



Dogwood State Bank Reports Higher Second Quarter 2024 Earnings Reflecting Strong Operating Momentum Heading into Community First Acquisition

Raleigh, North Carolina, July 29, 2024 – Dogwood State Bank (“Dogwood”) announced today its financial results for the three and six months ended June 30, 2024 as it prepares to close its previously announced acquisition of Community First Bancorporation and Community First Bank, Inc. (“Community First”) this Thursday, August 1, 2024.

Second Quarter 2024 Financial Highlights

- **Net income grew to \$2.7 million in Q2 2024 from \$1.8 million in Q1 2024 and \$2.0 million in Q2 2023. Dogwood incurred merger and acquisition expenses of \$562 thousand in Q2 2024 and \$958 thousand in Q1 2024 related to the acquisition of Community First.**
- **Net income, after adjusting for merger and acquisition expenses (non-GAAP), improved to \$3.1 million in Q2 2024 from \$2.6 million in Q1 2024 and \$2.0 million in Q2 2023.**
- **Net interest margin increased to 3.53% in Q2 2024 from 3.41% in Q1 2024 and 3.50% in Q2 2023.**
- **SBA lending income rose to \$2.7 million in Q2 2024 from \$2.2 million in Q1 2024 and \$2.2 million in Q2 2023.**
- **Loans held for investment grew by \$87.8 million in Q2 2024 and by \$240.5 million over the past twelve months.**
- **Deposits grew by \$35.3 million in Q2 2024 and by \$185.6 million over the past twelve months.**

“This week marks a pivotal moment as we prepare for the successful completion of our acquisition of Community First,” commented Steve Jones, Chief Executive Officer. “We look forward to welcoming our new customers, employees, and shareholders to the Dogwood family. We believe this strategic transaction will position Dogwood for enhanced earnings growth and long-term value creation.”

Mr. Jones continued, “Our second quarter results reflect Dogwood’s strong operating momentum heading into the Community First acquisition. We achieved robust loan and core deposit growth, meaningfully expanded our net interest margin, and grew SBA lending income on a higher volume of SBA loan sales and improved secondary market premiums.”

Community First Acquisition

On January 31, 2024, Dogwood entered into a merger agreement to acquire Community First in an all-stock transaction. Under the terms of the merger agreement, each outstanding share of Community First common stock will be exchanged for 0.5875 shares of Dogwood voting common stock, and each outstanding share of Community First preferred stock will be exchanged for 64.7719 shares of Dogwood voting common stock. A total of 3.4 million shares of Dogwood voting common stock will be issued in the acquisition of Community First.

As of June 30, 2024, on a pro forma basis reflecting the acquisition of Community First, Dogwood had approximately \$2.2 billion in assets, \$1.7 billion in loans, and \$1.8 billion in deposits. In Q2 2024, the Bank incurred pre-tax merger and acquisition expenses of \$562 thousand. For the first half of 2024, merger and acquisition expenses totaled \$1.5 million.

Q2 2024 Earnings Performance

Net income in Q2 2024 was \$2.7 million, or \$0.17 per diluted share, compared to \$2.0 million, or \$0.13 per diluted share, in Q2 2023. This increase was primarily due to higher net interest income, partially offset by \$562 million of merger and acquisition expenses in Q2 2024 related to the acquisition of Community First.

Adjusted net income (non-GAAP) in Q2 2024, which excludes the impact of merger and acquisition expenses, was \$3.1 million, or \$0.20 per diluted share, which was an increase from \$2.0 million, or \$0.13 per share in Q2 2023. Adjusted pre-tax, pre-provision net revenue (non-GAAP) in Q2 2024 was \$6.0 million, an increase from \$4.3 million in Q2 2023.

Net Interest Income

Net interest income was \$12.5 million in Q2 2024, an increase from \$9.9 million in Q2 2023. The increase was primarily due to significant growth in interest-earning assets over the past year and some improvement in net interest margin.

Total average interest-earning assets increased to \$1.43 billion in Q2 2024 from \$1.13 billion in Q2 2023. Average loans increased by \$249.2 million. Average investment securities balances increased by \$12.2 million, and average interest-earning cash balances increased by \$35.8 million.

