Statement of Condition

March 31, 2024

TriCity Bankshares Corporation

Dividend Announcement

The Board of Directors declared a dividend of $0.18 per share payable on May 9, 2024, to shareholders as of the record date of April 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 March 31, 2024.

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		
	3.31.24	3.31.23
Interest Income	$18,782,597	$16,153,782
Interest Expense	$6,127,841	$2,051,727
Net Interest Income	$12,654,756	$14,102,055
Non-Interest Income	$3,813,089	$3,400,119
Less: Provision for Credit Losses	-	$(455,211)
Non-Interest Expense	$13,028,877	$13,472,740
Income Before Income Taxes	$3,438,968	$4,484,645
Income Tax Expense	$515,578	$704,500
Net Income	$2,923,390	$3,780,145
Net Income Per Common Share	$0.33	$0.42
Dividends Per Common Share	$0.18	$0.18

BALANCE SHEET MARCH 31, 2024 & 2023 (unaudited)

Assets	2024	2023	Liabilities & Equity	2024	2023
Cash & Due from Banks	$168,154,254	$31,224,579	Non-Interest Bearing Deposits	$399,441,397	$466,037,680
Federal Funds Sold	$1,076,709	$1,256,991	Interest Bearing Deposits	$1,311,510,927	$1,299,065,631
Security Investments	$589,965,635	$656,966,739	**Total Deposits**	**$1,710,952,324**	**$1,765,103,311**
Total Loans	**$1,160,515,337**	**$1,170,968,940**	Borrowings	$150,000,000	$50,000,000
Allowance for Credit Losses	$(14,539,468)	$(14,547,468)	Lease Liability	$11,985,814	$12,571,251
Net Loans	$1,145,975,869	$1,156,421,472	Other Liabilities	$5,325,251	$3,234,237
Bank Premises & Equipment	$19,483,499	$20,262,375	**Total Liabilities**	**$1,878,263,389**	**$1,830,908,799**
Right of Use Lease Asset	$11,985,814	$12,571,251	Common Stock	$8,904,915	$8,904,915
Cash Surrender Value of Life Insurance	$44,697,940	$44,211,483	Additional Paid-in Capital	$26,543,470	$26,543,470
Other Assets	$38,602,974	$48,637,277	Unrealized Loss on Security Investments	$(64,963,127)	$(67,405,027)
			Retained Earnings	$171,194,047	$172,600,010
Total Assets	**$2,019,942,694**	**$1,971,552,167**	**Total Stockholders' Equity**	$141,679,305	$140,643,368
			Total Liabilites & Equity	**$2,019,942,694**	**$1,971,552,167**

Management Comments

The Corporation posted net income of $2.9 million for the first three months of 2024, a decrease of $0.9 million or 22.7%, compared to the first three months of 2023. Earnings per share decreased to $0.33 for the first three months of 2024 compared to $0.42 for the first three months of 2023.

Net interest income before the provision for credit loss was $12.7 million for the first three months of 2024, a decrease of $1.4 million or 10.3%, compared to the first three months of 2023. The growth was comprised of an increase of $1.4 million in interest income on loans and an increase of $1.6 million in interest income on amounts held at the Federal Reserve and other banks, offset by a decrease of $0.4 million in interest income on security investments, an increase of $2.6 million in interest paid on deposits and an increase of $1.4 million in interest paid on short-term borrowings.

Non-interest income for the first three months of 2024 was $3.8 million, an increase of $0.4 million or 12.1%, compared to the first three months of 2023. The improvement was comprised of an increase in service charges on deposits of $0.2 million, an increase in income associated with the origination and gain on sale of home mortgage loans to FHLMC and additional service fees of $0.1 million, and benefits from bank owned life insurance of $0.3 million, partially offset by a decrease in debit card interchange income of $0.2 million and other net activity.

No provision for credit losses was recorded for the first three months of 2023 compared to a net recapture of credit losses of $0.5 million for the first three months 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 three months of 2024 was $13.0 million, a decrease of $0.5 million or 3.3% compared to the first three months of 2023. The decrease was primarily due to a decrease in New Markets Tax Credit amortization of $0.4 million due to the adoption of Accounting Standards Update No. 2023-02 (ASU 2023-02), a decrease in net occupancy costs of $0.1 million, and other net activity, partially offset by an increase in data processing expense of $0.1 million. ASU 2023-02 altered the method used to amortize the Corporation's investment in the New Markets Tax Credits to proportional over the term tax credits are received and caused the entire impact of the tax credits, including the amortization of the investment, to be recorded in tax expense.

Income tax expense for the first three months of 2024 was $0.5 million, a decrease of $0.2 million or 26.8%, compared to the first three months of 2023. The decrease was driven by the elimination of state income tax expense partially offset by the adoption of ASU 2023-02. The effective tax rate decreased from 15.7% in 2023 to 15.0% in 2024.

The Corporation's total assets as of March 31, 2024, were $2.02 billion, an increase of $48.4 million, or 2.5%, compared to March 31, 2023. Investments in securities decreased by $67.0 million, driven primarily by principal cash inflows and the sale of $4.3 million in securities. Net loans decreased by $10.4 million or 0.9%. Cash and amounts due from the Federal Reserve and other banks increased $136.7 million, driven by the reductions in investments in securities and an increase in short-term borrowings of $100.0 million, partially offset by a reduction in deposits of $54.2 million, or 3.1%.

Total shareholders' equity was $141.7 million as of March 31, 2024, an increase of $1.0 million compared to March 31, 2023. The decrease resulted from a $5.6 million increase in retained earnings from earnings during the twelve-month period and an increase of $2.4 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 capital, excludes unrealized gain or loss on the security investment portfolio, decreased from $208.0 million as of March 31, 2023, to $206.6 million as of March 31, 2024, a decrease of 2.5%

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 will be recognized as an income tax benefit on a security-by-security basis as the related securities mature or are sold.