



Statement of Condition

JUNE 30, 2022

TriCity Bankshares Corporation 

Dividend Announcement

The Board of Directors declared a dividend of \$0.13 per share payable on August 11, 2022, to shareholders as of the record date of August 1, 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 June 30, 2022.

The Board will continue to monitor earnings, on-going regulatory requirements, economic outlooks and other factors when approving future dividends.

INCOME STATEMENT (unaudited)

	Six Months Ended		Three Months Ended	
	6.30.22	6.30.21	6.30.22	6.30.21
Interest Income	\$27,935,239	\$25,069,467	\$14,301,429	\$12,949,822
Interest Expense	\$397,579	\$524,189	\$227,754	\$256,700
Net Interest Income	\$27,537,660	\$24,545,278	\$14,073,675	\$12,693,122
Non-Interest Income	\$8,861,224	\$9,049,534	\$4,781,696	\$4,586,773
Less: Provision for Loan Losses	—	—	—	—
Non-Interest Expenses	\$26,542,776	\$25,743,658	\$13,254,957	\$12,987,433
Income Before Income Taxes	\$9,856,108	\$7,851,154	\$5,600,414	\$4,292,462
Income Tax Expense	\$1,443,000	\$1,070,000	\$837,500	\$636,000
Net Income	\$8,413,108	\$6,781,154	\$4,762,914	\$3,656,462
Net Income Per Common Share	\$0.94	\$0.76	\$0.53	\$0.41
Dividends Per Common Share	\$0.26	\$0.26	\$0.13	\$0.13

BALANCE SHEET JUNE 30, 2022 & 2021 (unaudited)

Assets	2022	2021	Liabilities & Equity	2022	2021
Cash & Due from Banks	\$93,140,722	\$183,995,547	Non-Interest Bearing Deposits	\$517,661,327	\$485,449,702
Federal Funds Sold	\$528,137	\$11,464,792	Interest Bearing Deposits	\$1,354,946,183	\$1,248,940,515
Security Investments	\$781,055,076	\$668,211,516	Total Deposits	\$1,872,607,510	\$1,734,390,217
Total Loans	\$1,055,557,551	\$1,000,715,680	Lease Liability	\$14,229,055	\$15,204,609
Allowance for Loan Losses	(\$13,728,466)	(\$13,393,348)	Other Liabilities	\$3,376,749	\$8,503,433
Net Loans	\$1,041,829,085	\$987,322,332	Total Liabilities	\$1,890,213,314	\$1,758,098,259
Bank Premises & Equipment	\$17,896,533	\$17,314,833	Common Stock	\$8,904,915	\$8,904,915
Right of Use Lease Asset	\$14,229,055	\$15,204,609	Additional Paid-In Capital	\$26,543,470	\$26,543,470
Cash Surrender Value of Life Insurance	\$43,512,532	\$43,806,155	Unrealized Gain (Loss) on Security Investments	(\$56,457,987)	\$2,901,270
Other Assets	\$41,410,548	\$21,166,144	Retained Earnings	\$164,397,976	\$152,038,014
			Total Stockholders' Equity	\$143,388,374	\$190,387,669
Total Assets	\$2,033,601,688	\$1,948,485,928	Total Liabilities & Equity	\$2,033,601,688	\$1,948,485,928

Management Comments

The Corporation posted net income of \$8.4 million for the first half of 2022, an increase of \$1.6 million or 24.1%, compared to the first half of 2021. Earnings per share increased to \$0.94 for the first half of 2022 compared to \$0.76 for the first half of 2021.

Net interest income before provision for loan loss was \$27.5 million for the first half of 2022, an increase of \$3.0 million or 12.2%, compared to the first half of 2021. The growth was comprised of an increase of \$0.6 million in interest income on loans, an increase of \$2.1 million in interest income on security investments, an increase of \$0.2 million in interest income on due from the Federal Reserve and other banks, and a decrease of \$0.1 million in interest paid on deposits. The Corporation's earning assets as of June 30, 2022, grew by \$65 million year over year with growth in both the loan and security investment portfolios. The resulting interest income from the increase in earning assets was tempered by a reduction in the Corporation's net interest margin from 2.85% in 2021 to 2.83% in 2022.

Non-interest income for the first half of 2022 was \$8.9 million, a decrease of \$0.2 million or 2.1%, compared to the first half of 2021. The refinancing activity in the retail mortgage sector slowed significantly in the first half of 2022 compared to the strong 2021 activity. Income for the first half of 2022 associated with the origination and gain on sale of home mortgage loans to FHLMC and additional service fee income decreased by \$1.8 million year

over year. The decrease was offset by an increase of \$0.5 million in bank owned life insurance death benefit, a \$0.5 million increase in income from non-accretable loan discounts, a \$0.4 million increase in deposit account service charges, a \$0.4 million increase in loan prepayment fees, and other net activity.

There was no provision for loan losses recorded in the first half of 2022 or 2021. The Corporation has recognized net recoveries on its allowance for loan losses in each of the past four years. The Corporation will continue 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 half of 2022 was \$26.5 million, an increase of \$0.8 million or 3.1% compared to the first half of 2021. The increase was primarily due to the Corporation recording a \$0.4 million contra expense in 2021 to recognize the portion of PPP loan fees that offset costs incurred to originate PPP loans in 2021, with no similar activity in 2022, and an increase of \$0.4 million in professional fees for various consulting services.

Income tax expense for the first half of 2022 was \$1.4 million, an increase of \$0.4 million or 34.9%, compared to the first half of 2021. The increase is due to the growth in pre-tax income in the first half of 2022. The effective tax rate increased from 13.6% in 2021 to 14.6% in 2022.

The Corporation's total assets as of June 30, 2022, were \$2.03 billion, an increase of \$85.1 million, or 4.4%, compared to June 30, 2021. Cash and amounts due from the Federal Reserve and other banks decreased \$101.8 million as cash was deployed into loans and security investments. Investments in securities increased by \$112.8 million. Net loans increased by \$54.5 million. The growth in assets resulted primarily from an increase in deposits of \$138.2 million or 8.0%, as of June 30, 2022, compared to June 30, 2021. The growth in deposits continued to be across all commercial and personal lines of business, from a combination of new account growth and growth in customer balances.

Total shareholders' equity for GAAP purposes was \$143.4 million as of June 30, 2022, a decrease of \$47.0 million compared to June 30, 2021. The decrease resulted from a \$12.4 million increase in retained earnings, net of dividends paid of \$4.6 million during the twelve month period, offset by a \$59.4 million decrease in the unrealized market value of the security investment portfolio net of deferred taxes. The increasing interest rate environment will have a negative impact on the market value of the Corporation's security investment portfolio. The Corporation does not anticipate any need to liquidate current security investments. The Corporation's Tier One Capital Ratio, the primary regulatory measure of strong capital, excludes unrealized gain or loss on the security investment portfolio, and it increased from \$187.5 million as of June 30, 2021, to \$199.8 million as of June 30, 2022.