

Tri City Bankshares Corporation
Quarterly Brochure Financial Data

INCOME STATEMENT (unaudited)

	Three Months Ended	
	<u>03/31/15</u>	<u>03/31/14</u>
Interest Income	\$ 9,787,964	\$ 9,923,656
Interest Expense	<u>296,256</u>	<u>344,421</u>
Net Interest Income	9,491,708	9,579,235
Other Income	3,844,656	3,965,380
Less: Provision for loan losses	750,000	750,000
Other Operating Expenses	<u>10,204,919</u>	<u>9,842,289</u>
Total Income before taxes	2,381,445	2,952,326
Provision for Income Taxes	<u>\$ 731,500</u>	<u>\$ 595,500</u>
Net Income	<u>\$ 1,649,945</u>	<u>\$ 2,356,826</u>
Net Income Per Common Share	<u>\$ 0.19</u>	<u>\$ 0.26</u>

BALANCE SHEET (unaudited) March 31, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>	Liabilities & Equity	<u>2015</u>	<u>2014</u>
Cash and Due from Banks	\$ 133,357,455	\$ 94,039,161	Non-Interest Bearing	\$ 217,398,757	\$ 191,322,927
Investment Securities HTM	191,351,163	291,765,084	Interest Bearing	<u>889,456,870</u>	<u>868,034,258</u>
Investment Securities AFS	184,372,571	74,695,203	Total Deposits	1,106,855,627	1,059,357,185
Federal Funds Sold	1,078,237	2,105,311	Payable for investments purchased	18,144,800	1,036
Total Loans	694,294,517	668,767,691	Other Liabilities	<u>3,649,603</u>	<u>2,203,621</u>
Allowance for Loan Losses	<u>(12,602,033)</u>	<u>(12,346,293)</u>	Total Liabilities	1,128,650,030	1,061,561,842
Net Loans	681,692,484	656,421,398	Common Stock	8,904,915	8,904,915
Bank Premises & Equipment	14,432,659	15,547,500	Additional Paid-In Capital	26,543,470	26,543,470
Other Real Estate Owned	4,987,129	6,058,270	Gain(Loss) on securities AFS	1,730,600	(92,446)
Cash surrender value of life insurance	35,464,867	28,456,041	Retained Earnings	<u>92,141,355</u>	<u>85,205,560</u>
Other Assets	<u>11,233,805</u>	<u>13,035,373</u>	Total Stockholders' Equity	<u>129,320,340</u>	<u>120,561,499</u>
Total Assets	<u>\$ 1,257,970,370</u>	<u>\$ 1,182,123,341</u>	Total Liabilities & Equity	<u>\$ 1,257,970,370</u>	<u>\$ 1,182,123,341</u>

Management Comments

The Corporation posted net income of \$1.7 million for the first three months of 2015, a decrease of \$0.7 million, or 30.0%, from the first three months of 2014. Earnings per share decreased to \$0.19 for the three months ended March 31, 2015 compared to \$0.26 for the same period in 2014.

The decrease in earnings was due to a \$0.1 million decrease in net interest income, a \$0.1 million decrease in non-interest income and a \$0.4 million increase in operating expenses. There was no change in the provision for loan losses.

The decrease in net interest income was due to a decrease in interest income on loans which was offset by an increase in interest income on investments and a decrease in interest paid on deposits. The decrease in non-interest income was due to one-time event in the first quarter of 2014 related to the death benefit on bank owned life insurance of \$1.0 million. This decrease was partially offset by an increase in acquisition-related purchase accounting income and an increase in the gain on sale of other real estate owned compared to the same period last year. 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. Net income in the first quarter of 2014 was also positively affected by a lower tax rate as the income related to the death benefit on bank owned life insurance was not taxable. As a result, the tax rate for the first three months of 2014 was 20.2% compared to 30.7% during the first three months of 2015.

Operating earnings during the first three months of 2015 were positively affected by an increase in acquisition-related purchase accounting income, which totaled \$0.6 million during the first three months of 2015 compared to \$0.2 million during the same period in 2014.

The Corporation's total assets increased \$75.9 million, or 6.4%, from \$1,182.1 million at March 31, 2014 to \$1,258.0 million at March 31, 2015. The increase in total assets was due to an increase in cash and due from banks, investment securities and loans outstanding. The \$25.5 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 supported by a \$47.5 million increase in core deposits and an \$8.8 million increase in total shareholders' equity.

Dividend Announcement

The Board of Directors declared a dividend of \$0.12 per share payable on May 7, 2015 to shareholders as of the record date of April 27, 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.