



Statement of Condition

SEPTEMBER 30, 2022

TriCity Bankshares Corporation 

Dividend Announcement

The Board of Directors declared a dividend of \$0.21 per share payable on November 10, 2022, to shareholders as of the record date of October 31, 2022. The November dividend reflects a special one-time \$0.08 per share increase over the prior 2022 quarterly payments, in consideration of growth in the Corporation's earnings and Tier One Capital in 2022, along with acknowledging the increase in inflation.

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, 2022.

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

INCOME STATEMENT (unaudited)

	Nine Months Ended		Three Months Ended	
	9.30.22	9.30.21	9.30.22	9.30.21
Interest Income	\$42,982,187	\$38,944,722	\$15,046,948	\$13,875,255
Interest Expense	\$929,534	\$765,210	\$531,955	\$241,021
Net Interest Income	\$42,052,653	\$38,179,512	\$14,514,993	\$13,634,234
Non-Interest Income	\$12,970,163	\$13,983,804	\$4,108,939	\$4,934,270
Less: Provision for Loan Losses	—	—	—	—
Non-Interest Expenses	\$40,144,395	\$38,705,063	\$13,601,619	\$12,961,405
Income Before Income Taxes	\$14,878,421	\$13,458,253	\$5,022,313	\$5,607,099
Income Tax Expense	\$2,247,000	\$2,067,500	\$804,000	\$997,500
Net Income	\$12,631,421	\$11,390,753	\$4,218,313	\$4,609,599
Net Income Per Common Share	\$1.42	\$1.28	\$0.47	\$0.52
Dividends Per Common Share	\$0.39	\$0.39	\$0.13	\$0.13

BALANCE SHEET SEPTEMBER 30, 2022 & 2021 (unaudited)

Assets	2022	2021	Liabilities & Equity	2022	2021
Cash & Due from Banks	\$83,476,905	\$192,550,225	Non-Interest Bearing Deposits	\$518,618,430	\$497,910,567
Federal Funds Sold	\$2,083,676	\$11,355,194	Interest Bearing Deposits	\$1,368,860,257	\$1,303,057,098
Security Investments	\$729,556,813	\$721,711,795	Total Deposits	\$1,887,478,687	\$1,800,967,665
Total Loans	\$1,097,192,663	\$1,002,249,081	Lease Liability	\$13,829,551	\$15,040,709
Allowance for Loan Losses	(\$13,728,657)	(\$13,447,831)	Other Liabilities	\$8,075,662	\$4,342,978
Net Loans	\$1,083,464,006	\$988,801,250	Total Liabilities	\$1,909,383,900	\$1,820,351,352
Bank Premises & Equipment	\$17,715,232	\$17,446,258	Common Stock	\$8,904,915	\$8,904,915
Right of Use Lease Asset	\$13,829,551	\$15,040,709	Additional Paid-In Capital	\$26,543,470	\$26,543,470
Cash Surrender Value of Life Insurance	\$43,748,283	\$44,054,444	Unrealized Gain (Loss) on Security Investments	(\$85,139,521)	\$916,851
Other Assets	\$53,276,948	\$21,246,687	Retained Earnings	\$167,458,650	\$155,489,974
			Total Stockholders' Equity	\$117,767,514	\$191,855,210
Total Assets	\$2,027,151,414	\$2,012,206,562	Total Liabilities & Equity	\$2,027,151,414	\$2,012,206,562

Management Comments

The Corporation posted net income of \$12.6 million for the first nine months of 2022, an increase of \$1.2 million or 10.9%, compared to the first nine months of 2021. Earnings per share increased to \$1.42 for the first nine months of 2022 compared to \$1.28 for the first nine months of 2021.

Net interest income before provision for loan loss was \$42.1 million for the first nine months of 2022, an increase of \$3.9 million or 10.1%, compared to the first nine months of 2021. The growth was comprised of an increase of \$2.2 million in interest income on loans, an increase of \$3.0 million in interest income on security investments, and an increase of \$0.5 million in interest income on amounts held at the Federal Reserve and other banks, partially offset by an increase of \$0.2 million in interest paid on deposits and a decrease of \$1.6 million in fees earned on the loans issued under the Federal Paycheck Protection Program (PPP). The Corporation's earning assets as of September 30, 2022, grew by \$93 million year over year with growth in both the loan and security investment portfolios.

Non-interest income for the first nine months of 2022 was \$13.0 million, a decrease of \$1.0 million or 7.2%, compared to the first nine months of 2021. The refinancing activity in the retail mortgage sector slowed significantly in the marketplace and for the Corporation in the first nine months of 2022 compared to the strong 2021 activity. Income for the first nine months of 2022 associated with the origination and gain on sale of home mortgage loans to FHLMC and additional service fee income decreased by \$2.5 million year over year. The decrease was offset by an increase of \$0.5 million

in bank owned life insurance death benefit, a \$0.4 million increase in income from non-accretable loan discounts, a \$0.5 million increase in deposit account service charges, a \$0.3 million increase in loan prepayment fees, and other net activity.

There was no provision for loan losses recorded in the first nine months 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 nine months of 2022 was \$40.1 million, an increase of \$1.4 million or 3.7% compared to the first nine months of 2021. The increase was primarily due to the Corporation recording a \$0.5 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 \$0.6 million in professional fees for various consulting services.

Income tax expense for the first nine months of 2022 was \$2.2 million, an increase of \$0.2 million or 8.7%, compared to the first nine months of 2021. The increase is due to the growth in pre-tax income in the first nine months of 2022. The effective tax rate decreased from 15.4% in 2021 to 15.1% in 2022.

The Corporation's total assets as of September 30, 2022, were \$2.03 billion, an increase of \$14.9 million, or 0.7%, compared to September 30, 2021.

Cash and amounts due from the Federal Reserve and other banks decreased \$118.3 million as cash was deployed into loans and security investments. Investments in securities increased by \$7.8 million, net of unrealized market value adjustments. Net loans increased by \$94.7 million. The growth in assets resulted primarily from an increase in deposits of \$86.5 million or 4.8%, as of September 30, 2022, compared to September 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 \$117.8 million as of September 30, 2022, a decrease of \$74.1 million compared to September 30, 2021. The decrease resulted from a \$12.0 million increase in retained earnings, net of dividends paid of \$4.7 million during the twelve-month period, offset by an \$86.1 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, the primary regulatory measure of strong capital, excludes unrealized gain or loss on the security investment portfolio, and it increased from \$190.9 million as of September 30, 2021, to \$202.9 million as of September 30, 2022, an increase of 6.3%.