Net interest margin improved to 3.53% in Q2 2024 from 3.50% in Q2 2023. While cost of funds increased by 0.66% over the periods under comparison due to significant increases in the federal funds target rate in 2022 and 2023, higher yields on interest-earning assets coupled with a more favorable mix of those assets contributed to the improved net interest margin.

Provision for Credit Losses and Asset Quality

Provision for credit losses was \$2.0 million in Q2 2024, an increase from \$1.7 million in Q2 2023. The increase in provision expense was partially due to a \$196 thousand increase in net charge-offs along with stronger net loan growth over the same periods. The Bank's allowance for credit losses to total loans was 1.08% as of June 30, 2024, compared to 1.07% as of March 31, 2024 and 1.12% as of June 30, 2023.

Nonperforming loans were 0.17% of total loans as of June 30, 2024, compared to 0.17% as of March 31, 2024 and 0.19% as of June 30, 2023. Annualized net charge offs were 0.33% of average loans in Q2 2024, consistent with 0.33% in Q2 2023. Substantially all charge offs recognized in Q2 2024 were related to unguaranteed portions of U.S. Small Business Administration ("SBA") loans.

Non-Interest Income

Non-interest income was \$3.4 million in Q2 2024, an increase from \$2.8 million in Q2 2023. Most of this increase was related to SBA lending income. SBA lending income rose by \$562 thousand due to higher secondary market premiums on sales of guaranteed loans and an increase in the volume of guaranteed SBA 7(a) loans sold in the quarter.

The weighted average net premium on SBA loans sold in Q2 2024 was 9.90%, an increase from 9.07% in Q2 2023. Guaranteed balances of SBA loans sold totaled \$29.3 million in Q2 2024, an increase from \$22.6 million in Q2 2023. Loan production under the SBA's 7(a) loan program totaled \$44.6 million in Q2 2024, compared to \$28.3 million in Q2 2023.

Non-Interest Expense

Non-interest expense was \$10.5 million in Q2 2024, an increase from \$8.4 million in Q2 2023. The largest contributor to this increase was compensation and benefits, which increased by \$1.1 million. Significant investments have been made in human capital across the Bank to support its growth. Additionally, merger and acquisition expenses of \$562 thousand incurred in Q2 2024 related to the acquisition of Community First.

Income Taxes

Income tax expense was \$811 thousand in Q2 2024, compared to \$550 thousand in Q2 2023. The effective tax rate was 23.41% in Q2 2024, which was higher than 21.74% in Q2 2023.

Year-to-Date 2024 Earnings Performance

Net income in the first six months of 2024 (“YTD 2024”) was \$4.5 million, or \$0.30 per diluted share, compared to \$4.8 million, or \$0.33 per diluted share, in the first six months of 2023 (“YTD 2023”). This decrease was primarily due to \$1.5 million of merger and acquisition expenses in YTD 2024 related to the pending acquisition of Community First.

Adjusted net income (non-GAAP) in YTD 2024, which excludes the impact of merger and acquisition expenses, was \$5.7 million, or \$0.37 per diluted share, which was an increase from \$4.8 million, or \$0.33 per share in YTD 2023. Adjusted pre-tax, pre-provision net revenue (non-GAAP) in YTD 2024 was \$10.3 million, an increase from \$8.5 million in YTD 2023.

Net Interest Income

Net interest income was \$23.8 million in YTD 2024, an increase from \$19.9 million in YTD 2023. The increase was due to significant growth in interest-earning assets over the past year, partially offset by a lower net interest margin YTD 2024 compared to YTD 2023. Net interest margin was negatively impacted by funding costs rising at a faster rate than interest-earning asset yields.

Total average interest-earning assets increased to \$279 million in YTD 2024 from \$1.2 million in YTD 2023 to \$1.5 million in YTD 2024. Average loans increased by \$237.0 million. Average investment securities balances increased by \$10.6 million, and average interest-earning cash balances increased \$31.3 million. Net interest margin decreased to 3.47% in YTD 2024, compared to 3.64% in YTD 2023.

Provision for Credit Losses and Asset Quality

Provision for credit losses was \$2.9 million in YTD 2024, an increase from \$2.5 million in YTD 2023. The increase in provision expense was primarily due to a \$266 thousand increase in net charge-offs.

Non-Interest Income

Non-interest income was \$6.3 million in YTD 2024, an increase from \$5.4 million in YTD 2023. Most of this increase was related to SBA lending income. SBA lending income increased by \$693 thousand due to higher secondary market premiums on sales of guaranteed loans and an increase in the volume of guaranteed SBA 7(a) loans sold YTD.

