

Tri City Bankshares Corporation
Quarterly Brochure Financial Data

INCOME STATEMENT (unaudited)

	Twelve Months Ended		Three Months Ended	
	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Interest Income	\$ 40,830,614	\$ 41,031,315	\$ 10,276,464	\$ 10,214,587
Interest Expense	<u>1,146,131</u>	<u>1,285,720</u>	<u>285,791</u>	<u>311,457</u>
Net Interest Income	39,684,483	39,745,595	9,990,673	9,903,130
Other Income	19,019,083	14,856,190	4,387,963	3,717,457
Less: Provision for Loan Losses	3,000,000	3,000,000	750,000	750,000
Other Operating Expenses	<u>39,802,394</u>	<u>39,122,018</u>	<u>9,342,876</u>	<u>9,596,376</u>
Income Before Taxes	15,901,172	12,479,767	4,285,760	3,274,181
Income Tax Expense	<u>5,332,852</u>	<u>3,768,500</u>	<u>1,467,352</u>	<u>1,087,500</u>
Net Income	<u><u>\$ 10,568,320</u></u>	<u><u>\$ 8,711,267</u></u>	<u><u>\$ 2,818,408</u></u>	<u><u>\$ 2,186,681</u></u>
Net Income Per Share	\$ 1.19	\$ 0.98	\$ 0.32	\$ 0.25

BALANCE SHEET (unaudited) December 31, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>	Liabilities & Equity	<u>2015</u>	<u>2014</u>
Cash and Due from Banks	\$ 101,360,761	\$ 149,820,849	Non Interest Bearing	\$ 235,629,092	\$ 212,462,972
Total Investment Securities	446,840,309	357,659,154	Interest Bearing	<u>959,490,140</u>	<u>908,044,251</u>
Federal Funds Sold	1,164,295	2,096,707	Total Deposits	1,195,119,232	1,120,507,223
Total Loans	728,697,339	688,644,509	Other Liabilities	<u>3,402,681</u>	<u>3,536,818</u>
Allowance for Loan Losses	<u>(11,590,900)</u>	<u>(12,103,357)</u>	Total Liabilities	1,198,521,913	1,124,044,041
Net Loans	717,106,439	676,541,152	Common Stock	8,904,915	8,904,915
Bank Premises & Equipment	15,293,462	14,824,325	Additional Paid-In Capital	26,543,470	26,543,470
Cash surrender value of life insurance	36,156,447	35,175,395	Unrealized Gain on Securities	469,013	828,175
Other Real Estate Owned	3,190,903	4,772,139	Retained Earnings	<u>97,853,961</u>	<u>91,560,002</u>
Other Assets	<u>11,180,656</u>	<u>10,990,882</u>	Total Stockholders' Equity	<u>133,771,359</u>	<u>127,836,562</u>
Total Assets	<u><u>\$ 1,332,293,272</u></u>	<u><u>\$ 1,251,880,603</u></u>	Total Liabilities & Equity	<u><u>\$ 1,332,293,272</u></u>	<u><u>\$ 1,251,880,603</u></u>

Management Comments

The Corporation posted net income of \$10.6 million during 2015, an increase of \$1.9 million, or 21.3%, from 2014. Earnings per share were \$1.19 during 2015 compared to \$0.98 in 2014.

The increase in earnings was due to a \$4.2 million increase in non-interest income which was partially offset by a \$0.1 million decrease in net interest income and a \$0.7 million increase in operating expenses. The provision for loan losses was unchanged.

The increase in non-interest income was primarily due to one-time event in the second quarter of 2015 related to the gain on sale of investments of \$2.9 million. In addition, there was also an increase in acquisition-related purchase accounting income compared to the same period last year. The increase was partially offset by a death benefit on bank owned life insurance in the first quarter of 2014. The decrease in net interest income was due to a decrease in interest income on investments which was partially offset by an increase on interest income on loans and a decrease in interest paid on deposits. The increase in operating expense was primarily due to an increase in salary and benefits as management invested in additional experienced lending and compliance personnel and was partially offset by a decrease in the expenses related to the operation of other real estate owned. Net income in 2014 was positively affected by a lower tax rate as the income related to a death benefit on bank owned life insurance was not taxable. As a result, the tax rate for 2014 was 30.2% compared to 33.5% during 2015.

Operating earnings during 2015 were also positively affected by an increase in acquisition-related purchase accounting income, which increased \$0.4 million to \$1.9 million during 2015 compared to \$1.5 million during 2014.

The Corporation's total assets increased \$80.4 million, or 6.4%, from \$1,251.9 million at December 31, 2014 to \$1,332.3 million at December 31, 2015. The increase in total assets was due to an increase in investment securities and loans outstanding which was partially offset by a decrease in cash and due from banks. The \$40.0 million increase in total 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 funded by a \$74.6 million increase in core deposits and a \$5.9 million increase in total shareholders' equity.

Dividend Announcement

The Board of Directors declared a dividend of \$0.12 per share payable on February 11, 2016 to shareholders as of the record date of February 1, 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.