

Tri City Bankshares Corporation
Quarterly Brochure Financial Data

INCOME STATEMENT (unaudited)

	Nine Months Ended		Three Months Ended	
	<u>9/30/2013</u>	<u>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2012</u>
Interest Income	\$ 29,866,059	\$ 34,902,638	\$ 10,051,371	\$ 10,581,252
Interest Expense	<u>1,517,309</u>	<u>2,544,906</u>	<u>430,723</u>	<u>771,736</u>
Net Interest Income	28,348,750	32,357,732	9,620,648	9,809,516
Other Income	13,327,939	13,515,748	3,742,346	4,456,557
Less: Provision for loan losses	4,895,000	5,000,000	1,200,000	2,000,000
Other Operating Expenses	<u>29,376,921</u>	<u>30,987,431</u>	<u>9,863,288</u>	<u>10,290,997</u>
Income Before Income Taxes	7,404,768	9,886,049	2,299,706	1,975,076
Provision for Income Taxes	<u>2,343,500</u>	<u>3,322,157</u>	<u>715,000</u>	<u>494,812</u>
Net Income	<u>\$ 5,061,268</u>	<u>\$ 6,563,892</u>	<u>\$ 1,584,706</u>	<u>\$ 1,480,264</u>
Net Income Per Common Share	\$ 0.57	\$ 0.74	\$ 0.18	\$ 0.17

BALANCE SHEET (unaudited) September 30, 2013 and 2012

Assets	<u>2013</u>	<u>2012</u>	Liabilities & Equity	<u>2013</u>	<u>2012</u>
Cash and Due from Banks	\$ 124,114,176	\$ 31,841,595	Non Interest Bearing	\$ 200,244,952	\$ 187,839,536
Investment Securities	312,303,382	369,787,574	Interest Bearing	<u>857,038,117</u>	<u>860,832,143</u>
Federal Funds Sold	1,863,290	32,074,738	Total Deposits	1,057,283,069	1,048,671,679
Total Loans	686,616,280	700,059,894	Short Term Debt	-	-
Allowance for Loan Losses	<u>(12,025,201)</u>	<u>(11,711,846)</u>	Payable for investments purchased	2,692	10,011,034
Net Loans	674,591,079	688,348,048	Other Liabilities	<u>3,435,441</u>	<u>3,445,047</u>
Bank Premises & Equipment	17,205,964	18,437,772	Total Liabilities	1,060,721,202	1,062,127,760
Other Real Estate Owned	6,105,513	7,807,551	Common Stock	8,904,915	8,904,915
Cash surrender value of life insurance	29,088,391	28,074,746	Additional Paid-In Capital	26,543,470	26,543,470
Other Assets	<u>9,894,943</u>	<u>10,560,297</u>	Retained Earnings	<u>78,997,151</u>	<u>89,356,176</u>
Total Assets	<u>\$ 1,175,166,738</u>	<u>\$ 1,186,932,321</u>	Total Stockholders' Equity	<u>114,445,536</u>	<u>124,804,561</u>
			Total Liabilities & Equity	<u>\$ 1,175,166,738</u>	<u>\$ 1,186,932,321</u>

Management Comments

The Corporation posted net income of \$5.1 million for the first nine months of 2013, a decrease of \$1.5 million, or 22.9%, from the first nine months of 2012. Earnings per share decreased to \$0.74 for the nine months ended September 30, 2012 compared to \$0.57 for the same period in 2013.

The decrease in earnings was due to a \$4.0 million decrease in net interest income and a \$0.2 million decrease in non-interest income which was offset by a \$0.1 million decrease in the provision for loan losses and a \$1.6 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 decrease in non-interest income was due to slow down in fee income from our mortgage lending activity due to the rising interest rates during the 3rd quarter of 2013. The decrease in the provision for loan losses was due to an decrease in loan charge-offs net of recoveries during the 3rd quarter of 2013 compared to the same period in 2012. 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 nine months of 2012.

Operating earnings during the first nine months of 2013 were also negatively affected by a decrease in Acquisition-related purchase accounting income, which totaled \$4.0 million during the first nine months of 2013 compared to \$5.0 million during the same period in 2012.

The Corporation's total assets decreased \$12 million, or 1.0%, from \$1,187 million at September 30, 2012 to \$1,175 million at September 30, 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). Deposit growth continues as total deposits increased \$8.6 million as of September 30, 2013 compared to the same period in 2012.

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.