The weighted average net premium on SBA loans sold in YTD 2024 was 9.45%, an increase from 8.47% in YTD 2023. Guaranteed balances of SBA loans sold totaled \$50.2 million in YTD 2024, an increase from \$44.5 million in YTD 2023. Loan production under the SBA’s 7(a) loan program totaled \$78.1 million in YTD 2024, compared to \$59.4 million in YTD 2023.

Non-Interest Expense

Non-interest expense was \$21.3 million in YTD 2024, an increase from \$16.8 million in YTD 2023. Some of the increase was related to compensation and benefits, which increased by \$2.0 million. Significant investments have been made in human capital across the Bank to support its growth, including recent growth into the Piedmont-Triad NC market. Additionally, merger and acquisition expenses of \$1.5 million were incurred YTD 2024 related to the acquisition of Community First.

Income Taxes

Income tax expense was \$1.4 million in YTD 2024, compared to \$1.3 million in YTD 2023. The effective tax rate was 23.75% in YTD 2024, which was higher than 20.83% in YTD 2023.

About Dogwood State Bank

Dogwood State Bank is a state-chartered community bank headquartered in Raleigh, North Carolina, with approximately \$1.5 billion in total assets. Dogwood provides a wide range of banking products and services through its online offerings and branch offices across North Carolina. Dogwood also specializes in providing lending services to small businesses through Dogwood State Bank Small Business Lending. Dogwood is focused on becoming the bank for businesses, business owners, professionals, and their employees and redefining what it means to Bank Local. By leveraging leadership, investing in technology, and committing to personalized, superior customer service, Dogwood is changing the landscape of community banking.

Forward-Looking Statements

Statements made in this press release, other than those concerning historical financial information, may be considered forward-looking statements, which speak only as of the date of this press release and are based on current expectations and involve a number of assumptions. Forward-looking statements can be identified by words such as “anticipate,” “intend,” “plan,” “goal,” “seek,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods. Our ability to predict results, or the actual effect of future plans or strategies, is inherently uncertain. Factors that could have a material effect on the Bank’s operations and future prospects include but are not limited to: the expected growth opportunities or cost savings from the proposed merger (the “merger”) of Community First and Community First Bank, Inc. with and into the Bank may not be fully realized or may take longer to realize than expected; the businesses of the Bank and Community First may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; deposit attrition, operating costs, customer losses and business disruption prior to and following the merger, including adverse effects on relationships with employees and customers, may be greater than expected; the regulatory and shareholder approvals required for the merger may not be obtained; changes in interest rates, general economic and business conditions; legislative/regulatory changes; the monetary and fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System; the quality and composition of the Bank’s loan and securities portfolios; demand for loan products and other financial services in our market areas; inflation; deposit flows; competition; our implementation of new technologies and ability to develop and maintain secure and reliable electronic systems; changes in the securities markets; and changes in accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or clarify these forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

This press release contains financial information determined by methods other than in accordance with United States generally accepted accounting principles (“GAAP”). The Bank uses the non-GAAP financial measures discussed herein in its analysis of the Bank’s performance. The Bank’s management believes that these non-GAAP financial measures enhance comparability of results of operations with prior periods by excluding the impact of items or events that may obscure trends in the Bank’s performance. These disclosures should not be viewed as a substitute for financial results in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures which may be presented by other companies. Please refer to the Non-GAAP Reconciliation table for a reconciliation of these non-GAAP measures to the most directly comparable GAAP measure.

