

# Tri City Bankshares Corporation

## Quarterly Brochure Financial Data

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

	<b>Nine Months Ended</b>		<b>Three Months Ended</b>	
	<u><b>9/30/2012</b></u>	<u><b>9/30/2011</b></u>	<u><b>9/30/2012</b></u>	<u><b>9/30/2011</b></u>
Interest Income	\$ 34,902,638	\$ 39,393,144	\$ 10,581,252	\$ 12,955,747
Interest Expense	<u>2,544,906</u>	<u>3,594,026</u>	<u>771,736</u>	<u>1,086,345</u>
Net Interest Income	32,357,732	35,799,118	9,809,516	11,869,402
Other Income	13,515,748	11,241,226	4,456,557	4,161,311
Less: Provision for loan losses	5,000,000	5,370,000	2,000,000	2,050,000
Other Operating Expenses	<u>30,987,431</u>	<u>30,669,330</u>	<u>10,290,997</u>	<u>10,239,834</u>
Income Before Income Taxes	9,886,049	11,001,014	1,975,076	3,740,879
Provision for Income Taxes	<u>3,322,157</u>	<u>3,618,288</u>	<u>494,812</u>	<u>1,296,501</u>
Net Income	<u><u>\$ 6,563,892</u></u>	<u><u>\$ 7,382,726</u></u>	<u><u>\$ 1,480,264</u></u>	<u><u>\$ 2,444,378</u></u>
Net Income Per Common Share	\$ 0.74	\$ 0.83	\$ 0.17	\$ 0.28

### **BALANCE SHEET (unaudited) September 30, 2012 and 2011**

<b>Assets</b>	<u><b>2012</b></u>	<u><b>2011</b></u>	<b>Liabilities &amp; Equity</b>	<u><b>2012</b></u>	<u><b>2011</b></u>
Cash and Due from Banks	\$ 31,841,595	\$ 28,039,774	Non Interest Bearing	\$ 187,839,536	\$ 174,289,631
Investment Securities	369,787,574	277,498,452	Interest Bearing	<u>860,832,143</u>	<u>813,454,351</u>
Federal Funds Sold	32,074,738	54,505,756	Total Deposits	1,048,671,679	987,743,982
Total Loans	700,059,894	716,213,731	Short Term Debt	-	2,203,993
Allowance for Loan Losses	<u>(11,711,846)</u>	<u>(9,899,594)</u>	Payable for investments purchased	10,011,034	-
Net Loans	688,348,048	706,314,137	Other Liabilities	<u>3,445,047</u>	<u>6,033,174</u>
Bank Premises & Equipment	18,437,772	19,413,860	Total Liabilities	1,062,127,760	995,981,149
Other Real Estate Owned	7,807,551	8,639,616	Common Stock	8,904,915	8,904,915
Cash surrender value of life insurance	28,074,746	12,375,414	Additional Paid-In Capital	26,543,470	26,543,470
Other Assets	<u>10,560,297</u>	<u>10,911,419</u>	Retained Earnings	<u>89,356,176</u>	<u>86,268,894</u>
Total Assets	<u><u>\$ 1,186,932,321</u></u>	<u><u>\$ 1,117,698,428</u></u>	Total Stockholders' Equity	<u>124,804,561</u>	<u>121,717,279</u>
			Total Liabilities & Equity	<u><u>\$ 1,186,932,321</u></u>	<u><u>\$ 1,117,698,428</u></u>

## **Management Comments**

The Corporation posted net income of \$6.6 million for the first nine months of 2012, a decrease of \$0.8 million, or 11.1%, from the first nine months of 2011. Earnings per share decreased to \$0.74 for the nine months ended September 30, 2012 compared to \$0.83 for the same period in 2011.

The decrease in earnings was due to a \$3.4 million decrease in net interest income and a \$0.3 million increase in operating expenses which was offset by a \$2.2 million increase in non-interest income and a \$0.4 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 increase in non-interest expense was due to two one-time related expenses that totaled \$0.6 million. We remain focused on continuing to reduce core operating expense. The increase in non-interest income was primarily due to increased mortgage lending activity and an increase in the gain on sale of other real estate owned net of expenses. The decrease in the provision for loan losses were due to a decrease in net charge-offs.

Operating earnings during the first nine months of 2012 were also negatively affected by a decrease in Acquisition-related purchase accounting income, which totaled \$5.0 million during the first nine months of 2012 compared to \$5.2 million during the same period in 2011.

The Corporation's total assets increased \$69.2 million, or 6.2%, from \$1,117.7 million at September 30, 2011 to \$1,186.9 million at September 30, 2012. The increase in total assets was primarily due to an increase in investment securities and the cash surrender of life insurance which was partially offset by a decrease in loans and federal funds sold. Deposit growth continues to be strong as total deposits increased \$60.9 million as of September 30, 2012 compared to the same period in 2011.

## **Dividend Announcement**

The Board of Directors declared a dividend of \$0.21 per share payable on November 1st, 2012 to shareholders as of the record date of October 22<sup>nd</sup>, 2012.

The Corporation's equity is significantly above the level required to be considered "well capitalized" under current regulations, however, the ratio of capital-to-assets will be impacted by proposals requiring banks maintain more equity capital as new rules for capital "buffers" are phased in through 2018.

After a comprehensive review of current economic conditions and these evolving regulatory requirements the Board agreed the dividend strategy for the Corporation shall include strengthening capital levels and over time, a goal of returning to an enhanced capital position, a "voluntary cushion" similar to that which the Corporation has historically held over capital levels required to be considered well capitalized.

The Board is committed to have Tri City Bankshares Corporation move forward as the strong, profitable and independent community bank it has always been.