

# Tri City Bankshares Corporation

## Quarterly Brochure Financial Data

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

	<b>Twelve Months Ended</b>		<b>Three Months Ended</b>	
	<b><u>12/31/2013</u></b>	<b><u>12/31/2012</u></b>	<b><u>12/31/2013</u></b>	<b><u>12/31/2012</u></b>
Interest Income	\$ 40,254,199	\$ 45,472,669	\$ 10,388,140	\$ 10,570,031
Interest Expense	<u>1,914,793</u>	<u>3,213,143</u>	<u>397,484</u>	<u>668,237</u>
Net Interest Income	38,339,406	42,259,526	9,990,656	9,901,794
Other Income	19,485,317	17,191,751	6,157,378	3,676,003
Less: Provision for loan losses	6,482,000	7,200,000	1,587,000	2,200,000
Other Operating Expenses	<u>37,986,282</u>	<u>40,081,136</u>	<u>8,609,361</u>	<u>9,093,705</u>
Income before taxes	13,356,441	12,170,141	5,951,673	2,284,092
Provision for Income Taxes	<u>4,443,584</u>	<u>4,018,157</u>	<u>2,100,084</u>	<u>696,000</u>
Net Income	\$ 8,912,857	\$ 8,151,984	\$ 3,851,589	\$ 1,588,092
Net Income Per Common Share	\$ 1.00	\$ 0.92	\$ 0.43	\$ 0.18

<b>Assets</b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b>Liabilities &amp; Equity</b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Cash and Due from Banks	\$ 114,523,575	\$ 59,719,085	Non-Interest Bearing	\$ 194,943,002	\$ 199,261,784
Investment Securities HTM	298,904,927	351,523,150	Interest Bearing	<u>863,832,993</u>	<u>919,945,353</u>
Investment Securities AFS	32,272,071	-	Total Deposits	1,058,775,995	1,119,207,137
Federal Funds Sold	2,986,359	63,060,224	Payable for investments purchased	2,834	7,819
Total Loans	683,009,712	704,636,680	Other Liabilities	<u>3,652,767</u>	<u>3,153,091</u>
Allowance for Loan Losses	<u>(12,370,590)</u>	<u>(12,197,012)</u>	Total Liabilities	1,062,431,596	1,122,368,047
Net Loans	670,639,122	692,439,668	Common Stock	8,904,915	8,904,915
Bank Premises & Equipment	15,895,213	18,005,267	Additional Paid-In Capital	26,543,470	26,543,470
Other Real Estate Owned	5,709,401	8,544,665	Gain(Loss) on Securities AFS	(81,536)	-
Cash surrender value of life insurance	29,339,423	28,328,926	Retained Earnings	<u>82,848,735</u>	<u>73,935,880</u>
Other Assets	<u>10,377,089</u>	<u>10,131,327</u>	Total Stockholders' Equity	<u>118,215,584</u>	<u>109,384,265</u>
Total Assets	<u>\$ 1,180,647,180</u>	<u>\$ 1,231,752,312</u>	Total Liabilities & Equity	<u>\$ 1,180,647,180</u>	<u>\$ 1,231,752,312</u>

## Management Comments

The Corporation posted net income of \$8.9 million during 2013, an increase of \$0.8 million, or 9.3%, compared to 2012. Earnings per share increased to \$1.00 for the full year ending on December 31, 2013 compared to \$0.92 for the same period in 2012.

The increase in earnings was due to \$0.7 million decrease in the provision for loan losses, a \$2.3 million increase in non-interest income and a \$2.1 million decrease in operating expenses which was offset by a \$3.9 million decrease in net interest income.

The decrease in the provision for loan losses was due to a decrease in non-performing loans as during 2013 compared to 2012. The increase in non-interest income was largely due to a \$2.2 million gain on the sale of the Bank's Cedarburg and Grafton locations during the 4th quarter of 2013. The decrease in operating expense was primarily due to a decrease in the costs associated with data processing as well as a one-time expense incurred during 2012. The decrease in net interest income was due a reduction of interest income on both loans and investments which was partially offset by a decrease in interest paid on deposits.

Operating earnings during 2013 were positively affected by an increase in Acquisition-related purchase accounting income, which totaled \$5.9 million during 2013 compared to \$5.8 million during 2012.

The Corporation's total assets decreased \$51 million, or 4.1%, from \$1,232 million at December 31, 2012 to \$1,181 million at December 31, 2013. The decrease in total assets was primarily due to an decrease in investments, federal funds sold and loans which was offset by an increase in cash which includes the cash invested at the Federal Reserve Bank of Chicago (as an alternative to federal funds sold). In addition, total deposits decreased \$60.4 million as of December 31, 2013 compared to December 31, 2012 due to both the sale of our Cedarburg and Grafton offices and a decline in municipal deposits.

## Prepaid Dividend

In December of 2012, the Board of Directors of Tri City Bankshares Corporation approved a special dividend of \$1.70 per share.

This dividend was approved due to the likelihood of less favorable tax treatment of dividend income in 2013 and beyond. In effect, we are "prepaying" at least two year's dividends in consideration of the potential advantage to our shareholders under the current dividend tax structure.

Tri City Bankshares Corporation has a long history of maintaining capital ratios in excess of the levels required to be considered "well capitalized." This philosophy is unchanged.

The Board of Directors is confident that shareholders will appreciate this decision and feels equally confident that shareholders will understand the elimination of dividends until the prepaid amount is realized as future earnings. We presently plan to resume quarterly dividend payments in 2015. However, we cannot predict the economy and as a result cannot predict earnings for the Bank that far in advance. The Board will review earnings, regulatory requirements and other factors at that time and consider an appropriate dividend, just as they have done every quarter in the past.