

December 2014
Tri City Bankshares Corporation
Quarterly Brochure Financial Data

INCOME STATEMENT (unaudited)

	Twelve Months Ended		Three Months Ended	
	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Interest Income	\$ 41,031,315	\$ 40,260,922	\$ 10,214,587	\$ 10,394,863
Interest Expense	<u>1,285,720</u>	<u>1,914,793</u>	<u>311,457</u>	<u>397,484</u>
Net Interest Income	39,745,595	38,346,129	9,903,130	9,997,379
Other Income	14,059,226	19,485,317	3,245,159	6,157,378
Less: Provision for loan losses	3,000,000	6,482,000	750,000	1,587,000
Other Operating Expenses	<u>38,325,053</u>	<u>37,993,007</u>	<u>9,124,114</u>	<u>8,616,086</u>
Income before taxes	12,479,768	13,356,439	3,274,175	5,951,671
Provision for Income Taxes	<u>3,768,500</u>	<u>4,443,584</u>	<u>1,087,500</u>	<u>2,100,084</u>
Net Income	<u>\$ 8,711,268</u>	<u>\$ 8,912,855</u>	<u>\$ 2,186,675</u>	<u>\$ 3,851,587</u>
Net Income Per Common Share	<u>\$ 0.98</u>	<u>\$ 1.00</u>	<u>\$ 0.25</u>	<u>\$ 0.43</u>

BALANCE SHEET (unaudited) December 31, 2014 and 2013

Assets	<u>2014</u>	<u>2013</u>	Liabilities & Equity	<u>2014</u>	<u>2013</u>
Cash and Due from Banks	\$ 149,820,849	\$ 114,523,575	Non Interest Bearing	\$ 212,462,972	\$ 194,943,002
Investment Securities HTM	208,203,370	298,904,927	Interest Bearing	<u>908,044,251</u>	<u>863,832,993</u>
Investment Securities AFS	149,455,784	32,272,071	Total Deposits	1,120,507,223	1,058,775,995
Federal Funds Sold	2,096,707	2,986,359	Payable for investments purchased	5,195	2,834
Total Loans	688,644,509	683,009,712	Other Liabilities	<u>3,531,623</u>	<u>3,652,767</u>
Allowance for Loan Losses	<u>(12,103,357)</u>	<u>(12,370,590)</u>	Total Liabilities	1,124,044,041	1,062,431,596
Net Loans	676,541,152	670,639,122	Common Stock	8,904,915	8,904,915
Bank Premises & Equipment	14,824,325	15,895,213	Additional Paid-In Capital	26,543,470	26,543,470
Other Real Estate Owned	4,772,139	5,709,401	Gain(Loss) on Securities AFS	828,175	(81,536)
Cash surrender value of life insurance	35,175,395	29,339,423	Retained Earnings	<u>91,560,002</u>	<u>82,848,735</u>
Other Assets	<u>10,990,882</u>	<u>10,377,089</u>	Total Stockholders' Equity	<u>127,836,562</u>	<u>118,215,584</u>
Total Assets	<u>\$ 1,251,880,603</u>	<u>\$ 1,180,647,180</u>	Total Liabilities & Equity	<u>\$ 1,251,880,603</u>	<u>\$ 1,180,647,180</u>

Management Comments

The Corporation posted net income of \$8.7 million during 2014, a decrease of \$0.2 million, or 2.3%, from 2013. Earnings per share were \$0.98 during 2014 compared to \$1.00 in 2013.

The decrease in earnings was due to a \$5.4 million decrease in non-interest income and a \$0.3 million increase in operating expenses which was partially offset by a \$1.4 million increase in net interest income and a \$3.5 million decrease in the provision for loan losses.

The increase in net interest income was due to an increase in interest income on investments and a decrease in interest paid on deposits which was partially offset by a decrease in interest income on loans. The decrease in the provision for loan losses was primarily due to a decrease in charge-offs net of recoveries.

The decrease in non-interest income was due to a decrease in Acquisition-related purchase accounting income, a reduction in mortgage lending activity and a gain of sale of branches of \$2.2 million in 2013 which was partially offset by one-time income of \$1.0 million related to bank owned life insurance in 2014.

Operating earnings during 2014 were also negatively affected by a decrease in Acquisition-related purchase accounting income, which decreased \$4.4 million to \$1.5 million during 2014 compared to \$5.9 million during 2013.

The Corporation's total assets increased \$71.2 million, or 6.0%, from \$1,180.7 million at December 31, 2013 to \$1,251.9 million at December 31, 2014. Cash and due from banks, investment securities and loans outstanding all increased year over year. The growth in the loan portfolio, although modest in 2014, is a significant development. 2014 will mark the year that management turned the page from focusing on working out troubled loans to putting additional resources towards growing the loan portfolio. Total deposits increased by \$61.7 million on December 31, 2014 compared to December 31, 2013. The increase in deposits came in all categories with the exception of certificates of deposits as depositors continued to move their funds into more liquid accounts due to the low interest rate environment.

Dividend Announcement

The Board of Directors declared a dividend of \$0.12 per share payable on February 5, 2015 to shareholders as of the record date of January 26, 2015.

Shareholders will recall a significant dividend prepayment in December 2012 before tax rates increased. A key factor in receiving regulatory approval to pay that dividend was the Board's commitment to return to capital levels which existed before the dividend was paid. We are pleased to report 2013-2014 earnings have accomplished that commitment.

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.