

Tri City Bankshares Corporation
Quarterly Brochure Financial Data

INCOME STATEMENT (unaudited)

Three Months Ended

	<u>03/31/13</u>	<u>03/31/12</u>
Interest Income	\$ 9,601,185	\$ 12,520,286
Interest Expense	<u>594,119</u>	<u>909,769</u>
Net Interest Income	9,007,066	11,610,517
Other Income	3,949,218	4,136,966
Less: Provision for loan losses	1,200,000	1,500,000
Other Operating Expenses	<u>9,743,226</u>	<u>10,171,573</u>
Total Income before taxes	2,013,058	4,075,910
Provision for Income Taxes	<u>\$ 600,500</u>	<u>\$ 1,506,345</u>
Net Income	\$ 1,412,558	\$ 2,569,565
Net Income Per Common Share	\$ 0.16	\$ 0.29

BALANCE SHEET (unaudited) March 31, 2013 and 2012

Assets	<u>2013</u>	<u>2012</u>	Liabilities & Equity	<u>2013</u>	<u>2012</u>
Cash and Due from Banks	\$ 91,645,953	\$ 28,707,458	Non Interest Bearing	\$ 184,001,479	\$ 167,459,471
Investment Securities	359,182,881	397,358,546	Interest Bearing	<u>897,612,198</u>	<u>866,721,454</u>
Federal Funds Sold	2,199,966	43,524,051	Total Deposits	1,081,613,677	1,034,180,925
Total Loans	690,083,535	698,224,633	Short Term Debt	-	-
Allowance for Loan Losses	<u>(11,379,467)</u>	<u>(11,849,317)</u>	Payable for investments purchased	665,808	43,416,476
Net Loans	678,704,068	686,375,316	Other Liabilities	<u>2,497,916</u>	<u>2,978,371</u>
Bank Premises & Equipment	17,860,352	18,889,594	Total Liabilities	1,084,777,401	1,080,575,772
Other Real Estate Owned	6,248,734	6,897,855	Common Stock	8,904,915	8,904,915
Cash surrender value of life insurance	28,583,373	12,610,554	Additional Paid-In Capital	26,543,470	26,543,470
Other Assets	<u>11,148,900</u>	<u>10,762,696</u>	Retained Earnings	<u>75,348,441</u>	<u>89,101,913</u>
Total Assets	<u>\$ 1,195,574,227</u>	<u>\$ 1,205,126,070</u>	Total Stockholders' Equity	<u>110,796,826</u>	<u>124,550,298</u>
			Total Liabilities & Equity	<u>\$ 1,195,574,227</u>	<u>\$ 1,205,126,070</u>

Management Comments

The Corporation posted net income of \$1.4 million for the first three months of 2013, a decrease of \$1.2 million, or 45.0%, from the first three months of 2012. Earnings per share decreased to \$0.16 for the three months ended March 31, 2013 compared to \$0.29 for the same period in 2012.

The decrease in earnings was due to a \$3.5 million decrease in net interest income and a \$0.2 million decrease in non-interest income which was offset by a \$0.4 million decrease in operating expenses and a \$0.3 million decrease in the provision for loan losses.

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 decrease in non-interest income was due to a \$0.3 million decrease 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 reduction in salary and benefit costs as well as a decrease in the costs associated with data processing. The decrease in the provision for loan losses was due to a decrease in non-performing loans.

Operating earnings during the first three months of 2013 were also negatively affected by a decrease in Acquisition-related purchase accounting income, which totaled \$0.6 million during the first three months of 2013 compared to \$1.8 million during the same period in 2012.

The Corporation's total assets decreased \$9.5 million, or 0.8%, from \$1,205.1 million at March 31, 2012 to \$1,195.6 million at March 31, 2012. The decrease in total assets was primarily due to an decrease in investment securities, federal funds sold and loans which was partially offset by an increase in cash which includes the cash invested at the Federal Reserve Bank of Chicago which works like federal funds sold but pays the bank a higher yield. Deposit growth continues to be strong as total deposits increased \$47.4 million as of March 31, 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.