



# Statement of Condition

SEPTEMBER 30, 2021

**TriCity** Bankshares Corporation 

# Dividend Announcement

The Board of Directors declared a dividend of \$0.13 per share payable on November 11, 2021 to shareholders as of the record date of November 1, 2021.

The Corporation has a long history of maintaining capital ratios in excess of the levels required to be considered well capitalized and maintained that position through September 30, 2021.

The Board will continue to monitor earnings, on-going regulatory requirements, the impacts of the COVID-19 pandemic and other factors when approving future dividends.

## INCOME STATEMENT (unaudited)

	Nine Months Ended		Three Months Ended	
	9.30.21	9.30.20	9.30.21	9.30.20
Interest Income	\$38,944,722	\$38,124,975	\$13,875,255	\$12,869,150
Interest Expense	\$765,210	\$1,165,450	\$241,021	\$294,806
<b>Net Interest Income</b>	<b>\$38,179,512</b>	<b>\$36,959,525</b>	<b>\$13,634,234</b>	<b>\$12,574,344</b>
Non-Interest Income	\$13,983,804	\$12,877,308	\$4,934,270	\$5,059,529
Less: Provision for Loan Losses	–	\$900,000	–	\$300,000
Non-Interest Expenses	\$38,705,063	\$36,835,540	\$12,961,405	\$12,920,337
Income Before Income Taxes	\$13,458,253	\$12,101,293	\$5,607,099	\$4,413,536
Income Tax Expense	\$2,067,500	\$1,865,500	\$997,500	\$704,500
<b>Net Income</b>	<b>\$11,390,753</b>	<b>\$10,235,793</b>	<b>\$4,609,599</b>	<b>\$3,709,036</b>
Net Income Per Common Share	\$1.28	\$1.15	\$0.52	\$0.42
Dividends Per Common Share	\$0.39	\$0.39	\$0.13	\$0.13

## BALANCE SHEET: SEPTEMBER 30, 2021 & 2020 (unaudited)

Assets	2021	2020	Liabilities & Equity	2021	2020
Cash & Due from Banks	\$192,550,225	\$175,446,239	Non-Interest Bearing Deposits	\$497,910,567	\$416,915,468
Federal Funds Sold	\$11,355,194	\$10,842,967	Interest Bearing Deposits	\$1,303,057,098	\$1,086,653,641
Security Investments	\$721,711,795	\$463,832,742	<b>Total Deposits</b>	<b>\$1,800,967,665</b>	<b>\$1,503,569,109</b>
<b>Total Loans</b>	<b>\$1,000,249,081</b>	<b>\$995,669,052</b>	Lease Liability	\$15,040,709	\$15,799,148
Allowance for Loan Losses	(\$13,447,831)	(\$12,613,305)	Other Liabilities	\$4,342,978	\$21,354,431
Net Loans	\$988,801,250	\$983,055,747	<b>Total Liabilities</b>	<b>\$1,820,351,352</b>	<b>\$1,540,722,688</b>
Bank Premises & Equipment	\$17,446,258	\$16,020,398	Common Stock	\$8,904,915	\$8,904,915
Right of Use Lease Asset	\$15,040,709	\$15,799,148	Additional Paid-In Capital	\$26,543,470	\$26,543,470
Cash Surrender Value of Life Insurance	\$44,054,444	\$43,715,795	Unrealized Gain on Security Investments	\$916,851	\$8,116,456
Other Assets	\$21,246,687	\$20,323,710	Retained Earnings	\$155,489,974	\$144,749,217
			<b>Total Stockholders' Equity</b>	<b>\$191,855,210</b>	<b>\$188,314,058</b>
<b>Total Assets</b>	<b>\$2,012,206,562</b>	<b>\$1,729,036,746</b>	<b>Total Liabilities &amp; Equity</b>	<b>\$2,012,206,562</b>	<b>\$1,729,036,746</b>

# Management Comments

The Corporation posted net income of \$11.4 million for the first nine months of 2021, an increase of \$1.2 million or 11.3%, compared to the first nine months of 2020. Earnings per share increased to \$1.28 for the first nine months of 2021 compared to \$1.15 for the first nine months of 2020.