Quarterly Financial Tables

Dogwood State Bank Income Statements

	Quarter Ended					Six Months Ended	
	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sept 30 2023	Jun 30 2023	Jun 30 2024	Jun 30 2023
(Dollars in thousands, except per share data)							
Net interest income	\$ 12,521	\$ 11,312	\$ 11,900	\$ 11,005	\$ 9,853	\$ 23,833	\$ 19,880
Provision for credit losses	2,017	921	1,638	1,063	1,725	2,938	2,464
Net interest income after provision	10,504	10,391	10,262	9,942	8,128	20,895	17,416
Non-interest income							
SBA lending	2,717	2,197	1,838	2,362	2,155	4,914	4,221
Service charges and debit card income	340	351	343	345	358	691	711
Bank-owned life insurance	219	211	201	187	183	430	363
Securities gains (losses), net	(6)	6	5	94	(13)	-	(22)
Gain on payoff of FHLB advances	-	-	1,230	-	-	-	-
Other	161	85	93	49	69	246	110
Total non-interest income	3,431	2,850	3,710	3,037	2,752	6,281	5,383
Non-interest expense							
Compensation and benefits	6,683	6,506	6,910	6,003	5,567	13,189	11,226
Occupancy and equipment	707	719	634	590	591	1,426	1,179
Software	344	346	343	346	359	690	686
Loan related costs	314	290	254	305	174	604	355
Data processing	315	261	245	263	247	576	502
Professional fees	235	225	242	250	236	460	479
FDIC insurance	204	240	239	222	169	444	273
Merger and acquisition expenses	562	958	14	-	-	1,520	-
Amortization of other intangible assets	4	11	18	24	31	15	69
Other	1,102	1,259	1,274	1,137	976	2,361	1,996
Total non-interest expense	10,470	10,815	10,173	9,140	8,350	21,285	16,765
Net income before income taxes	3,465	2,426	3,799	3,839	2,530	5,891	6,034
Income tax expense	811	588	865	902	550	1,399	1,257
Net income	\$ 2,654	\$ 1,838	\$ 2,934	\$ 2,937	\$ 1,980	\$ 4,492	\$ 4,777
Pre-Tax, Pre-Provision Net Revenue (PPNR) ⁽¹⁾	\$ 5,482	\$ 3,347	\$ 5,437	\$ 4,902	\$ 4,255	\$ 8,829	\$ 8,498
Adjusted PPNR ⁽¹⁾	6,044	4,305	5,451	4,902	4,255	10,349	8,498
Per Share Data:							
Earnings per share (EPS) - basic	\$ 0.18	\$ 0.13	\$ 0.20	\$ 0.20	\$ 0.14	\$ 0.31	\$ 0.34
Adjusted EPS - basic ⁽¹⁾	0.21	0.18	0.21	0.20	0.14	0.39	0.34
Earnings per share - diluted	0.17	0.12	0.20	0.20	0.13	0.30	0.33
Adjusted EPS - diluted ⁽¹⁾	0.20	0.17	0.20	0.20	0.13	0.37	0.33
Performance Ratios:							
Return on average assets (ROA)	0.71%	0.53%	0.80%	0.87%	0.67%	0.62%	0.83%
Adjusted ROA ⁽¹⁾	0.83%	0.74%	0.81%	0.87%	0.67%	0.79%	0.83%
Return on average equity (ROE)	6.16%	4.44%	7.15%	7.32%	5.05%	5.32%	6.47%
Adjusted ROE ⁽¹⁾	7.16%	6.22%	7.18%	7.32%	5.05%	6.70%	6.47%
Return on tangible common equity (ROTCE) ⁽¹⁾	6.42%	4.63%	7.48%	7.66%	5.29%	5.54%	6.79%
Adjusted ROTCE ⁽¹⁾	7.46%	6.50%	7.51%	7.66%	5.29%	6.99%	6.79%
Net interest margin	3.53%	3.41%	3.42%	3.43%	3.50%	3.47%	3.64%
Efficiency ratio	65.63%	76.37%	65.17%	65.09%	66.24%	70.68%	66.36%
Adjusted efficiency ratio ⁽¹⁾	62.11%	69.60%	65.08%	65.09%	66.24%	65.63%	66.36%

⁽¹⁾ Denotes a non-GAAP measure. Refer to the non-GAAP reconciliation subsequently included in these materials for a reconciliation to the most directly comparable GAAP measure. "Adjusted" items exclude the impact of merger and acquisition expenses.

