Statement of Condition

June 30, 2024

TriCity Bankshares Corporation

Dividend Announcement

The Board of Directors declared a dividend of $0.18 per share payable on August 8, 2024, to shareholders as of the record date of July 29, 2024.

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, 2024.

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	
	6.30.24	6.30.23	6.30.24	6.30.23
Interest Income	$37,784,990	$32,754,412	$19,002,393	$16,600,630
Interest Expense	$12,239,341	$5,539,672	$6,111,500	$3,487,945
Net Interest Income	$25,545,649	$27,214,740	$12,890,893	$13,112,685
Non-Interest Income	$8,715,617	$7,080,349	$4,902,528	$3,680,230
Less: Provision for Credit Losses	$(125,000)	$(455,211)	$(125,000)	-
Non-Interest Expense	$27,341,765	$26,973,346	$14,312,888	$13,500,606
Income Before Income Taxes	$7,044,501	$7,776,954	$3,605,533	$3,292,309
Income Tax Expense	$1,039,612	$980,500	$524,034	$276,000
Change in Tax Law	$(44,195)	-	$(44,195)	-
Total Income Tax Expense	$995,417	$980,500	$479,839	$276,000
Net Income	$6,049,084	$6,796,454	$3,125,694	$3,016,309
Net Income Per Common Share	$0.68	$0.76	$0.35	$0.34
Dividends Per Common Share	$0.36	$0.36	$0.18	$0.18

BALANCE SHEET JUNE 30, 2024 & 2023 (unaudited)

Assets	2024	2023	Liabilities & Equity	2024	2023
Cash & Due from Banks	$140,067,178	$40,435,916	Non-Interest Bearing Deposits	$403,530,766	$435,927,215
Federal Funds Sold	$1,841,560	$925,398	Interest Bearing Deposits	$1,258,240,354	$1,234,336,105
Security Investments	$557,113,255	$630,733,734	**Total Deposits**	**$1,661,771,120**	**$1,670,263,320**
Total Loans	**$1,174,744,182**	**$1,189,237,449**	Borrowings	$150,000,000	$149,973,802
Allowance for Credit Losses	$(14,433,886)	$(14,558,318)	Lease Liability	$11,836,117	$12,426,868
Net Loans	$1,160,310,296	$1,174,679,131	Other Liabilities	$7,965,246	$4,723,546
Bank Premises & Equipment	$19,372,300	$20,547,846	**Total Liabilities**	**$1,831,572,483**	**$1,837,387,536**
Right of Use Lease Asset	$11,836,117	$12,426,868	Common Stock	$8,904,915	$8,904,915
Cash Surrender Value of Life Insurance	$44,960,825	$44,456,912	Additional Paid-in Capital	$26,543,470	$26,543,470
Other Assets	$38,535,523	$48,896,731	Unrealized Loss on Security Investments	$(65,700,664)	$(73,746,822)
			Retained Earnings	$172,716,850	$174,013,437
Total Assets	**$1,974,037,054**	**$1,973,102,536**	**Total Stockholders' Equity**	$142,464,571	$135,715,000
			Total Liabilites & Equity	**$1,974,037,054**	**$1,973,102,536**

Management Comments

The Corporation posted net income of $6.0 million for the first half of 2024, a decrease of $0.8 million or 11.0%, compared to the first half of 2023. Earnings per share decreased to $0.68 for the first half of 2024 compared to $0.76 for the first half of 2023.

Net interest income before the provision for (recapture of) credit loss was $25.5 million for the first half of 2024, a decrease of $1.7 million or 6.1%, compared to the first half of 2023. The reduction was comprised of an increase of $2.6 million in interest income on loans and an increase of $3.2 million in interest income on amounts held at the Federal Reserve and other banks, offset by a decrease of $0.8 million in interest income on security investments, an increase of $5.0 million in interest paid on deposits and an increase of $1.7 million in interest paid on short-term borrowings.

Non-interest income for the first half of 2024 was $8.7 million, an increase of $1.6 million or 23.1%, compared to the first half of 2023. The improvement was comprised of an increase in service charges on deposits of $0.6 million, a gain on the sale of premises and equipment of $1.1 million, and benefits from bank owned life insurance of $0.3 million, partially offset by a decrease in debit card interchange income of $0.4 million and other net activity.

A net recapture of credit losses of $0.1 million was recorded for the first half of 2024 compared to a net recapture of credit losses of $0.5 million for the first half of 2023. The Corporation has recognized net recoveries on its allowance for loan losses in each of the past five 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 credit losses.

Non-interest expense for the first half of 2024 was $27.3 million, an increase of $0.4 million or 1.4% compared to the first half of 2023. The increase was primarily attributable to an increase in loss on sale of securities of $0.4 million, an increase in data processing expense of $0.2 million, and other net activity, partially offset by a decrease in New Markets Tax Credit amortization of $0.8 million due to the adoption of Accounting Standards Update No. 2023-02 (ASU 2023-02), a decrease in net occupancy costs of $0.2 million. ASU 2023-02 altered the method used to amortize the Corporation's investment in the New Markets Tax Credits to the proportional amortization method. This method results in the net benefit of the tax credits, including the amortization of the investment, to be recorded in tax expense.

Income tax expense for the first half of 2024 was $1.0 million, consistent with the first half of 2023. This result is driven by lower income before income taxes and the elimination of state income tax expense, offset by the adoption of ASU 2023-02. The effective tax rate increased from 12.6% in 2023 to 14.1% in 2024.

The Corporation's total assets as of June 30, 2024, were $1.97 billion, consistent with total assets as of June 30, 2023. Investments in securities decreased by $73.6 million, driven primarily by principal cash inflows and the sale of $15.0 million in securities. Net loans decreased by $14.4 million or 1.2%. Cash and amounts due from the Federal Reserve and other banks increased $100.5 million, driven primarily by the reductions in investments in securities and net loans. The Corporation has maintained stable deposits year over year with a small decline of $8.5 million, or 0.5%. The Corporation's earning assets as of June 30, 2024, increased by $13.1 million year over year with growth driven by the increase in amounts held at the Federal Reserve and other banks and an increase in the cash surrender value of life insurance of $0.5 million.

Total shareholders' equity for GAAP purposes was $142.5 million as of June 30, 2024, an increase of $6.7 million compared to June 30, 2023. The increase resulted from a $5.7 million increase in retained earnings from earnings during the twelve-month period and an increase of $8.0 million in the unrealized market value of the security investment portfolio net of deferred taxes, offset by dividends paid of $6.4 million during the twelve-month period and a $0.6 million adjustment resulting from the adoption of ASU 2023-02. 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 decreased from $209.5 million as of June 30, 2023, to $208.2 million as of June 30, 2024, a decrease of 0.6%.

CHANGE IN STATE TAX LAW IMPACT

On July 1, 2023, the Wisconsin State Budget was signed into law and included language that provides financial institutions with an exemption from state taxable income for interest, fees, and penalties earned on Wisconsin-based business purpose or agriculture purpose loans for $5 million or less, effective January 1, 2023. The impact to the Corporation is the elimination of state income tax expense as of January 1, 2023, which was recorded effective July 1, 2023, in accordance with generally accepted accounting principles in the United States (US GAAP). The Corporation continues to recognize federal income tax expense. The Corporation also recorded a valuation allowance for state-related deferred tax assets as of July 1, 2023, of which $6.3 million relates to the state tax effect on unrealized losses on securities stranded in other comprehensive income. The $6.3 million stranded in other comprehensive income is recognized as an income tax benefit on a security-by-security basis as the related securities mature or are sold.