Net interest income before provision for loan loss was \$38.2 million for the first nine months of 2021, an increase of \$1.2 million or 3.3%, compared to the first nine months of 2020. The net increase was comprised of no change in interest income on loans in 2021 compared to 2020, an increase in interest income on security investments of \$1.0 million, and a reduction of \$0.2 million in interest income on federal funds sold and due from banks, along with a decrease in interest paid on deposits of \$0.4 million. Major reductions in the federal funds rate set by the Federal Reserve and in market interest rates, beginning in March of 2020, has resulted in reduced yields and interest income despite an increase in net loans outstanding and security investment holdings in 2021 compared to 2020.

Non-interest income for the first nine months of 2021 was \$14.0 million, an increase of \$1.1 million or 8.6%, compared to the first nine months of 2020. The Corporation has benefited from a major increase in activity in the retail mortgage sector associated with the low interest rate environment. Income associated with the

origination and gain on sale of home mortgage loans to FHLMC and additional service fee income was \$3.4 million in the first nine months of 2021, an increase of \$0.9 million compared to the first nine months of 2020. Additionally, an increase in debit card interchange fees offset reductions in deposit account service charges in the first nine months of 2021 compared to 2020.

There was no provision for loan losses recorded in the first nine months of 2021, compared to \$0.9 million in the first nine months of 2020. The Corporation did increase the allowance for loan losses in the final three quarters of 2020 due to potential impacts of the COVID-19 pandemic in the market and the loan portfolio. The Corporation continues to closely monitor loan portfolio activity and local market economic conditions as part of the analysis of the overall allowance for loan losses.

Non-interest expense for the first nine months of 2021 was \$38.7 million, an increase of \$1.9 million or 5.1% compared to the first nine months of 2020. The increase reflects a continued investment in personnel and data processing enhancements. In addition, the Corporation recognized \$0.5 million as a contra expense in the first nine months of 2021 to recognize the portion of PPP loan fees that offset costs incurred to originate PPP loans in 2021, as compared to a \$1.1 million contra expense for PPP loan fees originated in the first nine months of 2020.

Income tax expense for the first nine months of 2021 was \$2.1 million, an increase of \$0.2 million or 10.8%, compared to the first nine months of 2020. The increase is due to the increase in income before taxes, offset by an increase in

tax exempt security investment interest income and an increase in new markets tax credits. The effective tax rate was 15.4% for the first nine months of both 2021 and 2020.

The Corporation's total assets as of September 30, 2021 grew to \$2.01 billion, an increase of \$283.2 million, or 16.4%, compared to September 30, 2020. Cash and amounts due from the Federal Reserve increased year over year by \$17.6 million to \$203.9 million as of September 30, 2021. Investments in securities increased by \$257.9 million to \$721.7 million as of September 30, 2021. Net loans increased by \$5.7 million, comprised of an increase of \$60 million in core commercial loans, offset by a reduction in PPP and other loans outstanding as of September 30, 2021. The growth in assets resulted primarily from an increase in deposits of \$297.4 million or 19.8%, as of September 30, 2021 compared to September 30, 2020. The growth in deposits was across all commercial and personal lines of business, from a combination of new account growth, the impacts of Federal PPP and stimulus programs and reduced customer spending during the COVID-19 pandemic.

Total shareholders' equity was \$191.9 million as of September 30, 2021, an increase of \$3.5 million compared to September 30, 2020. The increase resulted from a \$10.7 million increase in retained earnings, offset by a \$7.2 million decrease in the unrealized market value gain on security investments. The retained earnings growth is net of \$4.6 million in dividends paid during the twelve month period ended September 30, 2021.