



Statement of Condition

MARCH 31, 2021

TriCity Bankshares Corporation 

Dividend Announcement

The Board of Directors declared a dividend of \$0.13 per share payable on May 13, 2021 to shareholders as of the record date of May 3, 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 March 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)

	Three Months Ended	
	3.31.21	3.31.20
Interest Income	\$12,119,645	\$12,756,459
Interest Expense	\$267,489	\$545,233
Net Interest Income	\$11,852,156	\$12,211,226
Non-Interest Income	\$4,462,761	\$3,782,856
Less: Provision for Loan Loss Non-Interest Expense	— \$12,756,225	— \$12,467,916
Income Before Income Taxes	\$3,558,692	\$3,526,166
Income Tax Expense	\$434,000	\$499,000
Net Income	\$3,124,692	\$3,027,166
Net Income Per Common Share	\$0.35	\$0.34
Dividends Per Common Share	\$0.13	\$0.13

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

Assets	2021	2020	Liabilities & Equity	2021	2020
Cash & Due from Banks	\$262,755,905	\$81,088,005	Non-Interest Bearing Deposits	\$452,439,812	\$312,131,941
Federal Funds Sold	\$11,051,782	\$11,782,446	Interest Bearing Deposits	\$1,232,609,288	\$948,773,537
Security Investments	\$589,718,573	\$388,036,056	Total Deposits	\$1,685,049,100	\$1,260,905,478
Total Loans	\$964,708,043	\$897,117,005	Lease Liability	\$15,387,327	\$16,134,282
Allowance for Loan Losses	(\$13,258,394)	(\$11,184,418)	Other Liabilities	\$24,479,134	\$10,237,753
Net Loans	\$951,449,649	\$885,932,587	Total Liabilities	\$1,724,915,561	\$1,287,277,513
Bank Premises & Equipment	\$15,856,597	\$16,499,903	Common Stock	\$8,904,915	\$8,904,915
Right of Use Lease Asset	\$15,387,327	\$16,134,282	Additional Paid-In Capital	\$26,543,470	\$26,543,470
Cash Surrender Value of Life Insurance	\$43,559,050	\$43,180,310	Unrealized Gain (Loss) on Security Investments	\$2,084,538	\$181,758
Other Assets	\$22,208,792	\$20,109,935	Retained Earnings	\$149,539,191	\$139,855,868
			Total Stockholders' Equity	\$187,072,114	\$175,486,011
Total Assets	\$1,911,987,675	\$1,462,763,524	Total Liabilities & Equity	\$1,911,987,675	\$1,462,763,524

Management Comments

The Corporation posted net income of \$3.1 million for the first quarter of 2021, an increase of \$0.1 million or 3.2%, compared to the first quarter of 2020. Earnings per share increased to \$0.35 for the first quarter of 2021 compared to \$0.34 for the first quarter of 2020.

Net interest income before provision for loan loss was \$11.8 million for the first quarter of 2021, a decrease of \$0.4 million or 2.9%, compared to the first quarter of 2020. The decrease was due to reductions of \$0.4 million in interest income on loans and \$0.3 million in interest income on federal funds sold and due from banks, which was partially offset by a \$0.3 million decrease in interest paid on deposits. 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 quarter of 2021 was \$4.5 million, an increase of \$0.7 million or 18.0%, compared to the first quarter of 2020. The Corporation recognized a major increase in activity in the retail mortgage sector in the first quarter of 2021 given the low interest rate environment. First quarter 2021 income associated with the origination and gain on sale of home mortgage loans to FHLMC and additional

service fee income was \$1.2 million, an increase of \$0.9 million compared to the first quarter of 2020. The increase was offset by a decrease of \$0.2 million in deposit account service charges associated with customers holding larger account balances reducing fees and overdraft income.

There was no provision for loan losses recorded in the first quarter of 2021 or 2020. However, 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 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 quarter of 2021 was \$12.8 million, an increase of \$0.3 million or 2.3% compared to the first quarter of 2020. The increase was primarily due to a continued investment in personnel and data processing charges. The Corporation recognized \$0.4 million as a contra expense in 2021 to recognize the portion of PPP loan fees that offset costs incurred to originate the PPP loans in 2021.

Income tax expense for the first quarter of 2021 was \$0.4 million, a decrease of \$0.1 million or 13.0%, compared to the first quarter of 2020. The decrease is due to an increase in tax exempt

security investment interest income and an increase in new markets tax credits. The effective tax rate decreased from 14.2% in 2020 to 12.2% in 2021.

The Corporation's total assets as of March 31, 2021 were \$1.91 billion, an increase of \$449.2 million, or 30.7%, compared to March 31, 2020. Cash and amounts due from the Federal Reserve and other banks increased \$180.9 million. Investments in securities increased by \$201.7 million. Net loans increased by \$65.5 million, including \$58.0 million in PPP loans, outstanding as of March 31, 2021. The growth in assets resulted primarily from an increase in deposits of \$424.1 million or 33.6%, as of March 31, 2021 compared to March 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 \$187.1 million as of March 31, 2021, an increase of \$11.6 million compared to March 31, 2020. The increase resulted from a \$9.7 million increase in retained earnings, net of dividends paid of \$4.6 million during the twelve month period, and a \$1.9 million increase in the unrealized market value gain on security investments.