

Tri City Bankshares Corporation

Quarterly Brochure Financial Data

INCOME STATEMENT (unaudited)

	Six Months Ended		Three Months Ended	
	<u>06/30/13</u>	<u>06/30/12</u>	<u>06/30/13</u>	<u>06/30/12</u>
Interest Income	\$ 19,814,688	\$ 24,321,386	\$ 10,213,503	\$ 11,801,100
Interest Expense	<u>1,086,586</u>	<u>1,773,170</u>	<u>492,467</u>	<u>863,401</u>
Net Interest Income	18,728,102	22,548,216	9,721,036	10,937,699
Other Income	9,585,593	9,059,191	5,636,375	4,922,225
Less: Provision for loan losses	3,695,000	3,000,000	2,495,000	1,500,000
Other Operating Expenses	<u>19,513,633</u>	<u>20,696,434</u>	<u>9,770,407</u>	<u>10,524,861</u>
Income Before Income Taxes	5,105,062	7,910,973	3,092,004	3,835,063
Provision for Income Taxes	<u>1,628,500</u>	<u>2,827,345</u>	<u>1,028,000</u>	<u>1,321,000</u>
Net Income	\$ 3,476,562	\$ 5,083,628	\$ 2,064,004	\$ 2,514,063
Net Income Per Common Share	\$ 0.39	\$ 0.57	\$ 0.23	\$ 0.28

BALANCE SHEET (unaudited) June 30, 2013 and 2012

Assets	<u>2013</u>	<u>2012</u>	Liabilities & Equity	<u>2013</u>	<u>2012</u>
Cash and Due from Banks	\$ 95,698,449	\$ 29,523,962	Non Interest Bearing	\$ 193,522,508	\$ 173,342,552
Investment Securities	344,381,754	335,836,897	Interest Bearing	<u>871,299,186</u>	<u>850,864,711</u>
Federal Funds Sold	2,941,432	38,198,082	Total Deposits	1,064,821,694	1,024,207,263
Total Loans	689,131,307	697,083,447	Short Term Debt	-	-
Allowance for Loan Losses	<u>(11,413,917)</u>	<u>(11,566,199)</u>	Payable for investments purchased	2,842,660	-
Net Loans	677,717,390	685,517,248	Other Liabilities	<u>2,781,771</u>	<u>3,894,253</u>
Bank Premises & Equipment	17,636,637	18,779,115	Total Liabilities	1,070,446,125	1,028,101,516
Other Real Estate Owned	6,509,530	7,549,712	Common Stock	8,904,915	8,904,915
Cash surrender value of life insurance	28,838,637	27,821,733	Additional Paid-In Capital	26,543,470	26,543,470
Other Assets	<u>9,583,127</u>	<u>10,069,096</u>	Retained Earnings	<u>77,412,446</u>	<u>89,745,944</u>
Total Assets	<u>\$ 1,183,306,956</u>	<u>\$ 1,153,295,845</u>	Total Stockholders' Equity	<u>112,860,831</u>	<u>125,194,329</u>
			Total Liabilities & Equity	<u>\$ 1,183,306,956</u>	<u>\$ 1,153,295,845</u>

Management Comments

The Corporation posted net income of \$3.5 million for the first six months of 2013, a decrease of \$1.6 million, or 31.6%, from the first six months of 2012. Earnings per share decreased to \$0.39 for the six months ended June 30, 2013 compared to \$0.57 for the same period in 2012.

The decrease in earnings was due to a \$3.8 million decrease in net interest income and a \$0.7 million increase in the provision for loan losses which was offset by a \$0.5 million increase in non-interest income and a \$1.2 million decrease in operating expenses.

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. The increase in the provision for loan losses was due to an increase in loan charge-offs net of recoveries. The increase in non-interest income was due to a \$0.5 million increase in Acquisition-related purchase accounting income. Fee income from our mortgage lending activity continues to be strong. 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 the first six months of 2012.

Operating earnings during the first six months of 2013 were also negatively affected by a decrease in Acquisition-related purchase accounting income, which totaled \$3.2 million during the first six months of 2013 compared to \$4.1 million during the same period in 2012.

The Corporation's total assets increased \$30.0 million, or 2.6%, from \$1,153.3 million at June 30, 2012 to \$1,183.3 million at June 30, 2013. The increase in total assets was primarily due to an increase in cash which includes the cash invested at the Federal Reserve Bank of Chicago (as an alternative to federal funds sold) as well as an increase in investment securities which was partially offset by a decrease in both federal funds sold and loans. Deposit growth continues as total deposits increased \$40.6 million as of June 30, 2013 compared to the same period in 2012.

Dividend Announcement

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 after 2014. 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.