



Statement of Condition

December 31, 2022

TriCity Bankshares Corporation 

Dividend Announcement

The Board of Directors declared a dividend of \$0.18 per share payable on February 9, 2023, to shareholders as of the record date of January 30, 2023.

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, 2022.

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

INCOME STATEMENT (unaudited)

	Twelve Months Ended		Three Months Ended	
	12.31.22	12.31.21	12.31.22	12.31.21
Interest Income	\$59,453,479	\$52,878,074	\$16,471,292	\$13,933,352
Interest Expense	\$1,860,863	\$943,952	\$931,329	\$178,742
Net Interest Income	\$57,592,616	\$51,934,122	\$15,539,963	\$13,754,610
Non-Interest Income	\$18,272,474	\$18,107,671	\$5,302,311	\$4,123,867
Less: Provision for Loan Losses	—	—	—	—
Non-Interest Expenses	\$55,166,736	\$51,799,581	\$15,022,341	\$13,094,518
Income Before Income Taxes	\$20,698,354	\$18,242,212	\$5,819,933	\$4,783,959
Income Tax Expense	\$3,232,798	\$2,883,643	\$985,798	\$816,143
Net Income	\$17,465,556	\$15,358,569	\$4,834,135	\$3,967,816
Net Income Per Common Share	\$1.96	\$1.72	\$0.54	\$0.45
Dividends Per Common Share	\$0.60	\$0.52	\$0.21	\$0.13

BALANCE SHEET DECEMBER 31, 2022 & 2021 (unaudited)

Assets	2022	2021	Liabilities & Equity	2022	2021
Cash & Due from Banks	\$51,082,746	\$134,568,580	Non-Interest Bearing Deposits	\$506,586,090	\$498,794,405
Federal Funds Sold	\$2,102,042	\$891,783	Interest Bearing Deposits	\$1,384,754,808	\$1,345,584,476
Security Investments	\$691,594,252	\$820,639,129	Total Deposits	\$1,891,340,898	\$1,844,378,881
Total Loans	\$1,177,931,968	\$1,014,652,367	Lease Liability	\$12,716,723	\$14,567,534
Allowance for Loan Losses	(\$13,707,262)	(\$13,572,773)	Other Liabilities	\$5,731,775	\$3,920,473
Net Loans	\$1,164,224,706	\$1,001,079,594	Total Liabilities	\$1,909,789,396	\$1,862,866,888
Bank Premises & Equipment	\$20,361,893	\$17,314,670	Common Stock	\$8,904,915	\$8,904,915
Right of Use Lease Asset	\$12,716,723	\$14,567,534	Additional Paid-In Capital	\$26,543,470	\$26,543,470
Cash Surrender Value of Life Insurance	\$43,984,163	\$44,300,870	Unrealized Gain (Loss) on Security Investments	(\$77,300,851)	(\$2,116,891)
Other Assets	\$52,293,158	\$21,136,368	Retained Earnings	\$170,422,753	\$158,300,146
			Total Stockholders' Equity	\$128,570,287	\$191,631,640
Total Assets	\$2,038,359,683	\$2,054,498,528	Total Liabilities & Equity	\$2,038,359,683	\$2,054,498,528

Management Comments

The Corporation posted net income of \$17.5 million for the year ended December 31, 2022, an increase of \$2.1 million or 13.7%, compared to the year ended December 31, 2021. Earnings per share increased to \$1.96 for the year 2022 compared to \$1.72 for the year 2021.

Net interest income before provision for loan loss was \$57.6 million for the year 2022, an increase of \$5.7 million or 10.9%, compared to the year 2021. The growth was comprised of an increase of \$4.4 million in interest income on loans, an increase of \$3.7 million in interest income on security investments, and an increase of \$0.7 million in interest income on amounts held at the Federal Reserve and other banks, partially offset by an increase of \$0.9 million in interest paid on deposits and a decrease of \$2.2 million in fees earned on the loans issued under the Federal Paycheck Protection Program (PPP). The Corporation's earning assets as of December 31, 2022, grew by \$35 million year over year, with growth driven by the loan portfolio, offset by a decrease in the security investment portfolio.

Non-interest income for the year 2022 was \$18.3 million, an increase of \$0.1 million or 0.9%, compared to the year 2021. The refinancing activity in the retail mortgage sector slowed significantly in the marketplace, and for the Corporation, in the year 2022 compared to the strong 2021 activity.

Income for the year 2022 associated with the origination and gain on sale of home mortgage loans to FHLMC and additional service fee income decreased by \$3.0 million year over year. The decrease was offset by an increase of \$0.5 million in bank owned life insurance death benefits, a \$1.7 million increase in income from non-accretable loan discounts, a \$0.6 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 years 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 year 2022 was \$55.2 million, an increase of \$3.4 million or 6.5% compared to the year 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; an increase in salaries, employee benefits and hiring costs of \$1.0 million driven primarily by increased medical insurance costs; and an increase of \$1.9 million in professional fees and other activity. Income tax expense for the year 2022 was \$3.2 million, an increase of \$0.3 million or 12.1%, compared to the year 2021. The increase is due to the growth in pre-tax income in the year 2022. The effective tax rate decreased from 15.8% in 2021 to 15.6% in 2022.

The Corporation's total assets as of December 31, 2022, were \$2.04 billion, a decrease of \$16.1 million, or 0.8%, compared to December 31, 2021. Cash and amounts due from the Federal Reserve and other banks decreased \$82.3 million as cash was deployed into loans. Investments in securities decreased by \$129.0 million, driven by unrealized market value adjustments and the sale of \$23.4 million in securities to redistribute funds to loans with more favorable yields. Net loans increased by \$163.1 million or 16.3%. The growth in loans was further supported by an increase in deposits of \$47.0 million or 2.5%, as of December 31, 2022, compared to December 31, 2021.

Total shareholders' equity for GAAP purposes was \$128.6 million as of December 31, 2022, a decrease of \$63.1 million compared to December 31, 2021. The decrease resulted from a \$12.1 million increase in retained earnings, net of dividends paid of \$5.4 million during the twelve-month period, offset by a \$75.2 million decrease in the unrealized market value of the security investment portfolio net of deferred taxes. 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 \$193.7 million as of December 31, 2021, to \$205.9 million as of December 31, 2022, and increase of 6.3%.