Dogwood State Bank
Balance Sheets

	Ending Balance				
	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sept 30 2023	Jun 30 2023
<i>(In thousands, except per share data)</i>					
Assets					
Cash and due from banks	\$ 2,514	\$ 2,353	\$ 5,191	\$ 5,261	\$ 5,471
Interest-earning deposits with banks	59,073	91,365	123,474	220,206	105,237
Total cash and cash equivalents	<u>61,587</u>	<u>93,718</u>	<u>128,665</u>	<u>225,467</u>	<u>110,708</u>
Investment securities available for sale	58,989	55,984	49,244	40,887	39,565
Investment securities held to maturity	74,404	76,119	77,557	78,614	79,759
Marketable equity securities	329	336	329	324	230
Total investment securities	<u>133,722</u>	<u>132,439</u>	<u>127,130</u>	<u>119,825</u>	<u>119,554</u>
Loans held for sale	11,030	8,146	15,274	20,329	13,884
Loans	1,236,722	1,148,899	1,095,339	1,036,636	996,193
Less allowance for credit losses	<u>(13,349)</u>	<u>(12,344)</u>	<u>(11,943)</u>	<u>(11,385)</u>	<u>(11,204)</u>
Loans, net	<u>1,223,373</u>	<u>1,136,555</u>	<u>1,083,396</u>	<u>1,025,251</u>	<u>984,989</u>
Bank-owned life insurance	27,888	27,669	27,458	27,257	27,069
Premises and equipment, net	19,713	18,838	18,707	19,522	18,648
SBA servicing asset	4,568	4,373	3,967	3,913	3,879
Goodwill	7,016	7,016	7,016	7,016	7,016
Other intangible assets, net	-	4	15	33	58
Other assets	21,854	19,750	20,060	19,845	16,714
Total assets	<u>\$ 1,510,751</u>	<u>\$ 1,448,508</u>	<u>\$ 1,431,688</u>	<u>\$ 1,468,458</u>	<u>\$ 1,302,519</u>
Liabilities and Shareholders' Equity					
Deposits:					
Noninterest-bearing	\$ 379,465	\$ 302,705	\$ 291,910	\$ 390,018	\$ 308,418
Interest-bearing	872,430	913,914	902,369	844,914	757,903
Total deposits	<u>1,251,895</u>	<u>1,216,619</u>	<u>1,194,279</u>	<u>1,234,932</u>	<u>1,066,321</u>
FHLB advances	60,000	40,000	50,000	50,000	60,000
Lease obligations	10,726	10,959	11,187	11,416	10,602
Other liabilities	13,162	11,459	11,719	12,012	7,937
Total liabilities	<u>1,335,783</u>	<u>1,279,037</u>	<u>1,267,185</u>	<u>1,308,360</u>	<u>1,144,860</u>
Shareholders' equity					
Common stock (\$1 par value)	15,541	15,020	14,710	14,695	14,695
Additional paid-in capital	137,431	135,077	132,373	132,113	131,859
Retained earnings	26,897	24,244	22,406	19,473	16,536
Accumulated other comprehensive loss	<u>(4,901)</u>	<u>(4,870)</u>	<u>(4,986)</u>	<u>(6,183)</u>	<u>(5,431)</u>
Total shareholders' equity	<u>174,968</u>	<u>169,471</u>	<u>164,503</u>	<u>160,098</u>	<u>157,659</u>
Total liabilities and shareholders' equity	<u>\$ 1,510,751</u>	<u>\$ 1,448,508</u>	<u>\$ 1,431,688</u>	<u>\$ 1,468,458</u>	<u>\$ 1,302,519</u>
Per Share Information:					
Shares outstanding	15,541	15,020	14,710	14,695	14,695
Book value per share	\$ 11.26	\$ 11.28	\$ 11.18	\$ 10.89	\$ 10.73
Tangible book value per share ⁽¹⁾	\$ 10.81	\$ 10.82	\$ 10.71	\$ 10.42	\$ 10.25
Capital Ratios:					
Tier 1 leverage	11.39%	11.75%	11.05%	11.72%	12.92%
Common equity Tier 1 capital	12.64%	13.12%	13.47%	13.97%	14.28%
Tier 1 risk-based capital	12.64%	13.12%	13.47%	13.97%	14.28%
Total risk-based capital	13.81%	14.29%	14.65%	15.08%	15.41%
Tangible common equity ⁽¹⁾	11.17%	11.27%	11.05%	10.47%	11.62%

⁽¹⁾ Denotes a non-GAAP measure. Refer to the non-GAAP reconciliation subsequently included in these materials for a reconciliation to the most directly comparable GAAP measure.

