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Interest Income	\$ 21,681,028	\$ 20,218,912	\$ 10,732,979	\$ 10,430,948
Interest Expense	<u>602,122</u>	<u>577,373</u>	<u>301,149</u>	<u>281,117</u>
Net Interest Income	21,078,906	19,641,539	10,431,830	10,149,831
Noninterest Income	7,440,979	10,877,232	3,708,330	6,940,092
Less: Provision for Loan Losses	600,000	1,500,000	300,000	750,000
Noninterest Expense	<u>20,739,455</u>	<u>20,408,625</u>	<u>10,333,801</u>	<u>10,111,220</u>
Income Before Taxes	7,180,430	8,610,146	3,506,359	6,228,703
Income Tax Expense	<u>2,450,500</u>	<u>2,879,000</u>	<u>1,191,500</u>	<u>2,147,500</u>
Net Income	<u>\$ 4,729,930</u>	<u>\$ 5,731,146</u>	<u>\$ 2,314,859</u>	<u>\$ 4,081,203</u>
Net Income Per Share	\$ 0.53	\$ 0.64	\$ 0.26	\$ 0.46
Dividends Per Share	\$ 0.24	\$ 0.24	\$ 0.12	\$ 0.12

### BALANCE SHEET (unaudited) June 30, 2016 and 2015

<b>Assets</b>	<u>2016</u>	<u>2015</u>	<b>Liabilities &amp; Equity</b>	<u>2016</u>	<u>2015</u>
Cash and Due from Banks	\$ 63,857,015	\$ 101,085,567	Noninterest Bearing Deposits	\$ 246,012,256	\$ 227,508,485
Total Investment Securities	440,051,632	363,653,639	Interest Bearing Deposits	<u>917,351,348</u>	<u>875,749,486</u>
Federal Funds Sold	2,783,463	1,504,997	Total Deposits	1,163,363,604	1,103,257,971
Total Loans	749,546,681	716,805,056	Other Liabilities	<u>6,655,128</u>	<u>2,561,386</u>
Allowance for Loan Losses	<u>(11,379,176)</u>	<u>(13,197,841)</u>	Total Liabilities	1,170,018,732	1,105,819,357
Net Loans	738,167,505	703,607,215	Common Stock	8,904,915	8,904,915
Bank Premises & Equipment	15,694,604	15,237,882	Additional Paid-In Capital	26,543,470	26,543,470
Cash surrender value of life insurance	36,708,677	35,593,483	Unrealized Gain on Securities	4,052,163	(701,499)
Other Real Estate Owned	1,876,603	4,387,486	Retained Earnings	<u>100,446,711</u>	<u>95,153,967</u>
Other Assets	<u>10,826,492</u>	<u>10,649,941</u>	Total Stockholders' Equity	<u>139,947,259</u>	<u>129,900,853</u>
Total Assets	<u>\$ 1,309,965,991</u>	<u>\$ 1,235,720,210</u>	Total Liabilities & Equity	<u>\$ 1,309,965,991</u>	<u>\$ 1,235,720,210</u>

## **Management Comments**

The Corporation posted net income of \$4.7 million for the first six months of 2016, a decrease of \$1.0 million, or 17.5%, from the first six months of 2015. The decrease in earnings was due to a \$3.4 million decrease in noninterest income and a \$0.3 million increase in noninterest expenses which was partially offset by a \$1.4 million increase in net interest income and a \$0.9 million decrease in the provision for loan losses. Earnings per share decreased to \$0.53 for the six months ended June 30, 2016 compared to \$0.64 for the same period in 2015.

The increase in net interest income was due to a \$1.3 million and \$0.2 million increase in interest income on loans and investments, respectively, which was partially offset by a slight increase in interest paid on deposits. The increase in interest income on loans was due to continued loan growth as interest rates remain at historical lows

The decrease in noninterest income was primarily due to two separate one-time events in the second quarter of 2015. The first event was a \$2.9 million gain on sale of investments. The second event was a \$0.2 million death benefit related to bank owned life insurance. The decrease in the provision for loan losses was due to a decrease in charge-offs net of recoveries compared to the prior year. The increase in noninterest expense was primarily due to an increase in salary and benefits as management invested in additional experienced lending and compliance personnel. Operating earnings during the first six months of 2015 were negatively affected by a decrease in acquisition-related purchase accounting income, which totaled \$1.4 million during the first six months of 2016 compared to \$1.5 million during the same period in 2015.

The Corporation's total assets increased \$74.3 million, or 6.0%, from \$1,235.7 million at June 30, 2015 to \$1,310.0 million at June 30, 2016. The increase in total assets was due to an increase both in investments and loans which was partially offset by a decrease in cash and due from banks. The \$34.5 million increase in net loans outstanding is especially important as management has focused on redeploying the bank's excess liquidity into loans. The growth on the asset side of the balance sheet was supported by a \$60.1 million increase in core deposits. Total shareholders' equity also increased \$10.0 million due to an increase in both retained earnings and the unrealized gain on securities.

## **Dividend Announcement**

The Board of Directors declared a dividend of \$0.12 per share payable on August 4, 2016 to shareholders as of the record date of July 25, 2016.

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 of Directors is confident shareholders agree that maintaining a strong capital base for the Bank is a prime objective of Board oversight. The Board will review earnings, on-going regulatory requirements and other factors when approving dividends, just as they have done every quarter throughout our history.