Statement of Condition

December 31, 2024

TriCity Bankshares Corporation

Dividend Announcement

The Board of Directors declared a dividend of $0.18 per share payable on February 13, 2025, to shareholders as of the record date of February 3, 2025.

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 December 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)

	Twelve Months Ended		Three Months Ended	
	12.31.24	12.31.23	12.31.24	12.31.23
Interest Income	$76,556,195	$68,733,641	$19,214,970	$18,633,238
Interest Expense	$23,588,442	$15,453,609	$5,316,241	$5,352,993
Net Interest Income	$52,967,753	$53,280,032	$13,898,729	$13,280,245
Non-Interest Income	$17,285,654	$14,925,145	$4,407,395	$3,867,853
Less: Provision for Credit Losses	$(425,000)	$(455,211)	$(300,000)	-
Non-Interest Expense	$56,871,445	$53,823,196	$15,517,832	$13,714,601
Income Before Income Taxes	$13,806,962	$14,837,192	$3,088,292	$3,433,497
Income Tax Expense	$2,470,398	$1,020,733	$860,893	$336,608
Change in Tax Law	$(390,584)	$7,358,444	$(279,302)	-
Total Income Tax Expense	$2,079,814	$8,379,177	$581,591	$336,608
Net Income	$11,727,148	$6,458,015	$2,506,701	$3,096,889
Net Income Per Common Share	$1.32	$0.73	$0.28	$0.35
Dividends Per Common Share	$0.72	$0.72	$0.18	$0.18

BALANCE SHEET DECEMBER 31, 2024 & 2023 (unaudited)

Assets	2024	2023	Liabilities & Equity	2024	2023
Cash & Due from Banks	$150,501,120	$193,710,617	Non-Interest Bearing Deposits	$393,321,685	$402,043,867
Federal Funds Sold	$1,966,188	$1,066,930	Interest Bearing Deposits	$1,344,812,597	$1,366,328,304
Security Investments	$476,198,208	$608,976,750	**Total Deposits**	**$1,738,134,282**	**$1,768,372,171**
Total Loans	**$1,177,751,681**	**$1,173,609,721**	Borrowings	-	$150,000,000
Allowance for Credit Losses	$(14,157,647)	$(14,579,234)	Lease Liability	$11,532,624	$12,134,163
Net Loans	$1,163,594,034	$1,159,030,487	Other Liabilities	$3,928,385	$4,724,204
Bank Premises & Equipment	$20,337,755	$19,940,303	**Total Liabilities**	**$1,753,595,291**	**$1,935,230,538**
Right of Use Lease Asset	$11,532,624	$12,134,163	Common Stock	$8,904,915	$8,904,915
Cash Surrender Value of Life Insurance	$47,237,774	$44,961,864	Additional Paid-in Capital	$26,543,470	$26,543,470
Other Assets	$35,782,322	$38,922,274	Unrealized Loss on Security Investments	$(57,082,797)	$(62,404,762)
			Retained Earnings	$175,189,146	$170,469,227
Total Assets	**$1,907,150,025**	**$2,078,743,388**	**Total Stockholders' Equity**	$153,554,734	$143,512,850
			Total Liabilities & Equity	**$1,907,150,025**	**$2,078,743,388**

Management Comments

The Corporation posted net income of $11.73 million for year-end 2024, an increase of $5.27 million or 81.6%, compared to year-end 2023. Earnings per share increased to $1.32 for year-end 2024 compared to $0.73 for year-end 2023.

Net interest income before the provision for (recapture of) credit loss was $52.97 million for year-end 2024, a decrease of $0.31 million or 0.6%, compared to year-end 2023. The reduction was comprised of an increase of $5.2 million in interest income on loans and an increase of $4.3 million in interest income on amounts held at the Federal Reserve and other banks, offset by a decrease of $1.7 million in interest income on security investments, an increase of $7.1 million in interest paid on deposits and an increase of $1.0 million in interest paid on short-term borrowings.

Non-interest income for year-end 2024 was $17.3 million, an increase of $2.4 million or 15.8%, compared to year-end 2023. The improvement was comprised of an increase in service charges on deposits of $1.0 million, a gain on the sale of premises and equipment of $1.1 million, and benefits from bank owned life insurance of $1.1 million, partially offset by a decrease in debit card interchange income of $0.6 million and other net activity.

A net recapture of credit losses of $0.43 million was recorded during 2024 compared to a net recapture of credit losses of $0.5 million during 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 during 2024 was $56.9 million, an increase of $3.0 million or 5.7% compared to 2023. The increase was primarily attributable to an increase in loss on sale of securities of $4.3 million, an increase in data processing expense of $0.6 million, and other net activity, partially offset by a decrease in New Markets Tax Credit amortization of $1.7 million due to the adoption of Accounting Standards Update No. 2023-02 (ASU 2023-02), and a decrease in net occupancy costs of $0.1 million and professional fees of $0.47 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 during 2024 was $2.1 million, a decrease of $6.3 million from 2023. See Change in State Tax Law Impact section for more detail on the large variance year over year. The effective tax rate decreased from 56.47% in 2023 to 15.06% in 2024.

The Corporation's total assets as of December 31, 2024, were $1.91 billion, a decrease of $171.6 million compared to December 31, 2023. The decrease was primarily a result of repaying $150 million in borrowings using cash held at the Federal Reserve. Investments in securities decreased by $132.8 million, driven primarily by principal cash inflows and the sale of $64.7 million in securities. Net loans increased by $4.6 million or 0.4%. Cash and amounts due from the Federal Reserve and other banks decreased by $42.3 million, driven primarily by paying off borrowings. The Corporation has maintained core deposits year over year with a decline of $30.2 million, or 1.7% primarily driven by a reduction in Municipal deposits of $28.9 million.

Total shareholders' equity for GAAP purposes was $153.6 million as of December 31, 2024, an increase of $10.0 million compared to December 31, 2023. The increase resulted from a $4.7 million increase in retained earnings from earnings during the twelve-month period and an increase of $5.3 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 increased from $205.9 million as of December 31, 2023, to $210.6 million as of December 31, 2024, an increase of 2.3%.

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.