Dogwood State Bank
Asset Quality Measures

	Quarter Ended				
	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sept 30 2023	Jun 30 2023
(Dollars in thousands)					
Nonperforming Assets:					
Non-accrual loans	\$ 2,069	\$ 1,938	\$ 1,670	\$ 1,684	\$ 1,918
Loans 90 days or more past due and accruing	-	-	-	-	-
Other real estate owned	-	-	-	-	-
Total nonperforming assets	\$ 2,069	\$ 1,938	\$ 1,670	\$ 1,684	\$ 1,918
Asset Quality Ratios:					
Nonperforming loans/loans	0.17%	0.17%	0.15%	0.16%	0.19%
Nonperforming assets/total assets	0.14%	0.13%	0.12%	0.11%	0.15%
Nonperforming assets/loans and other real estate owned	0.17%	0.17%	0.15%	0.16%	0.19%
Loans 30 days or more past due/loans (excludes non-accruals)	0.21%	0.41%	0.23%	0.05%	0.04%
Allowance for Credit Losses (ACL):					
ACL on Loans:					
Balance, beginning of period	\$ 12,344	\$ 11,943	\$ 11,385	\$ 11,204	\$ 10,235
CECL adjustment	-	-	-	-	-
Loans charged off	(987)	(288)	(81)	(792)	(787)
Recoveries of loans previously charged off	11	9	40	29	7
Net loans charged off	(976)	(279)	(41)	(763)	(780)
Provision for credit losses	1,981	680	599	944	1,749
Balance, end of period	\$ 13,349	\$ 12,344	\$ 11,943	\$ 11,385	\$ 11,204
ACL on Off-Balance Sheet Credit Exposures:					
Balance, beginning of period	\$ 2,301	\$ 2,060	\$ 1,020	\$ 901	\$ 925
Provision for credit losses	36	241	1,040	119	(24)
Balance, end of period	\$ 2,337	\$ 2,301	\$ 2,060	\$ 1,020	\$ 901
Allowance for Credit Losses Ratios:					
Allowance for credit losses/loans	1.08%	1.07%	1.09%	1.10%	1.12%
Allowance for credit losses/nonperforming loans	645.19%	636.95%	715.15%	676.07%	584.15%
Net charge-offs/average loans (annualized)	0.33%	0.10%	0.02%	0.30%	0.33%

Dogwood State Bank
Net Interest Margin Analysis

(Dollars in thousands)	Quarter Ended								
	June 30, 2024			March 31, 2024			June 30, 2023		
	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
Interest-Earning Assets:									
Loans	\$ 1,192,611	\$ 19,547	6.59%	\$ 1,125,595	\$ 18,116	6.47%	\$ 943,379	\$ 13,995	5.95%
Investment securities	133,164	1,066	3.22%	131,250	1,029	3.15%	120,947	808	2.68%
Interest-earning deposits with banks	99,729	1,259	5.08%	78,807	975	4.98%	63,947	738	4.63%
Total interest-earning assets	1,425,504	21,872	6.17%	1,335,652	20,120	6.06%	1,128,273	15,541	5.52%
Non interest-earning assets	68,849			66,568			63,779		
Total assets	<u>\$ 1,494,353</u>			<u>\$ 1,402,220</u>			<u>\$ 1,192,052</u>		
Interest-Bearing Liabilities:									
Interest-bearing demand	\$ 117,889	\$ 285	0.97%	\$ 124,309	\$ 293	0.95%	\$ 104,857	\$ 214	0.82%
Savings and money market	606,729	6,239	4.14%	601,319	6,110	4.09%	369,055	2,769	3.01%
Time	187,206	2,206	4.74%	170,964	1,967	4.63%	196,181	1,865	3.81%
Total interest-bearing deposits	911,824	8,730	3.85%	896,592	8,370	3.75%	670,093	4,848	2.90%
FHLB advances	41,099	552	5.40%	27,253	368	5.43%	67,253	779	4.65%
Lease obligations	10,851	69	2.56%	11,086	70	2.54%	9,453	61	2.59%
Total interest-bearing liabilities	963,774	9,351	3.90%	934,931	8,808	3.79%	746,799	5,688	3.05%
Non-interest bearing deposits	343,732			288,518			280,580		
Other liabilities	13,491			12,237			7,374		
Shareholders' equity	173,356			166,534			157,299		
Total liabilities and shareholders' equity	<u>\$ 1,494,353</u>			<u>\$ 1,402,220</u>			<u>\$ 1,192,052</u>		
Net interest income and interest rate spread		<u>\$ 12,521</u>	<u>2.27%</u>		<u>\$ 11,312</u>	<u>2.27%</u>		<u>\$ 9,853</u>	<u>2.47%</u>
Net interest margin			<u>3.53%</u>			<u>3.41%</u>			<u>3.50%</u>
Cost of funds			2.88%			2.90%			2.22%
Cost of deposits			2.80%			2.84%			2.05%

