



Statement of Condition

DECEMBER 31, 2021

TriCity Bankshares Corporation 

Dividend Announcement

The Board of Directors declared a dividend of \$0.13 per share payable on February 10, 2022 to shareholders as of the record date of January 31, 2022.

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 December 31, 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)

	Twelve Months Ended		Three Months Ended	
	12.31.21	12.31.20	12.31.21	12.31.20
Interest Income	\$52,878,074	\$51,067,127	\$13,933,352	\$12,942,152
Interest Expense	\$943,952	\$1,446,834	\$178,742	\$281,384
Net Interest Income	\$51,934,122	\$49,620,293	\$13,754,610	\$12,660,768
Non-Interest Income	\$18,107,666	\$18,371,250	\$4,123,862	\$5,493,942
Less: Provision for Loan Losses	–	\$1,500,000	–	\$600,000
Non-Interest Expense	\$51,799,581	\$49,756,396	\$13,094,518	\$12,920,856
Income Before Income Taxes	\$18,242,207	\$16,735,147	\$4,783,954	\$4,633,854
Income Tax Expense	\$2,883,643	\$2,518,795	\$816,143	\$653,295
Net Income	\$15,358,564	\$14,216,352	\$3,967,811	\$3,980,559
Net Income Per Common Share	\$1.72	\$1.60	\$0.45	\$0.45
Dividends Per Common Share	\$0.52	\$0.52	\$0.13	\$0.13

BALANCE SHEET: DECEMBER 31, 2021 & 2020 (unaudited)

Assets	2021	2020	Liabilities & Equity	2021	2020
Cash & Due from Banks	\$137,444,324	\$184,345,327	Non-Interest Bearing Deposits	\$501,670,155	\$420,974,242
Federal Funds Sold	\$891,783	\$11,019,722	Interest Bearing Deposits	\$1,345,584,476	\$1,153,612,912
Security Investments	\$820,639,129	\$558,509,399	Total Deposits	\$1,847,254,631	\$1,574,587,154
Total Loans	\$1,014,652,367	\$958,247,553	Lease Liability	\$14,567,534	\$15,659,597
Allowance for Loan Losses	(\$13,572,773)	(\$13,106,919)	Other Liabilities	\$3,869,129	\$15,063,354
Net Loans	\$1,001,079,594	\$945,140,634	Total Liabilities	\$1,865,691,294	\$1,605,310,105
Bank Premises & Equipment	\$17,314,670	\$16,026,081	Common Stock	\$8,904,915	\$8,904,915
Right of Use Lease Asset	\$14,567,534	\$15,659,597	Additional Paid-In Capital	\$26,543,470	\$26,543,470
Cash Surrender Value of Life Insurance	\$44,300,870	\$43,312,658	Unrealized Gain (Loss) on Security Investments	(\$2,116,897)	\$8,083,013
Other Assets	\$21,085,023	\$22,400,218	Retained Earnings	\$158,300,145	\$147,572,133
			Total Stockholders' Equity	\$191,631,633	\$191,103,531
Total Assets	\$2,057,322,927	\$1,796,413,636	Total Liabilities & Equity	\$2,057,322,927	\$1,796,413,636

Management Comments

The Corporation posted net income of \$15.4 million for the year ended December 31, 2021, an increase of \$1.1 million or 8.0%, compared to the year ended December 31, 2020. Earnings per share increased to \$1.72 for the year 2021 compared to \$1.60 for the year 2020.

Net interest income before provision for loan loss was \$51.9 million for the year 2021, an increase of \$2.3 million or 4.7%, compared to the year 2020. The net increase was comprised of an increase of \$0.3 million in interest income on loans in 2021 compared to 2020, an increase in interest income on security investments of \$1.7 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 \$0.5 million. The increased interest on loans resulted from an increase in average loans outstanding and a \$1.6 million increase in fees earned on PPP loans in 2021 compared to 2020, offset by the impact of lower interest rates. The increase in interest income on security investments resulted from significant growth in the portfolio in 2021. The reduction in interest income on federal funds sold and due from banks and in interest expense paid on deposits was directly related to the lower federal funds rate set by the Federal Reserve.

Non-interest income for the year 2021 was \$18.1 million, a decrease of \$0.3 million or 1.4%, compared to the year 2020. The Corporation

recognized an increase of \$0.4 million in earnings on retail mortgage origination and servicing activity and \$0.5 million on debit card interchange fees in 2021 compared to 2020. Those increases were offset by reductions in non-core earnings of \$0.4 million associated with benefits from bank owned life insurance in 2020 and \$0.3 million in discount earnings associated with loans purchased in 2009, along with a combination of other reductions in miscellaneous non-interest income activities in 2021 compared to 2020.

There was no provision for loan losses recorded in 2021, compared to \$1.5 million in 2020. The provision for loan loss recorded in 2020 was associated with potential impacts of the COVID-19 pandemic in the marketplace 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, with no additional provision required for 2021.

Non-interest expense for the year 2021 was \$51.8 million, an increase of \$2.0 million or 4.1% compared to the year 2020. The increase reflects a continued investment in personnel and in data processing and network security enhancements. In addition, the Corporation recognized \$0.5 million as a contra expense in 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 2020.

Income tax expense for the year 2021 was \$2.9 million, an increase of \$0.4 million or 14.5%, compared to the year 2020. The effective tax rate increased to 15.8% in 2021 compared to 15.1% in

2020. The increases are due to the increase in income before taxes, offset by an increase in tax exempt security investment interest income, an increase in new markets tax credits and the non-taxable benefits from bank owned life insurance in 2020.

The Corporation's total assets as of December 31, 2021 grew to \$2.06 billion, an increase of \$260.9 million, or 14.5%, compared to December 31, 2020. Cash, amounts due from banks and federal funds sold decreased year over year by \$57.0 million to \$138.3 million as of December 31, 2021, as more funds were invested in security investments and loans. Investments in securities increased by \$262.1 million to \$820.6 million as of December 31, 2021. Net loans increased by \$55.9 million, comprised of an increase of \$95 million in core commercial loans, offset by a reduction in PPP and other loans outstanding as of December 31, 2021. The growth in assets resulted primarily from an increase in deposits of \$272.7 million or 17.3%, as of December 31, 2021 compared to December 31, 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 \$191.6 million as of December 31, 2021, an increase of \$0.5 million compared to December 31, 2020. The increase resulted from a \$10.7 million increase in retained earnings, offset by a \$10.2 million decrease in the unrealized market value on security investments. The retained earnings growth is net of \$4.6 million in dividends paid in 2021.