

Tri City Bankshares Corporation

Quarterly Brochure Financial Data

INCOME STATEMENT (unaudited)

	Nine Months Ended		Three Months Ended	
	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2015</u>
Interest Income	\$ 30,554,152	\$ 30,816,728	\$ 10,335,240	\$ 10,462,614
Interest Expense	<u>860,337</u>	<u>974,263</u>	<u>282,964</u>	<u>311,665</u>
Net Interest Income	29,693,815	29,842,465	10,052,276	10,150,949
Other Income	14,370,930	10,814,067	3,653,360	3,401,936
Less: Provision for loan losses	2,250,000	2,250,000	750,000	750,000
Other Operating Expenses	<u>30,199,330</u>	<u>29,200,939</u>	<u>9,950,366</u>	<u>9,612,793</u>
Income Before Income Taxes	11,615,415	9,205,593	3,005,270	3,190,092
Provision for Income Taxes	<u>3,865,500</u>	<u>2,681,000</u>	<u>986,500</u>	<u>1,043,500</u>
Net Income	<u>\$ 7,749,915</u>	<u>\$ 6,524,593</u>	<u>\$ 2,018,770</u>	<u>\$ 2,146,592</u>
Net Income Per Common Share	<u>\$ 0.87</u>	<u>\$ 0.73</u>	<u>\$ 0.23</u>	<u>\$ 0.24</u>

BALANCE SHEET (unaudited) September 30, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>	Liabilities & Equity	<u>2015</u>	<u>2014</u>
Cash and Due from Banks	\$ 146,043,240	\$ 52,791,170	Non Interest Bearing	\$ 252,777,796	\$ 210,801,251
Investment Securities HTM	-	253,015,386	Interest Bearing	<u>890,403,133</u>	<u>844,787,804</u>
Investment Securities AFS	365,917,089	142,191,760	Total Deposits	1,143,180,929	1,055,589,055
Federal Funds Sold	1,440,515	1,847,331	Payable for investments purchased	-	-
Total Loans	715,258,550	686,917,532	Other Liabilities	<u>4,983,341</u>	<u>3,679,484</u>
Allowance for Loan Losses	<u>(13,367,512)</u>	<u>(12,700,898)</u>	Total Liabilities	1,148,164,270	1,059,268,539
Net Loans	701,891,038	674,216,634	Common Stock	8,904,915	8,904,915
Bank Premises & Equipment	15,454,544	15,131,326	Additional Paid-In Capital	26,543,470	26,543,470
Other Real Estate Owned	3,871,955	4,684,218	Gain(Loss) on securities AFS	1,811,332	128,315
Cash surrender value of life insurance	35,874,596	28,921,944	Retained Earnings	<u>96,104,146</u>	<u>89,373,327</u>
Other Assets	<u>11,035,156</u>	<u>11,418,797</u>	Total Stockholders' Equity	<u>133,363,863</u>	<u>124,950,027</u>
Total Assets	<u>\$ 1,281,528,133</u>	<u>\$ 1,184,218,566</u>	Total Liabilities & Equity	<u>\$ 1,281,528,133</u>	<u>\$ 1,184,218,566</u>

Management Comments

The Corporation posted net income of \$7.7 million for the first nine months of 2015, an increase of \$1.2 million, or 18.8%, from the first nine months of 2014. Earnings per share increased to \$0.87 for the nine months ended September 30, 2015 compared to \$0.73 for the same period in 2014.

The increase in earnings was due to a \$3.6 million increase in non-interest income which was partially offset by a \$0.1 million decrease in net interest income and a \$1.0 million increase in operating expenses. There was no change in the provision for loan losses.

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 one-time event in the first quarter of 2014 related to the death benefit on bank owned life insurance. The decrease in net interest income was due to a decrease in interest income on loans and investments which was partially offset by 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. Net income in the first nine months of 2014 was positively affected by a lower tax rate as the income related to a \$1.0 million death benefit on bank owned life insurance was not taxable. As a result, the tax rate for the first nine months of 2014 was 29.2% compared to 33.3% during the first nine months of 2015.

Operating earnings during the first nine months of 2015 were positively affected by an increase in acquisition-related purchase accounting income, which totaled \$1.7 million during the first nine months of 2015 compared to \$1.1 million during the same period in 2014.

The Corporation's total assets increased \$97.3 million, or 8.2%, from \$1,184.2 million at September 30, 2014 to \$1,281.5 million at September 30, 2015. The increase in total assets was due to an increase in cash and due from banks and loans outstanding. The \$28.3 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 \$87.6 million increase in core deposits and a \$8.4 million increase in total shareholders' equity.

Dividend Announcement

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