(Dollars in thousands)	Six Months Ended					
	June 30, 2024			June 30, 2023		
	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
Interest-Earning Assets:						
Loans	\$ 1,159,104	\$ 37,663	6.53%	\$ 922,073	\$ 26,732	5.85%
Investment securities	132,206	2,095	3.19%	121,629	1,628	2.70%
Interest-earning deposits with banks	89,268	2,235	5.03%	57,925	1,271	4.42%
Total interest-earning assets	1,380,578	41,993	6.12%	1,101,627	29,631	5.42%
Non interest-earning assets	67,708			62,535		
Total assets	<u>\$ 1,448,286</u>			<u>\$ 1,164,162</u>		
Interest-Bearing Liabilities:						
Interest-bearing demand	\$ 121,099	\$ 577	0.96%	\$ 106,809	\$ 390	0.74%
Savings and money market	604,024	12,350	4.11%	364,542	4,881	2.70%
Time	179,085	4,174	4.69%	192,895	3,332	3.48%
Total interest-bearing deposits	904,208	17,101	3.80%	664,246	8,603	2.61%
FHLB advances	34,176	920	5.41%	44,751	1,035	4.66%
Lease obligation	10,968	139	2.55%	9,540	113	2.39%
Total interest-bearing liabilities	949,352	18,160	3.85%	718,537	9,751	2.74%
Non-interest bearing deposits	316,125			289,549		
Other liabilities	12,865			7,156		
Shareholders' equity	169,944			148,920		
Total liabilities and shareholders' equity	<u>\$ 1,448,286</u>			<u>\$ 1,164,162</u>		
Net interest income and interest rate spread		<u>\$ 23,833</u>	<u>2.27%</u>		<u>\$ 19,880</u>	<u>2.69%</u>
Net interest margin			<u>3.47%</u>			<u>3.64%</u>
Cost of funds			3.80%			1.95%
Cost of deposits			3.75%			1.82%

