Statement of Condition
(Amended)

September 30, 2023

TriCity Bankshares Corporation

Dividend Announcement

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

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	
	9.30.23	9.30.22	3.30.23	9.30.22
Interest Income	$50,100,403	$42,982,187	$17,345,991	$15,046,948
Interest Expense	$10,100,616	$929,534	$4,560,944	$31,955
Net Interest Income	$39,999,787	$42,052,653	$12,785,047	$4,514,993
Non-Interest Income	$11,057,292	$12,970,163	$3,976,943	$4,108,939
Less: Provision for Credit Losses	$(455,211)	-	-	-
Non-Interest Expense	$40,108,595	$40,144,395	$13,135,249	$13,601,619
Income Before Income Taxes	$11,403,695	$14,878,421	$3,626,741	$5,022,313
Income Tax Expense (Benefit)	$684,125	$2,247,000	$(296,375)	$804,000
Change in Tax Law	$7,358,444	-	$7,358,444	-
Total Income Tax Expense	$8,042,569	$2,247,000	$7,062,069	$804,000
Net Income (Loss)	$3,361,126	$12,631,421	$(3,435,328)	$4,218,313
Net Income (Loss) Per Common Share	$0.38	$1.42	$(0.39)	$0.47
Dividends Per Common Share	$0.54	$0.39	$0.18	$0.13

BALANCE SHEET SEPTEMBER 30, 2023 & 2022 (unaudited)

Assets	2023	2022	Liabilities & Equity	2023	2022
Cash & Due from Banks	$89,554,680	$83,476,905	Non-Interest Bearing Deposits	$427,024,523	$518,618,430
Federal Funds Sold	$881,580	$2,083,676	Interest Bearing Deposits	$1,264,896,011	$1,368,860,257
Security Investments	$592,785,444	$729,556,813	**Total Deposits**	**$1,691,920,534**	**$1,887,478,687**
Total Loans	**$1,185,812,745**	**$1,097,192,663**	Borrowings	$149,973,802	-
Allowance for Credit Losses	$(14,569,706)	$(13,728,657)	Lease Liability	$12,281,176	$13,829,551
Net Loans	$1,171,243,039	$1,083,464,006	Other Liabilities	$7,278,636	$8,075,662
Bank Premises & Equipment	$20,123,468	$17,715,232	**Total Liabilities**	**$1,861,454,148**	**$1,909,383,900**
Right of Use Lease Asset	$12,281,176	$13,829,551	Common Stock	$8,904,915	$8,904,915
Cash Surrender Value of Life Insurance	$44,707,853	$43,748,283	Additional Paid-in Capital	$26,543,470	$26,543,470
Other Assets	$46,364,426	$53,276,948	Unrealized Loss on Security Investments	$(87,936,090)	$(85,139,521)
			Retained Earnings	$168,975,223	$167,458,650
Total Assets	**$1,977,941,666**	**$2,027,151,414**	**Total Stockholders' Equity**	$116,487,518	$117,767,514
			Total Liabilites & Equity	**$1,977,941,666**	**$2,027,151,414**

Management Comments

The Corporation's statement of condition as of September 30, 2023, and for the first nine months of 2023 then ended, was amended to incorporate the impact of the Wisconsin State Budget, enacted on July 1, 2023 and effective January 1, 2023. This change in tax law is reflected in income tax expense and further described within the management commentary on income tax expense herein.

The Corporation posted net income of $3.4 million for the first nine months of 2023, a decrease of $9.3 million or 73.4%, compared to the first nine months of 2022. Earnings per share decreased to $0.38 for the first nine months of 2023 compared to $1.42 for the first nine months of 2022. See comments in subsequent paragraphs for an explanation of how the Wisconsin tax law change impacted earnings.

Net interest income before the provision for credit losses was $40.0 million for the first nine months of 2023, a decrease of $2.1 million or 4.9%, compared to the first nine months of 2022. The decrease was comprised of an increase of $7.0 million in interest income on loans and an increase of $0.6 million in interest income on amounts held at the Federal Reserve and other banks, offset by an increase of $5.5 million in interest paid on deposits, an increase of $3.7 million in interest paid on short-term borrowings and a decrease of $0.5 million in interest income on investment securities. The Corporation's earning assets as of September 30, 2023, decreased by $44.1 million year over year with growth driven by the loan portfolio offset by a decrease in the investment portfolio.

Non-interest income for the first nine months of 2023 was $11.1 million, a decrease of $1.9 million or 14.7%, compared to the first nine months of 2022. The reduction was comprised of a $0.6 million decrease in income from non-accretable loan discounts, a $0.5 million decrease in bank owned life insurance death benefit, a decrease of $0.5 million in income from prepayment and other loan fees, and other net activity.

The provision for credit losses was a net benefit of $0.5 million for the first nine months of 2023. No provision for credit losses was recorded in the first nine months of 2022. The net benefit was driven by the payoff of loans with significant specific allowances for credit losses offset by an increase in the provision for credit losses driven by economic conditions. The Corporation has recognized net recoveries on its allowance for credit 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 nine months of 2023 was flat compared to the first nine months of 2022 at $40.1 million. The net activity consisted of an increase in salaries, employee benefits and hiring costs of $0.8 million, an increase of $0.2 million in regulatory agency assessments, an increase of $0.3 million in professional fees and an increase of $0.2 million in other non-interest expenses driven primarily by losses on sales of securities, offset by a decrease in data processing expense of $1.5 million.

The Corporation's total assets as of September 30, 2023, were $1.98 billion, a decrease of $49.2 million, or 2.4%, compared to September 30, 2022. Investments in securities decreased by $136.8 million, driven by unrealized market value adjustments, principal cash inflows of $71.2 million, and net sales of $62.6 million in securities to redistribute funds to loans with more favorable yields. Net loans increased by $87.8 million or 8.1%. The reduction in deposits of $195.6 million, or 10.4%, was further supported by an increase in short-term borrowings of $150.0 million.

Total shareholders' equity for GAAP purposes was $116.5 million as of September 30, 2023, a decrease of $1.3 million compared to September 30, 2022. The decrease resulted from a $8.2 million increase in retained earnings, net of dividends paid of $6.7 million during the twelve-month period, offset by a $2.8 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 $202.9 million as of September 30, 2022, to $204.4 million as of September 30, 2023, an increase of 0.7%.

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. The Corporation continues to recognize federal income tax expense, which resulted in income tax expense of $0.7 million for the first nine months of 2023, a decrease of $1.6 million, compared to the first nine months of 2022 when the Corporation recognized federal and state income tax expense. However, the elimination of state income tax expense also caused a valuation allowance to be recorded for state-related deferred tax assets. This resulted in a one-time income tax expense of $7.4 million recorded as of the July 1, 2023. Of this expense, $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 will be recognized as an income tax benefit on a security-by-security basis as securities mature or are sold. Driven primarily by this one-time tax expense, total income tax expense for the first nine months of 2023 was $8.0 million, an increase of $5.8 million or 258%, compared to the first nine months of 2022. The effective tax rate increased from 15.1% in 2022 to 70.5% in 2023.