



# Statement of Condition

MARCH 31, 2022

**TriCity** Bankshares Corporation 

# Dividend Announcement

The Board of Directors declared a dividend of \$0.13 per share payable on May 12, 2022 to shareholders as of the record date of May 2, 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 March 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)

	Three Months Ended	
	3.31.22	3.31.21
Interest Income	\$13,633,810	\$12,119,645
Interest Expense	\$169,825	\$267,489
<b>Net Interest Income</b>	<b>\$13,463,985</b>	<b>\$11,852,156</b>
Non-Interest Income	\$4,079,528	\$4,462,761
Less: Provision for Loan Losses	–	–
Non-Interest Expenses	\$13,287,819	\$12,756,225
Income Before Income Taxes	\$4,255,694	\$3,558,692
Income Tax Expense	\$605,500	\$434,000
<b>Net Income</b>	<b>\$3,650,194</b>	<b>\$3,124,692</b>
Net Income Per Common Share	\$0.41	\$0.35
Dividends Per Common Share	\$0.13	\$0.13

## BALANCE SHEET MARCH 31, 2022 & 2021 (unaudited)

Assets	2022	2021	Liabilities & Equity	2022	2021
Cash & Due from Banks	\$134,283,289	\$262,755,905	Non-Interest Bearing Deposits	\$514,219,262	\$452,439,812
Federal Funds Sold	\$1,286,687	\$11,051,782	Interest Bearing Deposits	\$1,373,328,681	\$1,232,609,288
Security Investments	\$802,106,540	\$589,718,573	<b>Total Deposits</b>	<b>\$1,887,547,943</b>	<b>\$1,685,049,100</b>
<b>Total Loans</b>	<b>\$1,042,790,944</b>	<b>\$964,708,043</b>	Lease Liability	\$14,332,348	\$15,387,327
Allowance for Loan Losses	(\$13,607,984)	(\$13,258,394)	Other Liabilities	\$14,661,439	\$24,479,134
Net Loans	\$1,029,182,960	\$951,449,649	<b>Total Liabilities</b>	<b>\$1,916,541,730</b>	<b>\$1,724,915,561</b>
Bank Premises & Equipment	\$16,917,263	\$15,856,597	Common Stock	\$8,904,915	\$8,904,915
Right of Use Lease Asset	\$14,332,348	\$15,387,327	Additional Paid-In Capital	\$26,543,470	\$26,543,470
Cash Surrender Value of Life Insurance	\$44,534,187	\$43,559,050	Unrealized (Loss) Gain on Security Investments	(\$37,318,780)	\$2,084,538
Other Assets	\$32,820,762	\$22,208,792	Retained Earnings	\$160,792,701	\$149,539,191
			<b>Total Stockholders' Equity</b>	<b>\$158,922,306</b>	<b>\$187,072,114</b>
<b>Total Assets</b>	<b>\$2,075,464,036</b>	<b>\$1,911,987,675</b>	<b>Total Liabilities &amp; Equity</b>	<b>\$2,075,464,036</b>	<b>\$1,911,987,675</b>

# Management Comments

The Corporation posted net income of \$3.6 million for the first quarter of 2022, an increase of \$0.5 million or 16.8%, compared to the first quarter of 2021. Earnings per share increased to \$0.41 for the first quarter of 2022 compared to \$0.35 for the first quarter of 2021.

Net interest income before provision for loan loss was \$13.5 million for the first quarter of 2022, an increase of \$1.6 million or 13.6%, compared to the first quarter of 2021. The growth was comprised of an increase of \$0.4 million in interest income on loans, an increase of \$1.1 million in interest income on security investments and a decrease of \$0.1 million in interest paid on deposits. The Corporation's earning assets grew by \$153 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 2.86% in 2021 to 2.80% in 2022 due to the lower interest rate environment.

Non-interest income for the first quarter of 2022 was \$4.1 million, a decrease of \$0.4 million or 8.6%, compared to the first quarter of 2021. The refinancing activity in the retail mortgage sector slowed significantly in the first quarter of 2022 compared to the strong 2021 activity. First quarter 2022 income associated with the origination and gain on sale of home mortgage loans to FHLMC and additional service fee income decreased by \$0.9

million year over year. The decrease was offset by an increase of \$0.2 million in deposit account service charges, a \$0.2 million increase in loan prepayment fees and other net activity.

There was no provision for loan losses recorded in the first quarter 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 quarter of 2022 was \$13.3 million, an increase of \$0.5 million or 4.2% compared to the first quarter 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.

Income tax expense for the first quarter of 2022 was \$0.6 million, an increase of \$0.2 million or 39.5%, compared to the first quarter of 2021. The increase is due to the growth in pre-tax income in the quarter. The effective tax rate increased from 12.2% in 2021 to 14.2% in 2022.

The Corporation's total assets as of March 31, 2022 were \$2.08 billion, an increase of \$163.5

million, or 8.6%, compared to March 31, 2021. Cash and amounts due from the Federal Reserve and other banks decreased \$138.2 million as cash was deployed into loans and security investments. Investments in securities increased by \$212.4 million. Net loans increased by \$77.7 million. The growth in assets resulted primarily from an increase in deposits of \$202.5 million or 12.0%, as of March 31, 2022 compared to March 31, 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 \$158.9 million as of March 31, 2022, a decrease of \$28.1 million compared to March 31, 2021. The decrease resulted from an \$11.3 million increase in retained earnings, net of dividends paid of \$4.6 million during the twelve month period, offset by a \$39.4 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 \$185.0 million as of March 31, 2021 to \$196.2 million as of March 31, 2022.