Dogwood State Bank
Non-GAAP Reconciliation

	Quarter Ended					Six Months Ended	
	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Jun 30	Jun 30
	2024	2024	2023	2023	2023	2024	2023
(In thousands, except per share data)							
Net income and EPS:							
Net income (GAAP)	\$ 2,654	\$ 1,838	\$ 2,934	\$ 2,937	\$ 1,980	\$ 4,492	\$ 4,777
Adjust for merger and acquisition expenses, net of tax	433	738	11	-	-	1,171	-
Adjusted net income (non-GAAP)	\$ 3,087	\$ 2,576	\$ 2,945	\$ 2,937	\$ 1,980	\$ 5,663	\$ 4,777
Weighted average common shares outstanding							
Basic	14,905	14,377	14,329	14,329	14,329	14,641	13,971
Diluted	15,480	15,075	15,039	15,026	15,017	15,202	14,642
EPS (GAAP)							
Basic	\$ 0.18	\$ 0.13	\$ 0.20	\$ 0.20	\$ 0.14	\$ 0.31	\$ 0.34
Diluted	0.17	0.12	0.20	0.20	0.13	0.30	0.33
Adjusted EPS (non-GAAP)							
Basic	\$ 0.21	\$ 0.18	\$ 0.21	\$ 0.20	\$ 0.14	\$ 0.39	\$ 0.34
Diluted	0.20	0.17	0.20	0.20	0.13	0.37	0.33
PPNR:							
Net income (GAAP)	\$ 2,654	\$ 1,838	\$ 2,934	\$ 2,937	\$ 1,980	\$ 4,492	\$ 4,777
Add:							
Provision for credit losses	2,017	921	1,638	1,063	1,725	2,938	2,464
Income tax expense	811	588	865	902	550	1,399	1,257
PPNR (non-GAAP)	5,482	3,347	5,437	4,902	4,255	8,829	8,498
Less: merger and acquisition expenses	562	958	14	-	-	1,520	-
Adjusted PPNR (non-GAAP)	\$ 6,044	\$ 4,305	\$ 5,451	\$ 4,902	\$ 4,255	\$ 10,349	\$ 8,498
ROA:							
Net income (GAAP)	\$ 2,654	\$ 1,838	\$ 2,934	\$ 2,937	\$ 1,980	\$ 4,492	\$ 4,777
Adjusted net income (non-GAAP)	3,087	2,576	2,945	2,937	1,980	5,663	4,777
Average assets	1,494,353	1,402,220	1,448,929	1,339,667	1,192,052	1,448,286	1,164,162
ROA	0.71%	0.53%	0.80%	0.87%	0.67%	0.62%	0.83%
Adjusted ROA (non-GAAP)	0.83%	0.74%	0.81%	0.87%	0.67%	0.79%	0.83%
ROE and ROTCE:							
Net income (GAAP)	\$ 2,654	\$ 1,838	\$ 2,934	\$ 2,937	\$ 1,980	\$ 4,492	\$ 4,777
Adjusted net income (non-GAAP)	3,087	2,576	2,945	2,937	1,980	5,663	4,777
Average shareholders' equity (GAAP)	173,356	166,534	162,703	159,209	157,299	169,944	148,920
Less: average goodwill and other intangible assets, net	7,018	7,027	7,041	7,063	7,091	7,022	7,109
Average tangible common equity (non-GAAP)	166,338	159,507	155,662	152,146	150,208	162,922	141,811
ROE	6.16%	4.44%	7.15%	7.32%	5.05%	5.32%	6.47%
Adjusted ROE (non-GAAP)	7.16%	6.22%	7.18%	7.32%	5.05%	6.70%	6.47%
ROTCE (non-GAAP)	6.42%	4.63%	7.48%	7.66%	5.29%	5.54%	6.79%
Adjusted ROTCE (non-GAAP)	7.46%	6.50%	7.51%	7.66%	5.29%	6.99%	6.79%
Efficiency Ratio:							
Non-interest expense (GAAP)	\$ 10,470	\$ 10,815	\$ 10,173	\$ 9,140	\$ 8,350	\$ 21,285	\$ 16,765
Less: merger and acquisition expenses	562	958	14	-	-	1,520	-
Adjusted non-interest expense (non-GAAP)	9,908	9,857	10,159	9,140	8,350	19,765	16,765
Net interest income	12,521	11,312	11,900	11,005	9,853	23,833	19,880
Non-interest income	3,431	2,850	3,710	3,037	2,752	6,281	5,383
Total revenue	15,952	14,162	15,610	14,042	12,605	30,114	25,263
Efficiency ratio (non-interest expense / total revenue)	65.63%	76.37%	65.17%	65.09%	66.24%	70.68%	66.36%
Adjusted efficiency ratio (non-GAAP)	62.11%	69.60%	65.08%	65.09%	66.24%	65.63%	66.36%
Tangible Book Value per Share and Tangible Common Equity Ratio:							
Shareholders' equity (GAAP)	\$ 174,968	\$ 169,471	\$ 164,503	\$ 160,098	\$ 157,659	\$ 174,968	\$ 157,659
Less: goodwill and other intangible assets, net	7,016	7,020	7,031	7,049	7,074	7,016	7,074
Tangible common equity (non-GAAP)	167,952	162,451	157,472	153,049	150,585	167,952	150,585
Common shares outstanding	15,541	15,020	14,710	14,695	14,695	15,541	14,695
Book value per share	\$ 11.26	\$ 11.28	\$ 11.18	\$ 10.89	\$ 10.73	\$ 11.26	\$ 10.73
Tangible book value per share (non-GAAP)	10.81	10.82	10.71	10.42	10.25	10.81	10.25
Total assets (GAAP)	\$ 1,510,751	\$ 1,448,508	\$ 1,431,688	\$ 1,468,458	\$ 1,302,519	\$ 1,510,751	\$ 1,302,519
Less: goodwill and other intangible assets, net	7,016	7,020	7,031	7,049	7,074	7,016	7,074
Tangible assets (non-GAAP)	1,503,735	1,441,488	1,424,657	1,461,409	1,295,445	1,503,735	1,295,445
Tangible common equity to tangible assets (non-GAAP)	11.17%	11.27%	11.05%	10.47%	11.62%	11.17%	11.62%