

# Tri City Bankshares Corporation

## Quarterly Brochure Financial Data

### **INCOME STATEMENT (unaudited)**

	<b>Three Months Ended</b>	
	<b><u>3/31/2016</u></b>	<b><u>3/31/2015</u></b>
Interest Income	\$ 10,948,049	\$ 9,787,964
Interest Expense	<u>300,970</u>	<u>296,256</u>
Net Interest Income	10,647,079	9,491,708
Other Income	3,623,578	3,844,656
Less: Provision for Loan Losses	300,000	750,000
Other Operating Expenses	<u>10,296,586</u>	<u>10,204,919</u>
Income Before Taxes	3,674,071	2,381,445
Income Tax Expense	<u>1,259,000</u>	<u>731,500</u>
Net Income	<u><u>\$ 2,415,071</u></u>	<u><u>\$ 1,649,945</u></u>
Net Income Per Share	\$ 0.27	\$ 0.19
Dividends Per Share	\$ 0.12	\$ 0.12

### **BALANCE SHEET (unaudited) March 31, 2016 and 2015**

<b>Assets</b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b>Liabilities &amp; Equity</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Cash and Due from Banks	\$ 115,982,397	\$ 133,357,455	Non Interest Bearing	\$ 234,225,751	\$ 217,398,757
Total Investment Securities	425,866,078	375,723,734	Interest Bearing	<u>955,971,919</u>	<u>889,456,870</u>
Federal Funds Sold	1,557,705	1,078,237	Total Deposits	1,190,197,670	1,106,855,627
Total Loans	735,877,929	694,294,517	Other Liabilities	<u>5,669,068</u>	<u>21,794,403</u>
Allowance for Loan Losses	<u>(11,181,563)</u>	<u>(12,602,033)</u>	Total Liabilities	1,195,866,738	1,128,650,030
Net Loans	724,696,366	681,692,484	Common Stock	8,904,915	8,904,915
Bank Premises & Equipment	15,407,585	14,432,659	Additional Paid-In Capital	26,543,470	26,543,470
Cash surrender value of life insurance	36,433,588	35,464,867	Unrealized Gain on Securities	2,916,829	1,730,600
Other Real Estate Owned	2,758,603	4,987,129	Retained Earnings	<u>99,200,441</u>	<u>92,141,355</u>
Other Assets	<u>10,730,071</u>	<u>11,233,805</u>	Total Stockholders' Equity	<u>137,565,655</u>	<u>129,320,340</u>
Total Assets	<u><u>\$ 1,333,432,393</u></u>	<u><u>\$ 1,257,970,370</u></u>	Total Liabilities & Equity	<u><u>\$ 1,333,432,393</u></u>	<u><u>\$ 1,257,970,370</u></u>

## **Management Comments**

The Corporation posted net income of \$2.4 million for the first three months of 2016, an increase of \$0.8 million, or 46.3%, from the first three months of 2015. Earnings per share increased to \$0.27 for the three months ended March 31, 2016 compared to \$0.19 for the same period in 2015.

The increase in earnings was due to a \$1.1 million increase in net interest income and a \$0.5 million decrease in the provision for loan loss which was offset by a \$0.2 million decrease in non-interest income and a \$0.1 million increase in operating expenses.

The increase in net interest income was primarily due to an increase in interest income on loans which was driven by a year over year increase in total loans outstanding and a significant increase in acquisition-related purchase accounting income. The decrease in non-interest income was due to a decrease in mortgage related activity and a decrease 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. Operating earnings during the first three months of 2016 were positively affected by an increase in acquisition-related purchase accounting income, which totaled \$1.1 million during the first three months of 2016 compared to \$0.6 million during the same period in 2015.

The Corporation's total assets increased \$75.5 million, or 6.0%, from \$1,258.0 million as of March 31, 2015 to \$1,333.4 million as of March 31, 2016. 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 \$41.5 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 an \$83.3 million increase in core deposits and an \$8.2 million increase in total shareholders' equity which was partially offset by a decrease in other liabilities of \$16.1 million.

## **Dividend Announcement**

The Board of Directors declared a dividend of \$0.12 per share payable on May 5, 2016 to shareholders as of the record date of April 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.